

February 5, 2007

All scheduled commercial banks
(excluding RRBs)

Dear Sir,

Issue of American Depository Receipts (ADRs)/Global Depository Receipts (GDRs) – Depository Agreement

In the recent past, some banks have raised funds through issue of American Depository/Global Depository Receipts. Under such a mechanism, banks issue shares to the depositories who in turn issue ADRs/GDRs to the ultimate investors. Banks generally enter into an agreement with the depository to the effect that the depository would not exercise voting rights in respect of the shares held by them or they would exercise voting rights as directed by the Board of Directors of the bank.

2. The matter relating to exercise of voting rights by the depositories has been examined by RBI from the angle of corporate governance. In this context, banks are advised to furnish to Reserve Bank a copy each of the Depository Agreements entered into by them with the depositories. Further, to eliminate possibility of any interference of the depositories in the management of the bank, banks should give an undertaking to Reserve Bank that

- (i) they would not give cognizance to voting by the depository, should the depository vote in contravention of its agreement with the bank;
- (ii) no change would be made in terms of the Depository Agreement without prior approval of RBI.

Yours faithfully,

(P. Vijaya Bhaskar)
Chief General Manager