HMRC - STSM051020 - What Is A Depositary Receipt?

In broad terms, a depositary receipt is defined under the provisions of FA86/S69 (1), FA86/S94 (1) and FA86/S99 (7) as an instrument acknowledging that a person holds stocks or shares, but that another person is entitled to rights in relation to stocks and shares of the same kind including the right to receive such securities.

A receipt typically acknowledges that:-

the issuing depositary bank holds (i.e. has deposited with it or its nominee) securities (often described as depositing shares) or rights to receive them;

the holder of the receipt has rights in or over the deposited shares (i.e. to dividends); and

the holder of the receipt is entitled on surrender of the receipt to a specific quantity of deposited shares or rights to receive them.

Once issued, a depositary receipt can be traded without requiring a change in the underlying company share register, as the legal title to the underlying securities remains in the name of the depositary bank (or that of its nominee).

A depositary receipt is not, under SA1891/S122 , regarded as ‘stock’ or a ‘marketable security’ for the purposes of stamp duty, nor is it a ‘chargeable security’ for Stamp Duty Reserve Tax (SDRT), by virtue of FA86/S99 (6).

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