

MEMO# 2831

June 10, 1991

SEC SEEKS COMMENTS ON AMERICAN DEPOSITARY RECEIPT MARKETS

June 10, 1991 TO: SEC RULES COMMITTEE NO. 32-91 CLOSED-END FUND COMMITTEE NO. 12-91 INTERNATIONAL COMMITTEE NO. 8-91 INVESTMENT ADVISERS COMMITTEE NO. 24-91 INVESTMENT ISSUES COMMITTEE NO. 3-91 RE: SEC SEEKS COMMENTS ON AMERICAN DEPOSITARY RECEIPT MARKETS

The Securities and Exchange Commission recently issued a concept release soliciting public comment on the functioning and characteristics of the American depositary receipt ("ADR") marketplace, as well as related regulatory issues. A copy of the release is attached. ADRs represent ownership interests in a specified number of securities (typically, equity securities of a foreign issuer) that have been deposited by a holder with a depositary (typically, a U.S. bank or trust company). The depositary issues negotiable certificates representing the ADRs in exchange for the deposited securities. According to the concept release, ADRs offer U.S. investors certain advantages over direct ownership of foreign securities, such as facilitation of share transfers and conversion of dividends paid in a foreign currency. The release poses a lengthy series of questions on a number of different topics, which include the following: 1. Possible changes to the existing 1933 Act registration process for ADRs, with respect to disclosure requirements, registration statement liability and information provided or made available to investors; 2. Modification of the application of reporting requirements to ADRs under the 1934 Act; 3. Issues relating to the possible consequences of duplication of "sponsored" ADR facilities (i.e., ADR facilities established jointly by an issuer and a depositary) by "unsponsored" ADR facilities (i.e., ADR facilities established by a depositary without participation of the issuer); and 4. Possible direct SEC regulation of depositaries. The release also requests information from commenters on the costs and benefits associated with any changes to the existing regulatory structure. Comment letters responding to the concept release must be filed by September 30, 1991. If there are positions you would like the Institute to consider including in a comment letter, please contact me. Frances M. Stadler Assistant General Counsel Attachment

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