

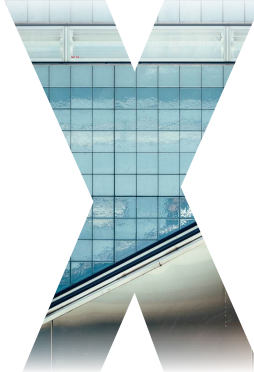


CHESS Depository Nominees Cost Benchmarking

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1. Executive Summary


Benchmarking ASX's CHESS Depository Nominees Pty Limited (CDN) services against global peers


CHESS Depository Interests (CDIs), and depository receipts (DRs) more broadly, are financial instruments designed to provide investors with the economic benefits of foreign financial products where direct legal holdings are not possible in the investors' local market. Variants of the asset class exist in financial markets around the world, albeit in different forms, and with different legal and operational structures.


To understand how CHESS CDI compare to similar instruments, ASX commissioned The ValueExchange to benchmark the costs of using depository nominee services provided by CHESS Depository Nominees Pty Limited (CDN) in respect of CHESS Depository Interests against the costs of similar services in other comparable international markets. In accordance with the benchmarking obligations set out under the *ASIC CS Services Rules 2025*¹, this comparative analysis evaluates the CDN service to ensure its pricing structures remain transparent, fair, reasonable, and aligned with international standards.

By benchmarking the Australian framework against global peers, our findings confirm that Australia's integrated operating model not only fulfils these regulatory principles but also delivers highly competitive, predictable, and structurally efficient cost outcomes for investors in a global market with fundamental structural divergence

 **The Australian and UK markets** each operate under an integrated operating model, where the nominee function is closely incorporated into the central settlement system (ASX, and Euroclear UK & International).

 **In Australia**, the total costs of issuance and investments into depository instruments and receipts are significantly lower than those faced in other markets (namely, for this study, the Americas and Asia), owing to the consolidated nature of ASX's service provision.

 **It is a similar case in the UK** where the total costs of issuance and investments into depository instruments and receipts are also significantly lower than those faced in the Americas and Asia, again due to the consolidated nature of the UK CSD's service provision.

 **US, Brazil, and Singapore depository receipt** models predominantly utilize a 'commercial bank model,' where independent banks (such as JP Morgan (JPM), Bank of New York (BNY), Itaú, and Citi) issue receipts and charge specific fees for custody and conversion, in addition to charges levied by the CSD.

 **Mexico presents a unique outlier**, utilizing a market segment approach (Sistema Internacional de Cotizaciones (SIC)) rather than a depository receipt structure.

¹ <https://www.legislation.gov.au/F2025L00162/asmade/text/explanatory-statement>









This analysis confirms that Australia's CDN services align most closely with the UK's CREST Depository Interests. Both offer distinct advantages in cost efficiency, investor protection, and conversion speed over the commercial bank models of the Americas and Asia. Furthermore, this structural and cost efficiency aligns with Oxera's 2025 benchmarking², which places ASX's clearing and settlement fees in the global low-to-mid range, maintaining high competitiveness despite the economies of scale enjoyed by larger global peers.

Using this report

To guide the reader, this whitepaper is structured to provide both a high-level strategic overview and a deep-dive operational analysis. It begins sequentially with our Key Findings, which outline the primary cost and operational distinctions across the markets. The main body of the paper then defines Australia's CDN Service, introduces the comparable global products, and directly contrasts their fee structures and structural efficiencies. Finally, because the mechanics of depository receipts vary significantly by jurisdiction, the Appendix provides the technical foundation for this study, breaking down the operational and structural dimensions which range from asset safety and investor rights to the conversion processes. The Appendix also includes a comprehensive cost and operational benchmarking analysis comparing the CHES Depository Interest (CDI) model against its global peers.

2. Key Findings

We analysed six comparable depository receipt products in six global markets:

Market	CSD	Product	Depository receipt / depository interests operating structure
 Australia	ASX Settlement Pty Limited (ASX)	CHESSE Depository Interests (CDIs)	Integrated financial market infrastructure (FMI) operating model
 United Kingdom	Euroclear UK & International (EUI)	CREST Depository Interests (CDIs)	Integrated financial market infrastructure (FMI) operating model
 United States	The Depository Trust & Clearing Corporation (DTCC)	American Depository Receipts (ADRs)	Commercial bank model
 Brazil	B3 S.A. - Brasil, Bolsa, Balcão (B3)	Brazil Depository Receipts (BDRs)	Commercial bank model
 Singapore	Central Depository (CDP) operated by the Singapore Exchange (SGX)	Singapore Depository Receipts (SDRs)	Commercial bank model
 México (BMV)	S.D. Indeval, S.A. de C.V., Institución para el Depósito de Valores (Indeval)	Sistema Internacional de Cotizaciones (SIC)	Commercial bank model

The benchmarking exercise identified critical distinctions across four primary themes: cost and operational efficiency, operating structures, investor rights and governance, and asset safety / investor protection.

Cost and operational efficiency

Whilst cost models for the servicing of depositary instruments and Depositary Receipts vary significantly across the world, it is clear that the ASX CDN service is highly cost efficient for both issuers and investors.

Although direct cost comparisons are extremely challenging due to multiple underlying factors, our analysis indicates that CDI issuance in Australia is cheaper than in the UK (the closest equivalent market) for the majority of issuances.

Issuance costs

CHESS Depositary Interest issuers in Australia and CREST Depositary Interest issuers in the UK face a meaningfully different structure versus their global counterparts. In paying only a set of annual fees to the market structure (such as ASX CDN) for the ongoing support of their CDI programmes, their total costs are capped at AUD 143,422 per year. By contrast, issuers in the US, Brazil, and Singapore face both the market infrastructures and commercial banks, both of whom charge for their Depositary Receipt (DR) issuance services (such as custody, FX management, etc.).

Settlement and custody fees

ASX and CDN receive no fees from investors for acting as the depositary nominee (other than standard CSD settlement fees for secondary market transactions). This contrasts with the US ADR model, for example, where 'pass-through fees' for custody are commonly charged directly to the investor alongside the CSD fees

Conversion costs

Australia and the UK are the cheapest markets for converting between the depositary interest and the underlying share. The nominee fee for conversion in Australia and UK is nil / minimal, with costs limited to broker administrative fees (albeit in Australia the Registry may charge the issuer for conversion). Conversely, US, Brazilian, and Singaporean models, operated by commercial banks, treat conversion as a revenue event. The US charge per- share ranges from USD 0.02 up to USD 0.05 per ADR), and crucially, there is no cap, meaning the cost scales linearly with the volume of the trade. Brazil charges a percentage of value and Singapore a block rate. Please refer to the Appendix section 8.11 for more detail on the conversion process



Operating structures

FMI vs. commercial bank models

The FMI integrated approach

Australia (ASX) and the UK (Euroclear UK & International) utilize nominees that provide a complete end-to-end servicing of Depository Instruments, relying on separate legal entities that are highly integrated with the CSD. This integration facilitates a streamlined settlement process where the custodian and registrar play crucial cross-border roles under the central oversight and certainty of the CSD allowing investors to use a single settlement workflow for all international holdings that is comparable to the domestic settlement workflow.

The commercial bank approach

The US, Brazil, and Singapore rely on commercial depository banks (e.g., Citi, JPMorgan, Itaú) to issue receipts (ADRs, BDRs, SDRs). Independent financial institutions create a more defined split in the custody function.

Speed of conversion

The integrated nature of the Australian and UK models allows for rapid conversion times, typically T+1. The commercial models are significantly slower, with timelines ranging from 5 to 15 business days depending on the jurisdiction.

Investor rights and governance

Corporate action friction

Across all forms of depository interest or receipt markets (CDIs, ADRs, BDRs, SDRs), investors face friction regarding corporate actions and voting. Time delays often result in low voter participation or missed proxy deadlines.

Taxation

Foreign withholding tax remains a universal challenge dictated by the source country of the income, regardless of the depository structure employed.

Asset safety / investor protection

While all six structures successfully bridge legal title barriers, they impose varying degrees of governance and protection. The commercialized and contractual custody models of the Americas (ADRs, BDRs, SIC) mean the investor has the contractual right to the shares, but they are often one step removed from beneficial ownership in the strict trust sense. This contrasts sharply with the trust-based protections of the Australian and UK infrastructure models (CDIs). If the nominee or depository goes bankrupt, the assets are legally ring-fenced and cannot be touched by creditors. They belong to the beneficial owner. As global markets transition to T+1 settlement, this distinction becomes critical, as the superior pass-through rights of the universal CDI framework and superior settlement process offer a more efficient pathway for institutional capital than the fragmented, friction-heavy processing of traditional depository receipts.



3. Glossary

| **AU:** Australia

| **ADR:** American Depositary Receipt

| **BACEN:** Central Bank of Brazil

| **BDR:** Brazilian Depositary Receipt

| **B3:** Brazilian Exchange & CSD

| **CCP:** Central Clearing Party / Clearing House

| **CDI:** CHESS Depositary Interest (Australia)

| **CDI:** CHESS Depositary Interest (UK)

| **CDN:** CHESS Depositary Nominees Pty Limited

| **CDP:** The Central Depository (Pte) Limited (Singapore's CSD)

| **CNBV:** Comissão Nacional Bancária e de Valores
(Brazilian regulator)

| **CREST:** The UK CSD (EUI) securities settlement system

| **CSD:** Central Securities Depository

| **CUFS:** CHESS Units of Foreign Securities

| **CVM:** Comissão de Valores Mobiliários
(Brazilian regulator)

| **DB:** Depository bank
(e.g. a commercial bank such as Citi, JP Morgan, etc.)

- | **DR:** Depositary Receipt

- | **DTCC:** US CSD

- | **EUI:** Euroclear UK & International (UK CSD)

- | **FMI:** Financial Market Infrastructure
(i.e. CSD, CCP or Stock Exchange / Venue)

- | **FSCS:** UK's Financial Services Compensation Scheme

- | **GBDI:** Government Bond Depositary Interests

- | **GDN:** (US) Global Depositary Note

- | **Indeval:** Mexico's CSD

- | **SDR:** Singapore Depositary Receipt

- | **SEC:** US Securities & Exchange Commission

- | **SGX:** Singapore Stock Exchange

- | **SIC:** Sistema Internacional de Cotizaciones

- | **SIPC:** US Securities Investor Protection Corporation



4. Australia's CDN service

As part of ASX's provision of post-trade services, CHESS Depository Nominees Pty Limited (CDN) can be appointed as depository nominee, enabling access to foreign issuers and Australian Government debt where direct, legal holdings in CHESS (Australian CSD) are not possible. Referred to as CHESS Depository Interests (CDIs), they are a type of depository receipt which is an internationally accepted means of settling transactions in foreign securities. CDIs allow investors to obtain the economic benefit of foreign financial products without holding legal title. CDIs also enable investors to hold and transfer their interests in financial products electronically via CHESS, which they would be unable to do if they held the financial products directly.

While depository receipts are found in some other jurisdictions (for example, American Depository Receipts (ADRs) in the United States of America), ASX CDIs differ from most other forms of depository receipts.

Scope of the services offered by CDN

Three types of CDIs are supported:



CHESS Units of Foreign Securities (CUFS), which are issued in respect of foreign equity securities.

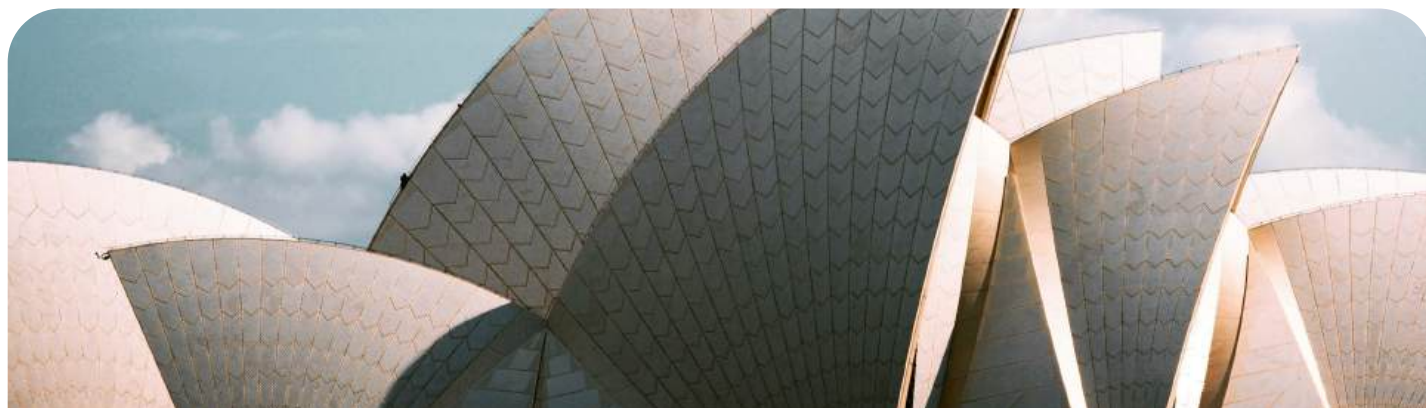


Government Bond Depository Interests (GBDIs).



Depository Interests (DIs), which are issued in respect of bearer securities (such as debt) or where the securities are held in another settlement and depository system.

Currently, CDN is the sole provider of depository nominee services. However, Section 13 of the *ASX Settlement Operating Rules*³ permits other entities to offer these services.



³ASX_Settlement_Rules_Section_13

Beneficial ownership structure including nominee⁴

CUFS



The legal title of the foreign securities is held in the name of an Australian depository nominee. The CDI holder gains beneficial ownership from the depository nominee.

GBDIs



Have a similar legal structure to DIs. For definitional and transparency reasons GBDIs have their own regime.

DIs



There are two tiers of beneficial ownership. The legal title of the foreign securities is held in the name of a nominee agent. The Australian depository nominee gains beneficial ownership from the nominee agent. This forms the first tier of beneficial ownership. Subsequently, the CDI holder gains beneficial ownership from the Australian depository nominee, which creates the second tier of beneficial ownership.

Fee schedule



The pricing approach for the provision of CDN services⁵ consists of a 'one off' appointment fee of AUD 5,000 which is charged to issuers and covers the initial administrative and due-diligence efforts required to onboard the issuer into the CDN framework. An annual service fee is also charged to CDI issuers covering operational support, regulatory compliance, and risk management. This fee is based on the issuer's market capitalisation⁶ and ranges from AUD 4,151 up to AUD 143,422. The CDN fee structure is required by the CS Service Rules, to be transparent, making it easy for clients to understand the costs involved.

Any changes to this pricing structure would be subject to the ASX Cash Equities Clearing, Settlement and Issuer Services Pricing Policy.⁷ The Pricing Policy establishes a framework to ensure fees reflect efficient costs using the regulator endorsed 'Building Block Model (BBM).' To ensure stability and predictability for the market, paragraph 22 of the Pricing Policy dictates that fee schedules are not reviewed arbitrarily. Instead, a review is only launched if a specific "Trigger Event" occurs which, under paragraph 28 of the Pricing Policy, requires public feedback via a public consultation in addition to other analysis including consideration of comparable international pricing and product developments. This process ensures transparency through mandatory stakeholder consultation, and safeguards certainty by locking in any fee changes for a minimum of two years (although exceptions apply as outlined in paragraphs 24 and 30 of the Pricing Policy including a meaningful change in the regulatory environment or market structure).

⁴ A nominee is a company created to hold securities on behalf of its clients. It holds the securities in trust for one or more clients and often only the nominee company is identified on the shareholder register.


⁵ [Chess_Depository_Nominees_Schedule_of_Fees.pdf](#)

⁶ For clarity, the market capitalisation is based on CDIs quoted on Australian markets not the total market cap of the company.

⁷ [Cash_Equities_Clearing_Settlement_and_Issuer_Services_Pricing_Policy.pdf](#)

5. Other markets offering depository receipt products

The following markets all have forms of Depository Receipts / Interests. They involve a nominee / depository bank holding the underlying securities and issuing a local instrument that represents beneficial ownership:

 **United Kingdom**

CREST CDIs
(CREST Depository Interests)

 **United States**

ADRs
(American Depository Receipts)

 **Brazil**

BDRs
(Brazilian Depository Receipts)

 **Singapore**

SDRs
(Singapore Depository Receipts)

México's Sistema Internacional de Cotizaciones (SIC) has also been considered. Whilst SIC does not support depository receipts, it does have a global market segment of the Mexican stock exchange (Bolsa Mexicana de Valores BMV) where foreign securities are listed, quoted, and traded locally. The underlying shares are often held and settled as if they were local, with the local investor retaining corporate rights directly through the Mexican CSD.

It is these five markets that have suitable products to compare to Australia's CDIs.

The Canadian market was considered due to the strong relationship between the Australian and Canadian markets including listings between ASX and the Canadian Exchanges. This relationship has gained in scale over recent months due to the Canadian Stock Exchange' (CSE) purchase of the National Stock Exchange of Australia (NSX) and TMX Group emerging as the likely purchaser of CBOE Australia. Should this transaction take place, it will certainly bring more Canadian companies to the Australian market which could give rise to the listing of more CDIs. However, as it stands there is

not a direct 'depository receipt / CDI model' to compare with CDN at this current time.



6. How does Australia's CDN process compare?



A comprehensive benchmarking of the global depositary receipt landscape reveals a sharp dichotomy in how markets architect cross-border access. Fees, operational and structural considerations have all been analysed. Our findings show that the global standard is not monolithic; rather, it is split between an 'integrated infrastructure model' championed by Australia and the UK and a 'commercial bank model' dominant in the Americas and Asia. This divergence dictates every aspect of the investor experience, from the legal safety of the asset to the speed of settlement and cost.

A. Fees

Fee structures for the issuance and servicing of Depositary Instruments and Receipts vary significantly across the world, both structurally and in dollar terms, making any direct comparison of costs incredibly complex. In summary form the following table depicts our findings:

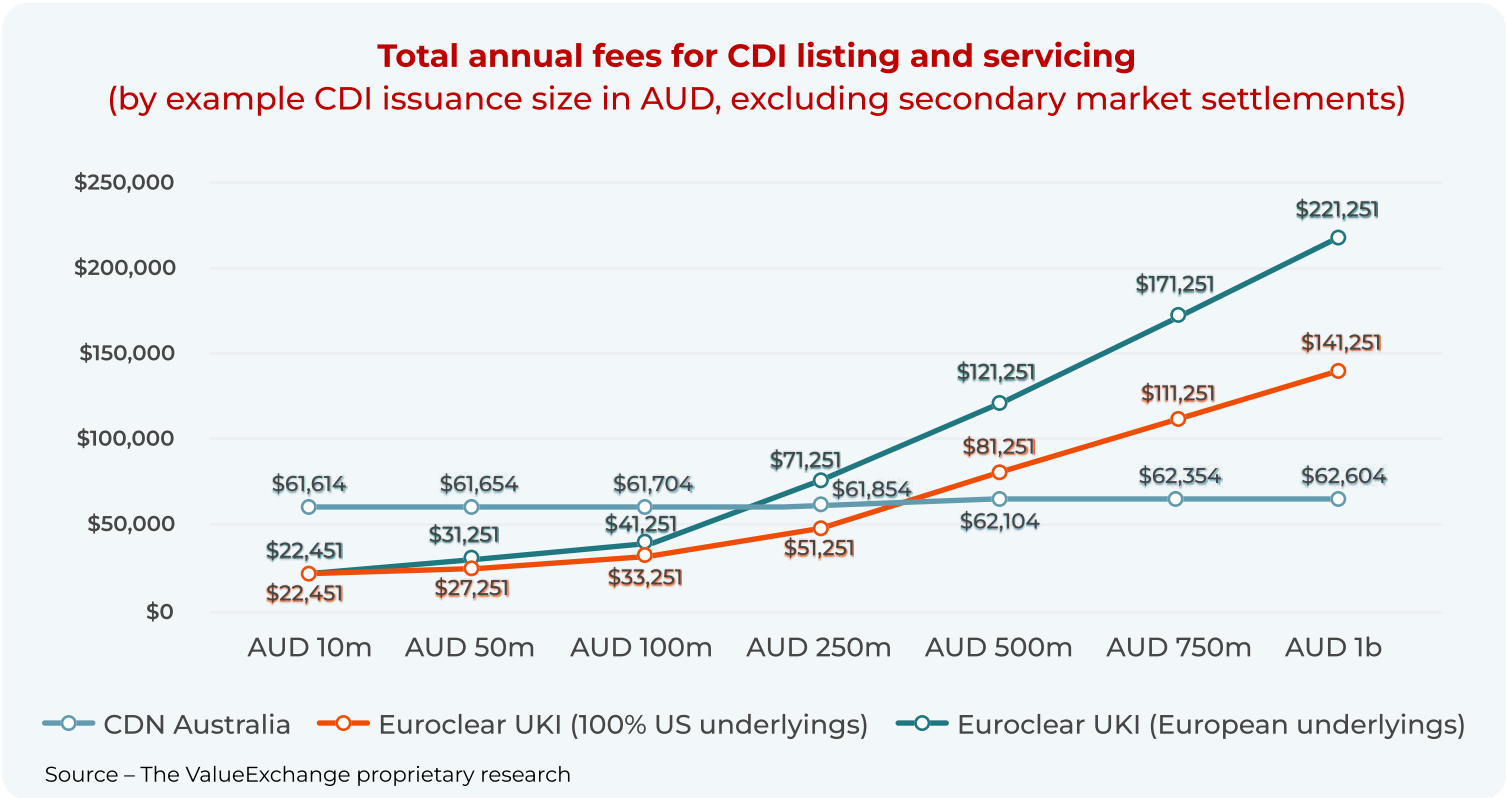
	Paid by	Australia (ASX) CHESS Depositary Interests (CDIs)	Euroclear UK & Intl. CREST Depositary Interests (CDIs)	US American Depositary Receipts (ADRs)	Brazil (B3) Depositary Receipts (BDRs)	Singapore Depositary Receipts (SDRs)
Initial or listing costs / Annual service fees	Issuer	Yes listing and annual	No initial / Yes annual	Yes listing and annual	Yes listing and annual	Yes listing and annual
Lifecycle costs (underlying custody, corporate actions, etc.)	Issuer	Yes	Yes	Commercial DR Bank	B3 Bank	Commercial DR Bank
Conversion (Issuance / cancellation costs)	Investor	No	No	Yes	Yes	Yes
Settlement costs	Investor	Standard CSD fees	Standard CSD fees	Standard CSD fees	Standard CSD fees	Standard CSD fees



Breaking the fee segments down into more detail starting with the total costs:

1. Total costs

Given this significant variance in structure (and roles between the market infrastructure and commercial banks), direct comparisons of costs are almost impossible across all peer markets. However, given the closer alignment between the Australian and UK CDIs there is greater comparability which indicates that the total cost of a CDI in Australia and the UK would compare as follows:



Given that the cost of CDN issuance (in Australia) are heavily focused on the total value of CDI issuance (with no variance in cost based on the location of the underlying securities), total costs faced in Australia are largely stable – and generally cheaper than the UK for CDI issuances for the majority of issuances.

However, with costs in the UK focused more heavily on the value and location of the underlying securities held, these cost comparisons can vary significantly.





2. Initial and annual fees

Initial 'one-off' and annual fees vary. ASX CDN charges an appointment fee of AUD 5,000, and an annual service fee of up to AUD 143,422 based on the value of the CDIs in issuance. Other markets levy a series of fixed listing charges (ranging from the equivalent of AUD 450 to AUD 1,000 per year), variable by level of issuance in many cases and annual service-related fees.

Product	Initial appointment / one-off fees	Annual fees	Who physically pays?
CHES CDIs Australia (ASX)	AUD 5,000	Variable from AUD 4,151 to AUD 143,422 (maximum cap). <i>See below</i>	Issuer
CREST CDIs UK (Euroclear UKI)	GBP 0 (No direct CREST listing fee)	Annual International Service Standing Charge: GBP 5,250 (if holding value <GBP 1 million) or GBP 10,500 (if >GBP 1 million) per user.	CREST Participant (broker or custodian)
US American Depository Receipts (ADRs)	USD 300 per CUSIP	Up to USD 0.05 per ADR p.a. (If no dividends are paid, this is charged as a 'Depository Service Fee')	DTC participant (US broker / custodian)
Brazil (B3) Depository Receipts (BDRs)	BRL 3,975 (unsponsored); BRL 9,931 (Level I); BRL 84,413 (Level II and III)	BRL 10,206 (unsponsored); BRL 54,674 (Level II and III)	Sponsoring broker / participant

(Note that comparable pricing for Singapore and Mexico was not received)

Additional clarification:

ASX CDN fees include two levels

Fee	Description	Amount (AUD)
CDN Appointment Fee	This is a one-time, upfront fee charged to issuers who request and receive approval for CDN services. The fee applies at the point of appointment and reflects the administrative and compliance effort required to onboard the issuer into the CDN framework. It covers initial setup activities, including nominee registration, documentation, and system configuration.	AUD 5,000.00
CDN Annual Service Fee	This annual service fee applies to issuers with CDIs quoted on an Australian market where CDN is the selected nominee. The fee is determined based on the issuer's market capitalisation based on CDIs quoted on Australian markets (set at a point in time during the year) and is intended to cover: <ul style="list-style-type: none"> Standard operational support: including nominee maintenance, reporting, and reconciliation. Regulatory compliance: ensuring adherence to market rules and nominee obligations. Commercial risk management: accounting for the legal and financial exposure associated with nominee services 	Variable from AUD 4,151 to AUD 143,422 (maximum cap), based on value of quoted CDIs



3. Lifecycle costs - the cost to create, hold, exit

The costs to create (issue), destroy (cancel/convert), or hold the instrument adds to the distinctions between the CDIs and the depository receipts. This is where the depository bank makes its money (ADRs/BDRs) and where the largest distinction with the CDN model becomes clear with the investor bearing the costs.

Product	Conversion fees (issuance / cancellation)	Custody Fee	Dividend / Corporate Action Fee	Who Ultimately Pays?
CHES CDIs Australia (ASX)	None (CDN charges AUD 0.00) (Broker may charge admin fee)	None (No investor fee. Issuer pays annual CDN fee)	None (Full dividend flows through to end beneficiary)	N/A (Investor pays zero structural lifecycle fees)
CREST CDIs UK (Euroclear UKI)	None CREST Depository charges GBP 0.00 (Broker / Custody fees apply)	International custody charge: levied per market, based on the value of assets held (e.g. USA securities are 1.20 basis points per annum)	None (Full dividend flows through to end beneficiary)	Issuer / CREST participant holding the CDI. (Investor avoids direct CSD lifecycle fees)
US American Depository Receipts (ADRs)	Up to USD 0.05 per ADR (charged by depository bank)	Fees will be charged by commercial DR Banks	Up to USD 0.05 per share (Deducted directly from the dividend proceeds)	Investor (Deducted from account or dividend rights)
Brazil (B3) Depository Receipts (BDRs)	~ 0.10% of value (Variable % + fixed event fee charged by depository bank)	~ 0.01% - 0.05% p.a (Custody fee charged by B3 on the asset value)	~3% to 5% of dividend (Deducted by depository bank before payment)	Investor (Deducted from account)
Singapore Depository Receipts (SDRs)	SGD 5.00 per 1,000 SDRs (Min SGD 50 / Max SGD 1,000)	None directly from issuer (CDP charges standard custody fees) Additional fees will be charged by commercial DR Banks	Up to 1% of dividend (Capped at SGD 50.00)	Investor (pass-through charge)
Mexico (SIC)	Transfer fee only capped at USD 3,000 (Cost to move shares x-border)	Indeval fee + global custodian fee (Bps on AUM held in the system)	Global Custodian fee (pass-through of foreign custodian charges)	Investor (via broker fees)





Additional clarification:

CREST CDIs

Some CDIs may have mark-ups or different trading fees through a market maker.

US ADRs

ADR pass-through fees (custody, dividend processing fees) are common and charged by the depository bank to the investor directly typically annually or quarterly. Lifecycle processing charges apply to corporate actions and other events, with additional fees for participant-initiated actions such as inventory management or transferring assets to direct holdings.

The DTC nominee service fee follows a cost-plus structure regulated by the SEC, ensuring pricing aligns with actual processing costs plus a margin. The pricing approach is a straightforward appointment fee covering the initial setup for issuers and ongoing license maintenance. The appointment fee structure is designed, and required by regulation, to be transparent, making it easy for clients to understand the costs involved.

While the Depository Bank is the beneficiary of the ADR fee (compensating them for cross-border custody), the DTC serves as the central billing utility, collecting these fees from brokers via the Depository Service Fee (DSF) system. The DTC retains a small administrative percentage, but the cost is ultimately borne by the investor as a pass-through charge.

4. Conversion specific fees (issuance and cancellation)

The table below outlines the fees incurred in the issuance and cancellation of DRs or CDIs. Refer to Appendix section 8.11 for more details.

Product	Fee Basis	Typical Rate (charged by Depository Bank / CSD)	Min / Max caps	Who Ultimately Pays?
CHES CDIs Australia (ASX)	None	AUD 0.00 CDN charges no fee	N/A cost is broker admin fees only	Investor
CREST CDIs UK (Euroclear UKI)	None	GBP 0.00 CREST Depository Ltd charges no fee	N/A cost is broker admin fees only	Investor
ADRs USA (DTCC)	Per share	USD 0.01 - USD 0.05 per ADR (e.g., USD 50 for 1,000 ADRs) charged by the depo bank.) + broker / custodian handling fee	No cap (scales with volume)	Investor
BDRs Brazil (B3)	Percentage	0.10% of financial value (tiers down to 0.02% for >BRL 10 million) + broker handling fee	Plus, fixed fee: ~USD 15.00 per event	Investor
SDRs Singapore (SGX)	Block rate	SGD 5.00 per 1,000 SDRs (or part thereof) + broker / custodian handling fee	Min: SGD 50.00 to max: SGD 1,000.00	Investor
SIC Mexico (Indeval)	Per share	USD 0.0075 – USD 0.0095 per share (depends on price)	Min: USD 18.00 to max: USD 3,000.00	Investor



5. Settlement costs - the cost to settle a CDI or DR

CDIs / ADRs / BDRs / SDRs / SIC are all tradeable on the secondary market whereby settlement is essentially 'just another settlement' of a trade. Settlement fees are almost always charged to the broker / CSD participant (very often a custodian or settlement agent) and not the investor directly. The investor pays 'commission' on the trade to the broker and where a custodian or settlement agent is used, they will charge a service fee to settle the transaction on their client's behalf and will typically 'pass through' the CSD settlement costs. No fees are payable to CDN.

Product	CSD Settlement Fee (Charged by the Infrastructure)	Depository / Nominee Fee	Who Ultimately Pays?
CHES CDIs Australia (ASX)	~ AUD 0.90 to AUD 1.30 per trade (Charged by ASX CSD to participant)	AUD 0.00 CDN charges no fee for secondary market settlement	Sponsoring broker / participant (although the costs are typically passed through to the investor)
CREST CDIs UK (Euroclear UKI)	~ GBP 0.45 - GBP 1.00 per trade (Standard CREST settlement fee)	GBP 0.00 - integrated into the CREST settlement fee	CREST participant (broker or custodian) (although the costs are typically passed through to the investor)
ADRs US (DTCC)	~ USD 0.04 - USD 0.10 per trade (DTC Settlement fee)	USD 0.00 - Depository banks do not charge on secondary trading only on dividends / conversion	DTC participant (US broker / custodian) (although the costs are typically passed through to the investor)
BDRs Brazil (B3)	~ 0.0030% of Volume (B3 settlement fee)	B3 integrates depository cost into the exchange / settlement fee	Local broker Then passed to investor
SDRs Singapore (SGX)	~ SGD 0.35 per trade (CDP Settlement Fee)	SGD 0.00 (SDR Issuer does not charge on secondary trading)	CDP participant (broker). (although the costs are typically passed through to the investor)
SIC Mexico (Indeval)	~ USD 0.50 - USD 1.00 (Indeval settlement charge per movement)	Global custodian fee (Indeval passes on the fee from the GC)	Local broker (Indeval participant) (although the costs are typically passed through to the investor)





Additional clarification:

CREST Settlement

Settlement and safekeeping fees are the same as any other delivery settlement instruction (referred to as 'DEL') i.e. settlement of a pure cash trade (securities financing transactions have their own transaction and fee type). EUI operates on a 'cost-plus' model. Pure settlement costs use a sliding scale at a 'Parent Discount Group Level.' Essentially, the higher the daily volume, the lower the fee. The basic unit settlement cost starts at GBP 0.425 with a GBP 0.35 surcharge for debt instructions (no messaging or account related fees).

DTC Settlement

Settlement and custody fees are the same as any other DTC eligible asset DTCC operates on a 'cost-plus' model. Note that all DTC / DTCC price schedules are publicly available and must be filed with the SEC.

6. Summary - CDN's cost efficiency

ASX CDN service delivers superior cost efficiency for both issuers and investors. This is not coincidental; it is a direct result of CDN's structural DNA. Because CDN is integrated into the CSD rather than operating as a decentralized commercial profit centre it eliminates the compounding fees inherent in the Americas and Asia-Pacific depositary models.

For the investor

The CDN model removes frictional costs from the investors path, ensuring that they retain the full economic benefit of the underlying asset:

Zero conversion cost

Unlike commercial banks that treat conversion as a revenue event (charging up to USD 0.05 per ADR or ~0.10% for BDRs), CDN charges AUD 0.00 for issuance and cancellation.

Zero custody related fees

CDN receives no direct ongoing custody fees from the investor, contrasting sharply with the asset-based fees or depositary service fees found in the US and Brazil.

Full dividend pass-through

In commercial models, depositary banks routinely deduct fees from corporate actions (e.g., up to 5% of dividends in Brazil, or up to USD 0.05 per share in the US). CDN structurally mandates a 100% pass-through of all economic benefits, ensuring zero yield degradation for the investor.

For the issuer

While the CDN model relies on the issuer to fund the infrastructure, it does so through a highly predictable and capped fee schedule:

Capped annual service fee

Issuers face a highly transparent structure: a one-off appointment fee of AUD 5,000 and an annual service fee capped at a maximum of AUD 143,422. Because this fee is based purely on the value of CDIs in issuance, costs are insulated from the geographic location of the underlying securities.

Global competitiveness

This consolidated approach makes Australia highly competitive even against its closest structural peer, the UK. For CDI issuances exceeding AUD 250 million, Australia proves to be the cheaper jurisdiction, offering a stable annual cost of roughly AUD 62,000 compared to the UK's variable GBP 51,000 – GBP 71,000 range.

No hidden fees

By absorbing the operational support and regulatory compliance costs into a single, transparent annual fee, the issuer ensures their investors are not subjected to the fragmented, multi-layered charging structures of commercial depositary banks.

B. Structural and operational considerations

As outlined in detail in Section 8 'Appendix', specifically 8.1 through to 8.11, eleven key operational and structural dimensions of the global depository interest / receipt landscape have been assessed: and our benchmarking analysis reveals a fundamental split in the global landscape. The 'infrastructure model' (Australia & UK) and the 'commercial model' (Americas & Asia) differ not just in cost, but in their foundational DNA.

For a comprehensive breakdown please refer to section 8 Appendix.

1. Structural architecture

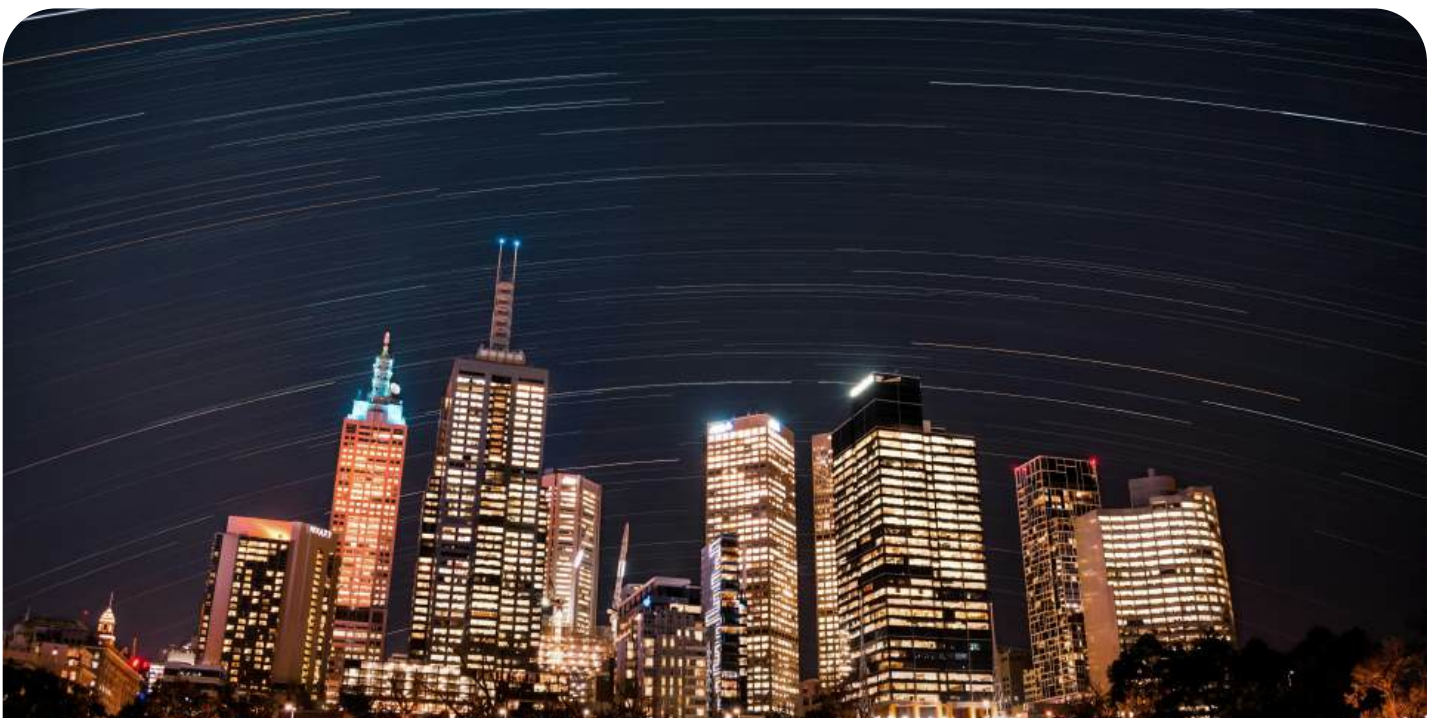
The primary distinction lies in the relationship between the nominee and the central market infrastructure.

Integration vs. Fragmentation

In Australia and the UK, the nominee function (CDN and CREST Nominee) is integrated directly into the CSD as a core market utility facilitating a link between the foreign registrar and the domestic settlement participant. This creates a tightly integrated model capable of holding foreign equity and debt within a single legal framework. Conversely, the US, Brazilian, and Singaporean models rely on a fragmented network of commercial depository banks (e.g., JPMorgan, Citi) as a transactional middleman to issue receipts (ADRs, BDRs, SDRs), resulting in a siloed ecosystem where access is treated as a commercial product rather than public infrastructure.

Barriers to Entry

The integrated model offers significantly lower barriers. Issuers in Australia and the UK require no special CDI license beyond standard CSD admission (including the regulation and supervisory oversight of them). In contrast, the US and Brazilian models impose significant regulatory hurdles (e.g., SEC registration, CVM authorization) on issuers and depository banks to establish programs.



2. Operational mechanics

The structural design directly impacts the operational ease vs friction and cost of the instrument.

The conversion process

This is the most significant operational differentiator. Because CDN treats conversion as an administrative function, it charges no fees and achieves settlement on a T+1 basis. In the commercial model, conversion is a revenue event; depositary banks charge per-unit fees (e.g., USD 0.05 per ADR) and settlement can drag to 5–15 days. This structural efficiency enables Australian CDIs to trade with tighter arbitrage spreads than their commercial peers.

Asset safety

Across all jurisdictions, the nominee holds legal title while beneficial ownership is held by the investor. ASX rules add further protection through a trust law framework, strictly ring-fencing beneficial ownership from the nominee's insolvency ensuring investors retain indisputable beneficial ownership of the underlying share. Whereas the 'commercial bank model' typically relies on contract law (Deposit Agreements), where investor safety is more dependent on regulatory compensation schemes (like SIPC) and the operational solvency of the commercial bank.

Entitlements & rights

Friction in corporate actions is universal. However, CDN mitigates this through a mandatory pass-through structure. Unlike commercial depositaries that may retain voting rights for 'unsponsored' programs, CDN is structurally designed to pass full economic and voting entitlements to the beneficial owner.

CCP eligibility

All six analysed jurisdictions have integrated their instruments into central clearing. CDIs are fully eligible for novation and netting via ASX Clear, ensuring foreign securities benefit from the same risk efficiencies as domestic equities.

FX & currency risk

Our analysis confirms that FX risk is fully borne by the investor across all models. CDN acts as a neutral, unhedged vehicle; Australian CDI holders retain dual exposure to both the asset price and the currency cross-rate.



3. CDN's strategic operational advantage

The CDN services inherently remove the friction, lag, and risk associated with decentralized depository banks.

Structural simplicity

The defining advantage of the CDN framework is its integration. By absorbing the nominee function directly into the central settlement environment, Australia connects the foreign registrar directly to the domestic participant. This structural choice eliminates the fragmented network of commercial depository banks that act as transactional middlemen in the Americas and Asia. Consequently, issuers face significantly lower barriers to entry, requiring no bespoke CDI licenses or complex regulatory authorizations to access the market.

Operational velocity

This structural integration directly dictates market speed. Because CDN treats conversion as a standard administrative settlement rather than a revenue-generating event, it achieves rapid T+1 settlement. In stark contrast, commercial models (ADRs, BDRs, SDRs) endure settlement lags of 5 to 15 days as commercial banks process bespoke, fee-heavy conversion events. For the Australian market, this low-latency, frictionless pipeline is critical for maintaining tight arbitrage spreads and maximizing liquidity.

Protection and governance

While commercial models often rely on contract law the CDN model utilizes a strict trust law framework. This ensures assets are legally ring-fenced from insolvency, while structurally mandating the full pass-through of all economic and voting entitlements to the beneficial owner.

7. Conclusion

Blending the stability of a CSD utility with the revenue sustainability of a modern service provider this comparative analysis of ASX CDN against its global peers identifies that Australia possesses a robust, cost-effective, and operationally efficient framework for holding foreign securities.

The Australian approach minimizes administrative burden and structurally removes the frictional costs that plague other jurisdictions. The absence of direct nominee fees and the capability for rapid T+1 conversion provide Australian investors with a frictionless, low-latency pipeline for cross-border access. This ensures that the arbitrage mechanism, critical for keeping prices aligned with the home market, is restricted only by market liquidity, not by structural conversion costs. When combined with superior asset safety and ownership transparency, the CHES CDI emerges as a superior instrument for liquidity, outperforming the fee-heavy, multi-layered ADR, BDR, and SDR structures. Furthermore, its cost efficiency provides significant advantages for both investors and their providers, remaining highly competitive even against its closest structural peer in the UK.

While the legal separation of beneficial ownership and legal title is a standard feature across all studied jurisdictions (except Mexico), the integrated CSD model used by Australia and the UK minimizes the administrative burden on the investor by integrating the nominee function directly into the CSD. The absence of direct

nominee fees and the rapid T+1 conversion capability provide Australian investors with a highly efficient, low-latency mechanism for cross-border access that the fee-heavy, multi-layered US and Brazilian models cannot match. For investors and issuers, this represents the best of both worlds: the operational speed of a CSD-integrated nominee combined with the open market access and service accountability of a commercial provider.

Looking forward, while the Americas and Asian commercial offerings look to expand product lines, the Australian CDI (and UK CDI) model, due to its operation by a systemically important national infrastructure needs to prioritise the resiliency of the system which is so fundamental to the highly efficient, low-cost settlement environment which typifies the CDN services.

Despite this inherent tension, the CDN service stands at a pivotal opportunity. As a mature, stable, and highly efficient standalone service and revenue line, the ASX CDN model holds the potential to deliver the best of both worlds: the uncompromising operational speed and safety of a CSD-integrated nominee, combined with the open market access and service accountability of a commercial provider. As it continues to evolve, the CDN framework deepens the capacity for foreign investing for Australian investors and proves to be a highly enticing proposition for global issuers seeking friction-free, cost-efficient expansion into the market.



8. Appendix

How does Australia's CDN compare? Detailed analysis.

This section compares the six products across a number of features ranging from scope to process to legal aspects and strategic outlook. The comparisons are largely in table form for easier comparison.

1. Scope

The scope and breadth of the depository receipt products across the six markets sees Australia being in line with its global peers:

Australia (ASX) CHESSE Depository Interests (CDIs)

Allows foreign securities and Australian government bonds that are not eligible for settlement in CHESSE to be traded on Australian markets.

CDIs are sponsored by the issuer.

Euroclear UK & Intl. CREST Depository Interests (CDIs)

The CDI is a UK-registered security that represents an equivalent interest (usually 1:1) in the underlying foreign securities (mainly equities but also corporate, bonds and Eurobonds), which is held by a custodian / nominee in the home CSD.

This mechanism allows the security to be traded and settled electronically within the CREST system.

CDIs are sponsored by the issuer.

US American Depository Receipts (ADRs)

Allows non-US shares to be traded on US exchanges (NYSE, Nasdaq) or OTC markets.

An ADR is a negotiable certificate representing ownership interest in a non-US company's securities.

Technically ADRs can represent debt, but almost never do as bonds have Global Depository Notes (GDNs) for foreign bonds.

ADRs are sponsored (Levels I/II/III) & unsponsored.

Brazil (B3) Depository Receipts (BDRs)

Allows non-Brazilian company securities (shares, ETFs, etc.) to be traded on the B3 (Brazilian Stock Exchange).

Singapore Depository Receipts (SDRs)

Issued for foreign securities to be traded on the SGX (Singapore Stock Exchange).

México (BMV) Sistema Internacional de Cotizaciones (SIC)

SICs are not a depository receipt per se but an exchange mechanism that allows international stocks / ETFs to be quoted and traded domestically on the BMV (Mexico Stock Exchange).

2. Role of the CSD

As outlined in Section 4, ASX CDIs utilize a nominee (CDN) associated with the CSD thereby integrating the mechanism more tightly into the settlement system.

The UK operates a similar system. CREST Depository Limited issues the CDIs and CREST Nominee Ltd hold the beneficial interest. Settlement typically takes place in CREST, the UK CSD's (Euroclear UK & International) system, but can take place cross-border where CSD links are in place. ASX and EUI have created a 'universal wrapper' in their respective CDIs.

Whereas ADRs and BDRs are issued and managed by commercial depository banks independent of the CSD. Depository banks hold the underlying foreign ordinary shares, or bonds, and issue e.g. ADRs to investors, acting as the legal issuer managing shareholder rights and ensuring compliance with the relevant regulations and obligations on behalf of the foreign companies. The relationship between the depository banks and the foreign companies is primarily transactional without direct involvement from the foreign issuers.

Australia (ASX) CHESS Depository Interests (CDIs)

Integrated model under the ASX parent entity.

The underlying securities are held via a nominee / custodian in the foreign jurisdiction.

- Foreign company issues the CDIs.

- CHESS Depository Nominees (CDN) can be the nominee (a separate legal entity from the CSD) although it can be another party.

- ASX Settlement Pty Limited operator of the CHESS system where settlement takes place.

Euroclear UK & Intl. CREST Depository Interests (CDIs)

Integrated model under the EUI (Euroclear UK & Intl) parent entity.

The underlying securities are held via a custodian / nominee in the foreign jurisdiction.

- CREST Depository Ltd issues the CDIs.

- CREST Intl Nominee Ltd holds the beneficial interest in the underlying foreign securities.

- Euroclear UK & Intl. (EUI), the UK CSD, often referred to as CREST is the system where settlement takes place.

US American Depository Receipts (ADRs)

US nominee system is a participant model. Depository banks (e.g. JPM, Citi), who must be participants at DTCC, are the issuer of ADRs.

The depository banks hold the underlying foreign ordinary shares and issue (ADRs) to investors, acting as the legal issuer of the ADRs.

Settlement takes place in DTC like any other eligible security.

Brazil (B3) Depository Receipts (BDRs)

Issued by a Brazilian Depository Institution (e.g., Itaú Unibanco, Banco B3), an independent institution authorized by the CVM/BACEN.

Singapore Depository Receipts (SDRs)

Issued by a Depository Bank (often a financial institution).

México (BMV) Sistema Internacional de Cotizaciones (SIC)

N/A (SIC is a market segment operated by the BMV)

3. Is there a choice of providers for the nominee / depository function?

Again, there is a distinction between Australia and UK (CHESS and CREST) vs the commercial offerings in the US, Brazil, and Singapore.

Australia (ASX) CHESS Depository Interests (CDIs)

Limited choice for the nominee; CDN is selected by the issuer, but other companies can be appointed.

Euroclear UK & Intl. CREST Depository Interests (CDIs)

No. CREST Nominee Limited is the single nominee.

US American Depository Receipts (ADRs)

Multiple depository banks (JPM, BNY, etc.) compete to issue and manage the programs.

Brazil (B3) Depository Receipts (BDRs)

Limited choice for the nominee; usually B3 Bank is selected by the issuer, but other companies can be appointed.

Singapore Depository Receipts (SDRs)

Multiple depository banks are available.

México (BMV) Sistema Internacional de Cotizaciones (SIC)

N/A (SIC is a market segment operated by the BMV)



4. Summary of key roles (excluding CSD, nominee, depository, and exchange)

Outside of the exchange, the CSD, and the central nominee / depository institution, several critical service providers ensure the custody, trading, and record-keeping for these products.

The roles involved are defined by two key factors: the home market of the underlying stock and the host market of the trading receipt.

Role / Entity	Core Function
Registrar / Transfer agent	Maintains the official legal register of shareholders in the foreign issuer's home country. This is the entity that updates the register when the nominee / depository cancels or issues a receipt.
Broker	Executes the buy / sell orders on the host market exchange and acts as the primary interface for the investor. They manage the investor's sub-register account (e.g., CHESS sponsorship).
Local custodian	Holds the trading instrument (e.g., SDR, ADR) on behalf of the investor's broker in the host CSD (e.g., CDP in Singapore for SDRs, DTCC for ADRs).
Custodian	Holds the underlying shares in the issuer's home market on behalf of the depository / nominee. This entity handles all local settlement and corporate actions.
Market maker	Independent brokers who stand ready to buy and sell the DR. They are key to the arbitrage process, constantly monitoring the price differential between the DR and the underlying share to facilitate quick issuance (deposit) or cancellation (withdrawal) to ensure price alignment and provide liquidity.

Being more specific, the following characteristics apply to the 6-depository receipt / interest products:

4.1 AU and UK: CHESS CDIs & CREST CDIs

Both the Australian and UK CSDs (ASX and EUI) have highly integrated nominee models whereby the custodian and the registrar have crucial cross-border roles.

Share registrar / Transfer agent

Role	Function	Key providers
Maintains the official shareholder register of the foreign issuer (e.g., Canadian transfer agent for a Canadian issuer listed via CDI on the ASX).	Communicates directly with the nominee (CDN for CHESS, the CREST Nominee for CREST) to confirm the deposit / withdrawal of shares during conversion (issuance / cancellation).	Globally recognized providers like Computershare often handle both the foreign register and the local CDI register.

Sponsoring broker / Market participant

Role

In the CHES and CREST systems, the broker is a CSD participant who electronically sponsors the CDI holder's account.



Function

They manage the CDI settlement instructions, handle the cash leg of the settlement, and are the point of contact for the investor regarding conversion instructions. The only difference between the two CDIs is in relation to corporate action instructions whereby in Australia it is usually facilitated by the share registry.



Global / Sub-custodian

Role

Holds the underlying foreign share in the issuer's home CSD (e.g., CDS in Canada, DTCC in the US) on behalf of the local nominee.



Function

Handles local clearing / settlement instructions for the nominee and manages local currency receipt of dividends.



4.2 US ADRs / Brazil BDRs / Singapore SDRs – Depository Bank Model

The model is slightly different to Australia and UK. In the US, Brazil and Singapore, securities are issued by an independent financial institution (the depository bank), which introduces a more defined split in the custody function. The complexity of regulatory requirements and documentation varies by jurisdiction which the depository bank will need to manage. This can impact the efficiency of cross-border transactions and necessitate tailored strategies for asset servicing.

There are also less standardisation and predictability as the depository banks will have different service levels so there is more variability which can impact efficiency levels e.g. the conversion / settlement / asset servicing processes. The relationship between the depository banks and the foreign companies is primarily transactional, with the depository banks facilitating the conversion and servicing of ADRs without direct involvement from the foreign issuers.

Finally, these markets also see much higher levels of structural complexity in their ranges of DR programmes (for example US ADRs ranging from unsponsored to Levels I, II and III detailed in section 8.12), with each level impacting roles, scope, and costs.



Global custodian (the depositary's custodian)

Role	Function
A major global bank (often the depositary bank itself, or its contracted sub-custodian) acts as the custodian in the home market.	This custodian holds the physical underlying foreign shares and ensures they are segregated and accounted for, receiving the legal title from the issuer's registrar. They are the initial recipient of dividends and corporate action notices from the issuer.

CCP / CSD (for these markets it is the same entity)

Role
<p>A major global bank (often the depositary bank itself, or its contracted sub-custodian) acts as the custodian in the home market.</p> <ul style="list-style-type: none"> ADRs: Cleared and settled through the DTCC. SDRs: Settled and custodised through the CDP. BDRs: Settled and cleared through B3.

4.3 Mexico's SIC

Since the SIC is a market segment for trading foreign securities (not a depositary receipt), the intermediary roles are simplified, focusing on the custody chain.

Indeval's custodians

Role	Impact
<p>Mexico's CSD, Indeval, has established direct custody links with major global custodians to hold the underlying shares. This is the most unique part.</p> <ul style="list-style-type: none"> Citibank N.A.: Custodian for US and Canadian securities. Euroclear Bank: Custodian for securities from the rest of the world. 	This streamlined custody model is why the SIC structure avoids the voting / corporate action friction of the DR model as the custody chain is shorter and directly managed by the local CSD's foreign partners.

Local Broker - Casa de Bolsa

Role	Function
The exclusive intermediary for the retail investor.	Only authorized Mexican brokerages (Casas de Bolsa) can execute trades on the SIC, manage the investor's custody account within Indeval, and handle the communication of corporate actions from Indeval's foreign custodians.

5. Licenses required

Australia (ASX) CHESS Depository Interests (CDIs)

Issuer must comply with a market operator's listing rules and the specific requirements for CDIs, as well as the ASX Settlement Operating Rules. The nominee must be a settlement participant.

Euroclear UK & Intl. CREST Depository Interests (CDIs)

There is no special CDI license (as CREST Depository Ltd, a subsidiary of Euroclear, is the issuer). The nominee must be a CREST participant meeting the relevant EUI entry requirements and FCA permissions.

US American Depository Receipts (ADRs)

SEC registration is required for Level II / III sponsored ADRs by the nominees.

The depository bank requires specific US regulatory licenses.

Brazil (B3) Depository Receipts (BDRs)

Depository institution must be authorized by the Central Bank of Brazil (BACEN) and accredited by the CVM.

Singapore Depository Receipts (SDRs)

Subject to MAS (Monetary Authority of Singapore) and SGX requirements.

México (BMV) Sistema Internacional de Cotizaciones (SIC)

Local broker-dealers must be licensed by the CNBV to operate on the SIC.



6. Legal title / ownership

Across CHESSE CDIs, CREST CDIs, ADRs, BDRs, and SDRs, the investor generally holds beneficial ownership, while the legal title is held by a designated nominee or depositary bank / custodian. This separation is the defining feature of the depositary structure, enabling local settlement.

The legal distinction is important: the holder of a CDI or DR is not the shareholder of record but has a contractual right to the benefits (dividends, voting power) of the underlying share.

Australia (ASX) CHESSE Depositary Interests (CDIs)

Holder has beneficial ownership. Legal title is held by a local nominee company in the issuer's home country, typically CHESSE Depositary Nominees Pty Ltd (CDN). The CDI is held in the CDI register using the name on register model.

Euroclear UK & Intl. CREST Depositary Interests (CDIs)

Holder has beneficial ownership. Underlying shares are held by a custodian / nominee in the UK.

US American Depositary Receipts (ADRs)

Holder has a receipt (ADR) representing ownership of the underlying shares, which are held by a custodian in the issuer's home country on behalf of the US based depositary bank.

Brazil (B3) Depositary Receipts (BDRs)

Holder holds the BDR certificate, representing beneficial interest. Underlying securities are held by a custodian on behalf of a local depositary institution.

Singapore Depositary Receipts (SDRs)

Holder generally has beneficial ownership.

México (BMV) Sistema Internacional de Cotizaciones (SIC)

Local investor has the same corporate and proprietary rights as local investors in Mexico. No depositary receipt is created, only a local quotation and trading mechanism.

Ownership and transfer restrictions (i.e. the reason for the CDI / DR structure)

Key limitation

The foreign security (e.g., an Australian share or a Brazilian share) may be legally restricted from being settled in the foreign CSD (like DTCC in the US or CREST in the UK). This is due to company law or CSD rules requiring the beneficial owner's name to be on the local register.

The solution

The DR system bypasses this. The nominee or depositary bank is the sole registered legal shareholder in the home country, satisfying local law, while the *receipt* is traded locally in the host country, granting the holder beneficial ownership.

Examples

ASX CDIs: Investors hold a CDI, with the legal title held by CHESSE Depositary Nominees Pty Ltd (CDN).

BDRs / ADRs: The underlying shares are held by a custodian in the home 'local' country and the local investor holds the certificate (DR) in the host country (Brazil or US).

7. Asset safety and investor protection

When we look at asset safety across these six jurisdictions, a clear divide emerges between a 'trust model' (Australia, Singapore, UK) and the 'contractual / custody model' (US / Latin America).

The Trust Model (Australia, UK, Singapore)

Structure <p>The nominee holds the underlying assets on trust for the investor.</p>	Safety <p>This is regarded as the 'gold standard.' If the nominee or depository goes bankrupt, the assets are legally ring-fenced and cannot be touched by creditors. They belong to the beneficial owner.</p>	Rights <p>Voting and dividends flow through largely unimpeded because the trustee has a fiduciary duty to pass them on.</p>
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The Contractual / Custody Model (USA, Brazil, Mexico)

Structure <p>The relationship is governed by a depository or custody agreement. The investor will have a contractual right to the shares, but as they are often one step (potentially more) removed from beneficial ownership in the strict trust sense.</p>	Safety <p>Protection relies heavily on regulatory supervision (SEC, CVM, CNBV) and compensation funds (SIPC, MRP) rather than just trust law.</p>	Rights <p>Voting is often best efforts or restricted. If you hold an unsponsored ADR or BDR, the depository bank may not even be obligated to let you vote.</p>
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Product	Legal Structure (How its owned)	Asset Safety (Segregation Status)	Investor Protection (Broker Failure Scheme)	Voting Rights (Can you vote?)	Dividend Rights (pass-through?)
CHES CDIs Australia (ASX)	Trust (Beneficial Ownership)	Strictly Segregated Assets held by CDN cannot be used for CDN's debts.	National Guarantee Fund (NGF) Assets held by CDN cannot be used for CDN's debts.	Yes (Instruction to Nominee). Mandatory pass-through.	Yes Full pass-through of economic benefits.
CREST CDIs UK (Euroclear UKI)	Trust (Deed Poll)	Strictly Segregated Assets held by CREST Nominee are ring-fenced.	FSCS Up to GBP 85,000 per firm for investment loss <i>(Note: Deposit limit rose to GBP 120k in Dec 2025).</i>	Yes (Instruction to Nominee) Facilitated via CREST voting service.	Yes Full pass-through.
US American Depository Receipts (ADRs)	Contractual (Deposit Agreement)	Segregated Custody Held by custodian bank (e.g. Citi/BNY).	SIPC Up to USD 500,000 (limit of USD 250,000 for cash).	Sponsored: Yes Un-sponsored: No (Bank often retains voting rights)	Yes Bank deducts fee from dividend amount.

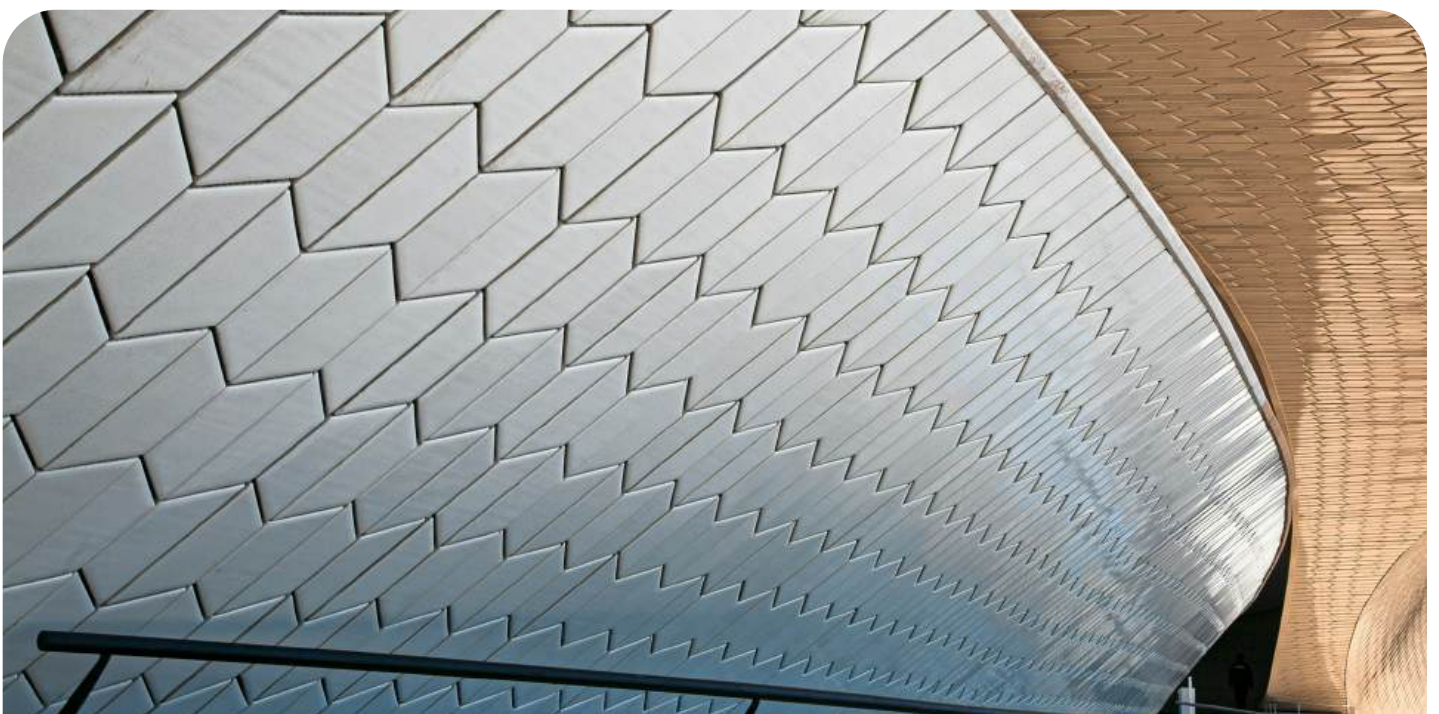
Product	Legal Structure (How its owned)	Asset Safety (Segregation Status)	Investor Protection (Broker Failure Scheme)	Voting Rights (Can you vote?)	Dividend Rights (pass-through?)
Brazil (B3) Depository Receipts (BDRs)	Fiduciary Ownership (Custody)	Segregated Held by depository (e.g. Banco B3 / Itaú / Bradesco).	MRP (BSM) Up to BRL 200,000 (~USD 40,000 USD) per investor for broker failure.	Restricted Un-sponsored BDRs = often no voting rights for Sponsored BDRs = allow voting	Yes ~3-5% fee deducted paid in BRL.
Singapore Depository Receipts (SDRs)	Trust (Deed Poll)	Strictly Segregated Held by CDP (CSD) on trust.	SGX Fidelity Fund Compensates for defalcation (theft) only. <i>(Not a general insolvency fund)</i>	Yes (Instruction to depository) Voting instructions allowed.	Yes Paid in SGD Max 1% fee may apply.
México (BMV) Sistema Internacional de Cotizaciones (SIC)	Custody (Indeval)	Omnibus Account Held by Indeval at Global Custodians.	Fondo de Protección Limited coverage for broker insolvency. <i>(Focus is on small retail savers)</i>	Difficult Execution only market. Voting is often functionally impossible for retail.	Yes Paid in MXN Global custodian fees apply.

Singapore



Unlike the SIPC (US) or FSCS (UK), which covers the investor if a broker becomes insolvent, Singapore's Fidelity Fund is primarily designed to cover theft / fraud by a member.

Implication: It is a narrower safety net. Standard business failure of a broker might not trigger a payout unless there was dishonesty involved.



8. Entitlements and shareholder rights

Corporate actions, voting, and tax are the primary areas where an investor in a depositary receipt structure experiences friction compared to owning the local shares directly.

Australia (ASX) CHESS Depositary Interests (CDIs)

Economically equivalent to the underlying security (dividends, corporate actions). CDI holders can typically instruct the nominee on voting.

Euroclear UK & Intl. CREST Depositary Interests (CDIs)

Economically equivalent to the underlying security. Dividends are paid in pound sterling (or Euros / USD via CREST).

US American Depositary Receipts (ADRs)

Full economic rights (dividends, capital gains). Voting rights often managed via the depositary bank based on the level / program.

However, unsponsored ADRs (largely OTC) there is no agreement between the foreign company and the depositary bank. The bank can change the fees, terminate the program, or withhold voting rights without the foreign company's consent. Meaning fewer rights than if you held the underlying share directly.

Brazil (B3) Depositary Receipts (BDRs)

Full corporate and economic rights. Proceeds (e.g., dividends) are paid in the local currency (BRL).

Un-sponsored BDRs (Level I), the depositary bank is not required to solicit voting instructions from investor. They often vote the shares at their own discretion or abstain entirely.

Singapore Depositary Receipts (SDRs)

Full economic rights associated with the underlying shares.

México (BMV) Sistema Internacional de Cotizaciones (SIC)

Full corporate and proprietary rights as local Mexican investors.

Limitations concerning corporate actions (CAs), voting rights, and foreign withholding tax generally apply across CHESS CDIs, CREST CDIs, BDRs, SDRs, and the SIC, but they manifest differently, particularly for the SIC structure.

The issues stem from either the intermediation layer (the core of depositary receipts) or the source of the income (the core of the tax issue).



8.1 CHESS CDIs, CREST CDIs, ADRs, BDRs, & SDRs

These instruments are all fundamentally similar in that they interpose a nominee (including CDN and CREST Nominee Ltd) or a depositary bank between the investor and the underlying share register.

Limitation	Applicability to CDIs, BDRs, SDRs	Rationale
Corporate action friction	Applies	The necessary step of the nominee / depositary bank (DB) receiving the information, currency, or rights and then forwarding them to the holder introduces time delays and potential FX risk. Complex CAs like rights offerings are particularly challenging due to tight deadlines.
Voting rights difficulty	Applies	Voting requires a pass-through mechanism (the holder instructing the nominee / DB, who then votes the underlying share). This process is logistically cumbersome and often results in low voter participation or proxy deadline failures.
Foreign withholding tax	Applies	The dividend income originates from the foreign issuer (e.g., a US company for a BDR). Therefore, the dividend is subject to the source country's withholding tax before it ever reaches the DB, regardless of where the investor is located.

Voting rights

For most retail investors, voting rights are the most difficult and least utilized privilege of owning an ADR, CDI, or other DR. While the right technically exists for sponsored programs, the mechanism is cumbersome.

Sponsored programs (ADR Levels II & III ADR)

The deposit agreement generally provides for a 'pass-through' of voting rights. The foreign company informs the depositary bank (DB) of a shareholder meeting. The DB then sends the meeting materials (or a summary) and a proxy form to all DR holders.

| The process challenge: The investor must return their voting instructions to the DB by a very tight deadline. The DB then aggregates all votes and executes a single proxy vote on behalf of all DR holders in the issuer's home country.

| Implication: The time taken for the materials to travel from the issuer (e.g., Seoul) to the DB (e.g., New York), be translated/summarized, be sent to the investor, and then for the vote to travel back, means the investor has very little time to make a decision. As a result, many DR holders either miss the deadline or simply do not vote.

Unsponsored programs

Holders of unsponsored DRs do not have voting rights. The foreign company has no relationship with the DB and no obligation to pass on voting materials.

CDI voting

For the CDIs, the voting is typically done by the nominee company (the legal holder of the share) based on the instructions received from the CDI holder, following a similar pass-through model.

Disclosure, governance, and repatriation limitations (relevant to BDRs)

BDRs Repatriation and currency controls: Brazil has strict foreign exchange controls and capital repatriation rules. The BDR structure, and the agreements with the depository institution and local regulators (CVM / BACEN), are necessary to ensure the investor can receive dividends and sale proceeds in their local currency (BRL) and that the depository institution can legally manage the flow of funds back to the home country.

Shareholder rights and enforceability (relevant to ADRs and SIC)

Enforceability: The biggest concern for the host country (e.g., the US SEC) is the enforceability of investor rights in the home country. If a foreign issuer's home jurisdiction has weak regulatory oversight (e.g., limited enforcement, lack of auditor access), US investors are exposed to greater risk.

Variable interest entity (VIE) structures: This is a specific issue, particularly with certain Chinese issuers, where the foreign security listed via an ADR / SDR is not an actual direct shareholding in the operating company, but a contractual interest in an offshore holding company (the VIE). This structure is necessary due to home country laws (e.g., restricting foreign ownership in certain sectors), but it presents major legal and regulatory risk to foreign investors.

8.2 Sistema Internacional de Cotizaciones (SIC) in México

The SIC is unique because it is a market segment, not a depository receipt structure. This structural difference means the limitations related to intermediation are significantly reduced or eliminated, but the tax issue remains.

Limitation	Applicability to SIC	Rationale
Corporate action friction	Largely Reduced	Since the local SIC quotation is tied directly to the foreign security, the Mexican CSD (Indeval) often manages the corporate action flow with fewer legal intermediaries than a DR structure. Corporate actions are generally handled through local custodians, minimizing the unique friction of the DR model.
Voting rights difficulty	Largely Reduced	SIC is a quoting mechanism for local trading, meaning the local custodian / broker chain generally provides Mexican investors with the same corporate and proprietary rights as local investors. There is no receipt to manage, simplifying the process compared to ADRs / CDIs. However, passing a specific voting instruction from a retail investor in Mexico City up the chain to a shareholder meeting in Frankfurt or Tokyo is operationally exceedingly difficult and often not supported by local brokers.
Foreign withholding tax	Applies	Yes, it still applies. Foreign withholding tax is driven by the source of income. If a Mexican investor buys a US-listed stock via the SIC, the dividend paid by the US company will still be subject to US withholding tax (often at the reduced treaty rate) before the funds are delivered to the Mexican investor's account.

Ultimately, the friction related to corporate actions, and voting is primarily an issue of the DR model itself (CDIs, BDRs, SDRs), making the SIC a superior structure. However, foreign withholding tax is a universal challenge for all cross-border investments, including the SIC, as it is dictated by international tax treaties and the laws of the issuer's home country.

9. CCP eligibility

There is no divergence here. The respective DRs are each eligible for clearing in the relevant CCPs (either same entity as the CSD or designated CCP).

Australia (ASX) CHESSE Depository Interests (CDIs)

Yes. CDIs are eligible for clearing and settlement via the ASX's CHESSE system.

Euroclear UK & Intl. CREST Depository Interests (CDIs)

Yes. CDIs are eligible for the clearing processes (e.g., LCH) and settled in CREST.

US American Depository Receipts (ADRs)

Yes. ADRs trading on US exchanges / OTC are cleared and settled via the DTCC / NSCC system.

Brazil (B3) Depository Receipts (BDRs)

Yes. BDRs are listed and traded on the B3, making them eligible for its CCP clearing process.

Singapore Depository Receipts (SDRs)

Likely yes, based on local CCP arrangements (e.g., SGX-DC).

México (BMV) Sistema Internacional de Cotizaciones (SIC)

Yes. Transactions are executed and cleared through the Mexican settlement system (e.g., Indeval).



10. FX and currency risk

Is there exposure and who carries the cost?

Across all six global frameworks, from the integrated CDIs of Australia and the UK to the commercial models of the Americas and Singapore, one principle remains absolute: the FX risk is fully borne by the beneficial owner.

Contrary to the assumption that a local currency quote (e.g., Apple trading in GBP on the LSE) implies a currency-hedged position, depository receipts (ADRs, BDRs, SDRs) and CDIs function strictly as unhedged pass-through vehicles.

The CSDs and nominees act as neutral settlement infrastructure, passing both the economic benefits and the currency volatility directly to the investor. Consequently, institutional and retail holders alike face a dual-layer risk exposure: capital risk (valuation fluctuations derived from the underlying asset's home currency) and income risk (mandatory spot-rate conversion of dividends).

For example, even if a US stock (like Microsoft) is trading in London as a CDI and is quoted in GBP, the investor is still structurally holding a USD asset. CREST can settle in USD or EUR (subject to cash-accounts being requested / set-up), but for most UK retail investors, the broker settles in GBP. The FX risk sits entirely with the beneficial owner. Meanwhile, Euroclear UK & International as the Depository, Nominee and CSD is neutral in the process.



11. The conversion process

The conversion process is effectively the issuance and cancellation. In simple terms:

Cancellation

The investor hands the local receipt (ADR/CDI) back to the depository / nominee. The depository cancels the receipt and instructs its custodian in the foreign market to release the equivalent number of underlying shares to the investor.

Issuance (reverse conversion)

The investor deposits the underlying shares with the depository, which issues a corresponding number of local receipts (ADRs/CDIs) to the investor.

Comparing Australia and UK's CDIs

The Australian and UK CDI systems are generally the fastest and cheapest for conversion, reflecting their design as integrated settlement solutions rather than purely commercial depository programs.

Conversion is a straightforward, common process, often done by investors who want to vote in person at the Annual General Meeting (AGM) or sell the underlying shares on the foreign stock exchange.

Since the nominee is often affiliated with ASX and EUI and the structure is integrated into the domestic settlement process, the direct nominee fee for conversion is typically zero. The cost incurred is mainly the administrative fee charged by the broker for filling out the forms and managing the cross-border delivery instruction. Both the Australian and UK CDIs are very much in line:

Feature	Australia (ASX) CHESS CDIs	Euroclear UK & Intl. CREST CDIs
Scope of action	Conversion to / from underlying share (Legal Title).	Conversion to / from underlying share (Legal Title).
Process	The investor instructs their sponsoring broker (if held on the CHESS sub-register) or the issuer's registry (if held on the issuer-sponsored sub-register). The nominee (CDN) transfers the legal title of the shares out of its name and into the investor's name on the foreign register.	The investor instructs their CREST member / broker to request the removal of the CDIs from the CREST system. The underlying foreign shares are then transferred out of the CREST nominee's custody and into the investor's designated overseas custody account.
Scope of action	Full beneficial ownership of the CDI.	Full beneficial ownership of the CDI.
Intermediary required	Broker / CHESS sponsoring participant.	Broker / CREST member.
Conversion focus	Registration change: Moving legal title in/out of the Nominee (CDN).	Registration change: Moving legal title in/out of the CREST Nominee.
Timing	1 business day (T+1).	1 business day (T+1).
Legal status change	CDI holder gains legal title in the foreign jurisdiction.	CDI holder gains legal title in the foreign jurisdiction.
Purpose	Gaining direct voting rights or selling on the foreign exchange.	Gaining direct voting rights or selling on the foreign exchange.

Cost Profile

Feature	Australia (ASX) CHESS CDIs	Euroclear UK & Intl. CREST CDIs
Settlement fees	Low to none directly from nominee; broker fees apply though.	Low to none directly from CSD; broker fees apply though.
Depository / Nominee fee	AUD 0.00 from the nominee (CDN).	GBP 0.00 from CREST
Broker / Admin fee	Variable: The broker or share registry may charge a handling fee to process the conversion form and instruction.	Variable: Broker may charge a movement/transfer fee (e.g., GBP 20–GBP 60) plus an international custody charge.
Total cost driver	Broker's discretion (for administrative time).	Broker's discretion (for administrative time).

Comparing American, Brazil, and Singapore's depository receipts (ADRs / BDRs / SDRs)

The depository bank (Citibank, Itaú, etc.), being a separate commercial entity, will view the cancellation and issuance of the receipt as a revenue event and charge a specific fee on a per-receipt basis (ADRs / SDRs) or a percentage basis (BDRs). This, combined with the administrative fee from the broker, makes these conversions significantly more expensive than the CHESS and CREST CDIs.

↔ ADRs

Conversion is a core function used heavily by institutional investors.

⚠ BDRs

Conversion is possible but is a more regulated process due to Brazilian exchange control and custody rules. Fees can sometimes be waived by the underlying issuer through incentive programs to consolidate trading elsewhere.

🕒 SDRs

SDR conversion is like ADRs, making the fees (charged by the issuer) and the timeframes (subject to custodian movement) significantly greater than the streamlined CSD-based CDI models in Australia or the UK.

Feature	US American Depositary Receipts (ADRs)	Brazil (B3) Depositary Receipts (BDRs)	Singapore Depositary Receipts (SDRs)
Scope of action	Cancellation (DR → Share) or Issuance (Share → DR).	Cancellation (DR → Share) or Issuance (Share → DR).	Cancellation (DR → Share) or Issuance (Share → DR).
Purpose	The investor instructs their broker, who communicates with the depository bank (DB) (e.g., BNY, JPM). The DB cancels the ADRs and releases the underlying foreign shares to the investor's specified overseas custody account.	The BDR holder must instruct their local Brazilian broker, who coordinates with the depository (e.g., Banco Bradesco) and the foreign custodian. This requires adherence to the specific rules set by the CVM (Brazil's securities regulator).	The SDR holder (or their broker) sends a request to the depository and instructs their broker to deliver the SDRs to the depository's account with CDP (Central Depository (Pte) Ltd). Upon receiving the SDRs, the issuer cancels the SDRs and instructs its custodian to transfer the equivalent underlying foreign securities to the investor's custody A/C.
Required entitlement	Full beneficial ownership of the ADR.	Full beneficial ownership of the BDR.	Full beneficial ownership of the SDR.
Intermediary required	Broker → Depository Bank.	Local Broker → Depository Institution.	Broker → Depository Bank.
Conversion focus	Commercial contract: Terminating / initiating the deposit agreement.	Regulatory control: Adhering to CVM / BACEN rules on foreign assets.	Commercial contract: Terminating / initiating the deposit agreement.
Timing	From a DTCC perspective: T+1 settlement applies and is fully automated. However, the time to settle is dependent on the foreign market rules / conversion bank's processes e.g. variability in automation levels and agent registry capabilities across markets can lead to significant differences in settlement times, with some markets requiring manual processes that extend timelines. Settlement can therefore take between 5 to 15 business days for the conversion to fully settle.	Several business days to 1 to 2 weeks depending on the coordination between the local and foreign custodians and the depository, notwithstanding regulatory checks.	Issuer aims to deliver the underlying securities to the investor's custodian within 3 business days, subject to the settlement time in the underlying foreign market which can increase the timeframe up to 5+ business days.
Legal status change	ADR holder gains legal title in the foreign jurisdiction.	BDR holder gains legal title in the foreign jurisdiction.	SDR holder gains legal title in the foreign jurisdiction.
Purpose	Arbitrage (exploiting price differences) or seeking legal title.	Arbitrage or full repatriation of assets abroad (subject to rules).	Arbitrage or gaining legal title.



Cost Profile

Feature	US American Depositary Receipts (ADRs)	Brazil (B3) Depositary Receipts (BDRs)	Singapore Depositary Receipts (SDRs)
Settlement fees	High: Depository bank fee (approx. USD 0.05 per receipt) + substantial broker handling fee.	High: Depository institution fee (fixed or percentage based) + broker fees.	High: Similar fee structure to ADRs (depository fee + broker fee).
Depository / nominee fee	High: Typically, USD 0.01 to USD 0.05 per receipt (e.g., USD 50 for 1,000 ADRs) charged by the depository bank.	High: Varies, but often a percentage rate (e.g., 0.02% to 0.10%) of the financial value, plus a fixed fee.	High: Fixed fee, typically SGD 50 minimum to SGD 1,000 maximum per transaction (charged by the depository / SGX).
Broker / custodian admin fee	Substantial: Broker / custodian charges a significant handling fee per transaction (can be hundreds of USD) for processing the instruction and liaising with the depository bank.	Substantial: Local broker fees apply, plus foreign exchange / wire fees for repatriation.	Variable: Brokerage fees, for processing the form and transfer instruction. Custodian fees, for receiving and holding the underlying security. CDP transfer fee (e.g., SGD 10.70 per transfer instruction) for moving the SDRs out of the CDP system.
Total cost driver	Depository fee (per share) and broker handling fee (fixed).	Depository fee (value-based percentage) and FX / repatriation costs.	Depository fee (per receipt, subject to min/max) and broker handling fee.

Mexico's SIC model

The SIC position does not involve a 'receipt' and therefore has no 'cancellation' fee from a depository bank. Its conversion is a pure custody transfer, which is cheaper and faster than DR cancellation, but still subject to standard international transfer timelines.

Since there is no receipt to cancel, there is no depository fee. The cost is purely administrative and related to the physical transfer of the security's custody from the Mexican system to the foreign system.



Feature	Details
Process	An investor is effectively holding an interest in the underlying foreign share via the Mexican CSD (Indeval). The process is a cross-border transfer DVP instruction, moving the security from the Indeval to the foreign CSD (e.g., DTCC).
Timing	Standard cross-border transfer times apply, which can be T+2 to several days depending on the settlement links between the CSDs.
Cost	The investor will face the local broker's international transfer fee, the foreign custodian's deposit fee, and any associated foreign CSD or registry costs. No separate cancellation fee from a Depository Bank applies since there is no receipt to cancel.

Fee Illustration

For ADR / BDR / SDRs, the conversion process is a profit centre for the depositary bank.

⚡ ADRs

- Convert: 100,000 shares of an ADR (e.g., Shell or Alibaba). Pay: $100,000 \times \text{USD } 0.05 = \text{USD } 5,000$.
- The price gap between the ADR and the foreign share must be wider than USD 0.05 for a trade to make money.

⚡ BDRs

- Brazil charges based on value, not volume. Convert: BRL 1,000,000 worth of stock. Fee: $\sim 0.10\%$ (BRL 1,000).
- This penalizes high-value stocks but is efficient for e.g. penny stocks. Note that there is also a 5% local services tax (ISS) often added to this fee.

⚡ SDRs

- This is volume-based but capped. Converting 1 million SDRs hits the cap of SGD 1,000.
- This is very friendly for institutional size (large block) trades, as the per share cost drops dramatically once the SGD 1,000 cap gets hit. Note: Some SDRs currently have fee waivers to encourage adoption.

⚡ SIC

- As there is no receipt to cancel, Indeval charges a cross-border settlement fee.
- It is roughly 1 USD cent per share, but with a hard cap of USD 3,000.
- Like Singapore, this favours large institutional flows. Moving USD 50 million worth of Apple into Mexico only costs USD 3,000 (the cap), making it very efficient for big players.

⚡ CHES and CREST CDIs

- While the nominee does not charge, the broker will as the process involves manual forms or cross-border messages, brokers typically charge a flat admin fee (e.g., GBP 50 or AUD 100) per instruction to handle the paperwork.

12. Key distinguishing features of the asset types

Australia (ASX) CHESS Depository Interests (CDIs)

Unique because it is the structure used for both foreign securities and local debt that cannot use CHESS directly (e.g. Australian Government bonds).

Euroclear UK & Intl. CREST Depository Interests (CDIs)

Focus is on UK. Irish equities were historically covered but, post-Brexit, most migrated to Euroclear Bank (although some do remain or are dual listed).

US American Depository Receipts (ADRs)

Three distinct levels (Level I, II, III) and the unsponsored option provide different listing and reporting standards.

Brazil (B3) Depository Receipts (BDRs)

Designed to facilitate access for local Brazilian investors to foreign markets, with trading and settlement in BRL.

Singapore Depository Receipts (SDRs)

Simple mechanism for accessing Asian / Global stocks via the SGX.

México (BMV) Sistema Internacional de Cotizaciones (SIC)

It is a segment of the stock exchange for foreign securities, not a depository receipt. Investors buy/sell a local quote in MXN.

US ADR's 3 Levels

The tiered structure of ADRs is critical as it defines the access the foreign company gains to the US market and the corresponding reporting burden imposed by the US Securities and Exchange Commission (SEC). ADRs are broadly divided into 'sponsored' (where the foreign issuer signs an agreement with the Depository Bank) and 'unsponsored' (where a depository bank issues them without the issuer's direct involvement albeit this is now rare).

ADR Level	Market Access / Trading Venue	SEC Reporting Requirements	Capital Raising?	Purpose for Issuer
Level I	OTC markets	Least stringent. Must meet the Rule 12g3-2(b) exemption (furnish home country documents to the SEC).	No	Establishing a US presence with minimal compliance cost.
Level II	US National Exchanges (NYSE, Nasdaq)	Must fully register with the SEC (Form F-6, Form 20-F annual reports). Must reconcile financial statements to US GAAP or IFRS (as issued by the IASB).	No	Increasing US visibility, liquidity, and prestige via a major exchange listing.
Level III	US National Exchanges (NYSE, Nasdaq)	Fulllest SEC registration. Must file a prospectus (Form F-1/F-3) for the offering in addition to annual reporting (Form 20-F).	Yes , can raise new capital through a public offering of the ADRs.	Raising substantial capital directly from US investors.

The move from Level I to Level III represents a significant increase in the issuer's commitment to US accounting and disclosure standards, reflecting the US regulatory principle of national treatment (treating foreign securities like domestic ones when they list on major exchanges).

This research paper has been prepared by The VX (Canada) Ltd and draws on a range of statistical and qualitative inputs.

Quantitative analysis of cost structures and fees in Europe have been added to interviews of leading market practitioners who are either live or are soon to be live using a centralised platform for European settlements. The information is provided for information purposes only.

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