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Indian Depository Receipts And The Limits Of Imported Financial Models

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Abstract

Purpose

Indian Depository Receipts (IDRs) were introduced to permit foreign companies to access Indian capital markets while enabling Indian investors to obtain economic exposure to foreign equity through a rupee-denominated instrument. The mechanism was conceptually derived from the international success of American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs). Yet the Indian market did not develop in the manner anticipated. Standard Chartered PLC's 2010 issue remained the defining IDR experiment and the programme was terminated and delisted in 2020. This paper examines why the legal transplantation of a successful cross-border financing model did not produce a comparable Indian market and what the experience reveals about the relationship between financial globalisation, securities regulation and domestic market conditions.

Design/Methodology/Approach

The study adopts a qualitative, doctrinal and comparative legal-economic methodology. It analyses the Indian statutory and regulatory framework governing IDRs, the historical development of ADRs and GDRs, academic literature on investor incentives and cross-listing, and official material concerning Standard Chartered PLC's 2010-2020 IDR programme. The Standard Chartered issue is used as a longitudinal case study. Quantitative data are used descriptively to examine issue size, instrument structure and programme contraction rather than to estimate causal relationships.

Findings

The paper finds that the weakness of the IDR market cannot be attributed to a single regulatory defect. The model faced a combination of limited issuer incentives, early restrictions on redemption and fungibility, regulatory layering across corporate, securities and foreign-exchange law, insufficient liquidity incentives, and a changing environment in which Indian residents obtained alternative channels for overseas investment. The comparison with ADRs demonstrates that a financial instrument succeeds not merely because its legal form is replicated, but because the surrounding market infrastructure, investor demand, currency environment, transaction costs, disclosure regime and issuer incentives make the instrument economically useful.

Keywords: Indian Depository Receipts; American Depositary Receipts; Global Depositary Receipts; Financial Globalisation.

Article Classification: Research Article

1. Introduction

Financial globalisation has progressively reduced the practical significance of national borders in capital formation. Companies increasingly seek investors beyond their home jurisdictions, while investors seek exposure to firms, sectors and economies outside domestic markets. Depositary receipts emerged as one

mechanism through which these two objectives could be reconciled. Instead of requiring an investor to directly purchase and settle foreign shares under an unfamiliar market infrastructure, a depositary receipt represents an interest in underlying foreign securities held through a depositary-custodian arrangement. The instrument therefore translates foreign equity into a form capable of being traded within another market's institutional framework.

American Depositary Receipts (ADRs) became the most prominent version of this mechanism in the United States. Their success was not based merely on legal engineering. ADRs developed within a deep securities market supported by institutional investors, a strong disclosure system, widely used settlement infrastructure, substantial liquidity and a global currency. Early legal scholarship therefore treated the ADR not simply as a receipt representing foreign shares but as a mechanism through which foreign issuers entered the U.S. regulatory and capital-market environment (Royston, 1985). Later empirical work found that investors' preference for ADRs can be influenced by transaction costs, liquidity and investor-protection conditions in issuers' home markets (Aggarwal, Dahiya and Klapper, 2005).

Global Depositary Receipts (GDRs) extended the basic logic beyond the United States. Indian companies in particular used GDR and ADR routes as instruments for accessing foreign capital and increasing international visibility. Indian scholarship has consequently examined both the financial utility of GDRs and the regulatory risks created by misuse of the instrument (Kousalya and Niranjana, 2017; Khakase, Ronald and Rathi, 2021).

Indian Depository Receipts were designed as the reverse movement. Instead of an Indian company issuing receipts abroad, a foreign company could issue rupee-denominated receipts in India against its overseas equity shares. The objective was attractive in theory. Foreign companies could access a growing Indian investor base, while Indian investors could gain exposure to multinational corporations through a domestic market mechanism without directly operating in an overseas securities account. The IDR therefore appeared to represent a logical next step in India's financial globalisation.

The practical outcome was very different. Standard Chartered PLC became the landmark issuer in 2010. Its prospectus offered 240 million IDRs, with ten IDRs representing one ordinary share, and the issue aggregated approximately Rs. 24.86 billion (Standard Chartered PLC, 2010; SEBI, 2010). Yet no sustained IDR market followed. Standard Chartered ultimately announced termination of the programme in March 2020, and the IDRs were delisted from BSE Limited and the National Stock Exchange of India Limited on 22 July 2020. By 19 June 2020 only around 7.5 million of the original 240 million IDRs remained outstanding (Standard Chartered PLC, 2020).

The central puzzle is therefore not whether India created an IDR framework; it did, and the legal framework continues to exist. The more important question is why the existence of a legally valid instrument did not produce a durable market. SEBI's contemporary guidance continues to recognise IDRs under the Companies Act, 2013, the Companies (Registration of Foreign Companies) Rules, 2014 and the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018. Current regulatory materials also retain partial two-way fungibility (SEBI, 2025; SEBI, 2026).

This paper argues that the IDR experience demonstrates the limits of transplanting a financial-market model without reproducing the institutional and economic conditions that made the original model attractive. The failure of IDRs should therefore not be understood as proof that Indian markets are incompatible with global financial instruments. Rather, it illustrates that successful financial globalisation is context-dependent. Legal form, market depth, investor demand, foreign-exchange rules, taxation, liquidity, issuer incentives and alternative investment channels must operate together before a cross-border instrument can develop into a viable market.

2. Research Gap

Existing literature on depositary receipts can broadly be divided into three streams. The first examines ADRs as instruments of international portfolio diversification and cross-listing. Empirical research has considered whether ADRs offer different risk-return characteristics from domestic securities and why investors choose an ADR rather than the underlying foreign share. Hales and Jackson (2008), for example, find that ADR performance and risk vary significantly by industry. Aggarwal, Dahiya and Klapper (2005) show that investor preference for ADRs is associated with factors such as home-market investor protection, liquidity and transaction costs.

The second stream focuses on the legal and institutional design of depositary receipts. Royston (1985) explained the development of the ADR as a product of both market convenience and U.S. securities regulation. In the Indian context, Kousalya and Niranjana (2017) describe the structure and regulatory characteristics of GDRs, while Khakase, Ronald and Rathi (2021) examine how misuse of GDR structures generated regulatory concerns and enforcement responses.

The third stream concerns the Indian IDR framework. Kumar, Khandelwal and Kalvakolanu (2013) identify legal complexity, exchange-control issues and tax concerns as barriers to market development and treat Standard Chartered's issue as an early test of the instrument. The existing literature is valuable, but much of it was written when the IDR experiment was still developing. It therefore could not evaluate the complete lifecycle of the only major programme from issuance in 2010 to termination in 2020.

A further gap lies in the way the problem is framed. IDRs are often assessed as a regulatory product in isolation: the question becomes whether eligibility rules, tax treatment or redemption should be liberalised. That approach is incomplete. The more fundamental issue is whether the ADR/GDR model depended upon institutional conditions that could not simply be reversed. A foreign company deciding whether to issue an IDR must see an economic reason to raise rupee-denominated capital or cultivate an Indian investor base. An Indian investor must see sufficient convenience, liquidity and pricing efficiency to prefer an IDR over other routes of international investment. A regulator must simultaneously protect investors without creating transaction costs that undermine those incentives.

This paper addresses these gaps by combining a doctrinal analysis of the IDR framework with a longitudinal case study of Standard Chartered and a comparative institutional analysis of ADRs and GDRs. It therefore treats the IDR not simply as an unsuccessful security, but as a case study in the transplantation of a financial-market institution into a different economic and regulatory environment.

3. Research Objectives

To explain the failure of Indian Depository Receipt model to Develop into sustained market and assess whether the framework should be revived, redesigned, or retained as a specialised route in light of alternative overseas investment channels

4. Research Questions

RQ1: Why did ADRs and GDRs develop while IDRs failed to establish a sustained market?

RQ2: What legal, regulatory and market-design factors affected IDR adoption?

RQ3: Does the contemporary financial environment justify retaining or redesigning the IDR framework?

5. Research Methodology

The study adopts a qualitative, doctrinal and comparative legal-economic methodology. The doctrinal component examines the Companies Act, 2013, particularly section 390 relating to the offer of Indian Depository Receipts, the Companies (Registration of Foreign Companies) Rules, 2014, the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, relevant SEBI circulars and the Reserve Bank of India's foreign-exchange framework governing IDRs.

The comparative component examines the institutional logic of ADRs and GDRs through academic and regulatory literature. The comparison is functional rather than mechanical. The paper does not assume that the United States, European and Indian markets are equivalent. Instead, it asks what market functions ADRs and GDRs perform for issuers and investors and whether the Indian IDR framework created comparable incentives.

The empirical element is descriptive. Standard Chartered PLC's IDR programme is treated as a longitudinal case study. Official prospectus material, SEBI publications and Standard Chartered's termination disclosures are used to track the original issue structure and the contraction of outstanding IDRs. This evidence is sufficient to analyse market development and regulatory evolution without claiming a causal econometric relationship.

6. Literature Review

6.1 ADRs, Investor Protection and Market Convenience

The ADR literature demonstrates that a depositary receipt is more than a technical substitute for a foreign share. Royston (1985) traced the development of ADR regulation in the United States and showed how the instrument facilitated access to U.S. markets while subjecting foreign issuers to a distinct disclosure and registration environment. This institutional dimension is central to understanding later empirical research.

Aggarwal, Dahiya and Klapper (2005), using the holdings of U.S.-based emerging-market funds, found that investors were more likely to hold ADRs when issuers came from markets characterised by weaker investor protection, lower liquidity or higher transaction costs. The implication is significant: the ADR's attractiveness can arise from the surrounding legal and market environment, not simply from its status as a receipt backed by foreign shares.

Hales and Jackson (2008) add a portfolio perspective. Their industry-level analysis showed that ADRs do not uniformly outperform domestic securities and that risk-return characteristics differ by sector. The relevance for the present study is that depositary receipts succeed because they satisfy particular investor and issuer needs; they are not automatically superior merely because they facilitate foreign exposure.

6.2 GDRs and Indian Cross-Border Capital Formation

GDRs became an important route through which Indian companies accessed international investors, particularly during periods of capital-market liberalisation. Kousalya and Niranjana (2017) explain the structure of the GDR mechanism and emphasise its use in cross-border investment. Their work also demonstrates that regulatory approaches differ across jurisdictions, indicating that depositary receipts are shaped by local securities rules even when the basic instrument is internationally recognisable.

Khakase, Ronald and Rathi (2021) provide a more critical Indian perspective. Their study examines manipulative practices associated with some GDR transactions and the regulatory response of SEBI. The research is important because it shows that internationalisation and investor protection may pull regulation in different directions. Excessively permissive systems can facilitate abuse, while excessive friction can deter legitimate capital raising. The design problem is therefore to achieve credible supervision without destroying the instrument's economic convenience.

6.3 Existing Scholarship on Indian Depository Receipts

The early IDR literature largely regarded the instrument as a symbol of India's growing capital-market confidence. Kumar, Khandelwal and Kalvakolanu (2013) described IDRs as a reverse form of financial globalisation through which foreign firms could tap Indian investors. At the same time, they identified legal implications, foreign-exchange controls and tax issues as obstacles to market growth.

This literature correctly identified regulatory friction, but the subsequent decade provides a more complete basis for evaluation. The Standard Chartered programme did not generate a sequence of comparable issues. Regulatory changes gradually liberalised redemption and introduced partial two-way fungibility, yet the market still failed to expand. The experience therefore suggests that regulatory simplification, while important, was not by itself sufficient to create issuer and investor demand.

7. Depositary Receipts as Instruments of Financial Globalisation

A depositary receipt separates economic exposure from the physical location of the underlying security. The foreign issuer's shares are held through a custodian-depositary structure, while investors trade receipts within the host market. This arrangement can simplify settlement, currency handling, dividend distribution and compliance for investors who would otherwise need direct access to the issuer's home market.

The value of this structure depends upon institutional context. For the issuer, the benefits may include access to a larger investor base, greater visibility, improved liquidity and the possibility of using the receipt as a market-facing instrument in another jurisdiction. For the investor, the benefit may lie in local trading hours, familiar settlement, domestic currency denomination, stronger disclosure, easier custody or greater liquidity than in the underlying market.

The ADR model developed in an environment where the U.S. market itself provided a strong attraction to foreign issuers. Listing or trading in the United States could provide access to large pools of institutional capital and global visibility. The receipt was therefore embedded within a market that foreign issuers independently wanted to access. Similarly, GDRs benefited from the role of international financial centres and freely convertible currencies in cross-border fundraising.

The IDR model reversed the direction of the transaction. A foreign company had to decide that the Indian market offered sufficient incremental value to justify a separate issuance, disclosure, depository arrangement and continuing compliance obligations. Indian investors, in turn, had to prefer the domestic receipt to alternative methods of gaining foreign exposure. This two-sided incentive problem is central to understanding why formal similarity with ADRs did not ensure comparable market development.

8. Evolution of the Indian IDR Regulatory Framework

8.1 Statutory Foundation

The Companies Act, 2013 expressly recognises the offer of Indian Depository Receipts. Section 390 authorises the Central Government to make rules governing the offer of IDRs, prospectus disclosures, depository and custodian arrangements, and the sale, transfer or transmission of IDRs by companies incorporated outside India (Government of India, 2013).

The contemporary framework is principally located in Rule 13 of the Companies (Registration of Foreign Companies) Rules, 2014 and the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018. SEBI's 2025 guidance identifies these instruments, together with applicable foreign-exchange requirements, as the governing framework for foreign companies issuing IDRs in India (SEBI, 2025).

Eligibility conditions are deliberately demanding. The framework requires, among other conditions, substantial pre-issue capital and free reserves, a minimum average market capitalisation, an established trading history and a record of distributable profits. These conditions protect investors by restricting issuance to established foreign companies. At the same time, they narrow the pool of potential issuers to large firms that often already possess access to multiple global financing channels.

8.2 Redemption and Fungibility

Fungibility has been one of the most important design questions in the Indian framework. If a depositary receipt cannot be efficiently converted into the underlying foreign share, price discrepancies may persist

and the receipt may become a relatively isolated security. At the time of the Standard Chartered issue, the framework did not permit automatic fungibility. SEBI's June 2011 circular recorded that IDRs were not redeemable into underlying shares during the first year and that subsequent conversion depended upon regulatory conditions; two-way fungibility was not then generally available (SEBI, 2011).

The framework evolved. SEBI later introduced guidelines for partial two-way fungibility, and contemporary regulatory materials continue to recognise conversion between IDRs and underlying equity shares within available headroom (SEBI, 2013; SEBI, 2026). The Reserve Bank's framework similarly states that IDRs are not redeemable during the first year and permits limited two-way fungibility subject to applicable overseas-investment rules (RBI, 2017).

The evolution demonstrates regulatory responsiveness. However, it also supports a broader conclusion: by the time fungibility was liberalised, the market had already failed to attract a pipeline of issuers. Improving one design element could not necessarily overcome the absence of a sufficiently strong overall economic incentive.

9. Standard Chartered PLC: The 2010-2020 IDR Experiment

9.1 The 2010 Issue

Standard Chartered PLC provided the first major practical test of India's IDR framework. The 2010 prospectus offered 240,000,000 IDRs. Ten IDRs represented one ordinary share of Standard Chartered PLC, and the issue aggregated approximately Rs. 24,863.47 million. SEBI's June 2010 bulletin recorded an issue price of Rs. 104 per IDR (Standard Chartered PLC, 2010; SEBI, 2010).

The issue was significant symbolically as well as financially. Standard Chartered possessed a longstanding presence in India and was already a globally recognised banking group. If an IDR market were to develop, an established financial institution with Indian brand recognition appeared to be an appropriate first issuer. The issue therefore represented more than a fundraising transaction: it was a test of whether Indian capital markets could become a host market for foreign corporate equity through a domestic receipt structure.

Yet the IDR's structure also exposed the difficulty of translating foreign equity into a fully integrated Indian security. The underlying ordinary shares remained foreign securities, while the receipt traded in India. Investor rights, corporate actions, currency exposure and conversion had to be mediated through the depository arrangement and the foreign-exchange framework. The convenience of domestic trading therefore coexisted with a degree of structural complexity that ordinary Indian equity did not possess.

9.2 The Fungibility Problem and Subsequent Liberalisation

The original framework restricted redemption during the first year and did not provide automatic two-way fungibility. SEBI's 2011 circular expressly recorded these limitations in the context of the Standard Chartered programme (SEBI, 2011). From an investor perspective, such restrictions reduced the ability of arbitrage to align the IDR price with the underlying London or Hong Kong traded share. From an issuer and market-making perspective, limited conversion could also constrain mechanisms through which liquidity might otherwise be supported.

Regulators subsequently modified the framework. Partial two-way fungibility was introduced and Standard Chartered published operating procedures for conversion and withdrawal. The regulatory history therefore shows an attempt to improve the instrument rather than abandon it immediately. Nevertheless, the liberalisation did not produce a broader IDR issuance market.

This sequence is analytically important. If the entire failure were caused by one restrictive rule, substantial liberalisation should have created renewed issuer interest. The absence of such a response suggests that the barriers were more structural.

9.3 Termination and Delisting

On 9 March 2020, Standard Chartered announced its intention to terminate the IDR programme. The programme was formally delisted from BSE and NSE with effect from 22 July 2020 (Standard Chartered PLC, 2020).

The contraction in outstanding receipts is striking. Standard Chartered reported that by 19 June 2020 approximately 7.5 million IDRs remained outstanding from the original 240 million issued in 2010. Those IDRs represented roughly 750,000 underlying ordinary shares, which were subsequently sold and the net proceeds distributed to relevant holders (Standard Chartered PLC, 2020).

The ten-year lifecycle therefore provides a useful empirical narrative. The framework successfully enabled an initial foreign issue; regulators later modified redemption and fungibility rules; holders progressively exited or converted; and the programme ultimately terminated without establishing a self-sustaining IDR market. The legal mechanism functioned, but the market ecosystem did not develop.

10. Why the IDR Model Failed to Develop in India

10.1 Limited Issuer Incentive

The most fundamental problem is that an IDR requires a foreign issuer to choose India as an additional capital-raising or investor-access jurisdiction. Large foreign companies that satisfy India's stringent eligibility standards are precisely the firms most likely to possess access to established international exchanges, institutional investors and multiple funding channels. For such issuers, an Indian IDR programme must therefore offer a distinct commercial advantage sufficient to justify legal, disclosure, custody and continuing-compliance costs.

Standard Chartered had an unusually strong Indian nexus and brand presence, making the strategic rationale easier to understand. Many other eligible multinational companies may not derive comparable benefits from a separate rupee-denominated receipt. The absence of subsequent issuers suggests that legal permission alone did not create a compelling issuer-side value proposition.

10.2 Regulatory Layering

IDRs sit at the intersection of company law, securities regulation, depository law, sectoral regulation and foreign-exchange rules. A banking or financial issuer may also require approval from sector regulators. SEBI's current FAQ itself lists the Companies Act, the 2014 foreign-company rules, specified provisions of the ICDR Regulations and foreign-investment directions as relevant sources (SEBI, 2025).

Multiple regulators are not inherently problematic. Cross-border securities necessarily require coordination. The difficulty arises when regulatory layers produce uncertainty, timing costs or compliance obligations that are disproportionate to the commercial benefit of the issue. Kumar, Khandelwal and Kalvakolanu (2013) identified legal, exchange-control and tax issues as early barriers. The later survival of the framework alongside the absence of new issuers suggests that simplification must be evaluated from the perspective of total transaction cost rather than any single rule.

10.3 Early Restrictions on Fungibility and Liquidity

Depositary receipts depend heavily upon price linkage with the underlying security. Where arbitrage is constrained, the receipt can trade at a persistent premium or discount and investors may face uncertainty when seeking to exit. The initial Indian restrictions on automatic redemption and two-way fungibility therefore mattered because they limited one of the core mechanisms through which internationally traded depositary receipts remain connected to underlying shares.

The later adoption of partial two-way fungibility improved the design, but liquidity is path dependent. A market with one principal issuer cannot easily develop the trading depth, analyst coverage, market-making incentives and investor familiarity associated with a mature product category. Fungibility reform was therefore necessary but not sufficient.

10.4 The Investor Value Proposition

An IDR must also compete for investor attention. At inception, the domestic-trading format offered a clear convenience advantage for Indian investors who wanted foreign-company exposure without directly operating abroad. Over time, however, alternative international investment routes became more accessible.

Under the Liberalised Remittance Scheme, resident individuals may remit up to USD 250,000 per financial year for permitted current or capital-account transactions, including overseas investments (RBI, 2016). The development of international financial infrastructure at GIFT IFSC has further expanded the policy environment for foreign securities and depository-receipt products. NSE International Exchange is permitted, subject to regulatory requirements, to offer trading in securities of foreign companies and depository receipts in foreign currency (NSE International Exchange, 2026).

These developments do not make IDRs legally irrelevant, but they reduce the exclusivity of their original investor-access function. If an investor can obtain foreign exposure through alternative regulated mechanisms, an IDR must provide liquidity, cost, tax treatment or convenience to remain compelling.

10.5 The Limits of the Reverse-ADR Analogy

The IDR was often described as the Indian equivalent of an ADR. Legally, the analogy is useful because both instruments represent foreign equity through a domestic depositary structure. Economically, however, the analogy can be misleading.

ADRs benefited from the gravitational pull of U.S. capital markets. Foreign issuers often wanted access to U.S. institutional investors, dollar liquidity, analyst coverage and market visibility. The instrument developed inside an ecosystem where the host market itself was a major source of global capital. The IDR attempted to reverse the architecture, but the economic incentives were not necessarily symmetrical.

This asymmetry is the central lesson of the Indian experience. A financial product cannot be transplanted by reproducing its legal architecture alone. The host market must supply an independent reason for issuers and investors to use the product. Where those incentives are weaker, the receipt may remain technically valid but commercially peripheral.

11. Imported Financial Models and Indian Market Realities

The sub-theme of a mismatch between the Indian economy and Western economic models should not be interpreted as suggesting that foreign financial ideas are inherently unsuitable for India. Financial markets routinely borrow institutional forms across jurisdictions. Stock exchanges, disclosure rules, mutual funds, derivatives and corporate-governance standards all contain elements influenced by international practice. The relevant question is whether a borrowed institution is adapted to local economic functions.

The IDR experience illustrates three principles of regulatory transplantation. First, legal equivalence does not create economic equivalence. An Indian instrument may be formally similar to an ADR while operating in a different currency environment, investor base and capital-control regime. Second, market infrastructure is cumulative. Liquidity, analyst coverage, intermediaries and investor familiarity develop through repeated issuance; they cannot be created by regulation alone. Third, regulation must respond to the function of the market rather than merely replicate the form of a successful foreign product.

India's capital market in 2010 was already sophisticated, but it was not identical to the U.S. market in which ADRs evolved. Foreign issuers did not necessarily need rupee capital, while Indian investors' ability to obtain foreign securities was governed by a distinct foreign-exchange regime. Early fungibility limitations further reduced the similarity. The IDR therefore operated in an institutional setting where both sides of the transaction faced different incentives from those that supported ADR growth.

This does not mean the experiment had no value. Standard Chartered's issue demonstrated that India possessed the legal and market infrastructure necessary to host foreign-company receipts. It also prompted regulatory learning concerning redemption and fungibility. The failure was therefore not a failure of technical implementation so much as a failure to generate a sufficiently strong and repeatable market rationale.

12. Reform, Revival or Regulatory Redundancy?

12.1 Case for Targeted Reform

There remains a possible case for IDRs in specialised circumstances. A foreign company with substantial Indian operations, brand recognition or strategic interest in cultivating an Indian shareholder base may value a rupee-denominated market presence. An IDR may also provide a domestic-market instrument for investors who prefer Indian trading and settlement infrastructure.

If policy seeks revival, reform should focus on total economic friction. Regulatory authorities should coordinate disclosure and approval requirements, provide predictable treatment of corporate actions, preserve meaningful partial two-way fungibility and ensure that tax rules do not create avoidable disadvantages relative to economically equivalent forms of foreign investment. Any market-making or liquidity-support framework must also remain consistent with investor protection and market-integrity principles.

12.2 The Case Against Revival for Its Own Sake

Policy should nevertheless avoid treating revival as an objective independent of economic need. The success of a securities market is not measured by the number of product categories that formally exist. If foreign issuers can obtain capital more efficiently elsewhere and Indian investors can access foreign assets through alternative channels, forcing the IDR market into activity through artificial incentives may create complexity without commensurate benefit.

The relevant policy test should therefore be functional: does the IDR solve a market-access problem that is not efficiently addressed by other mechanisms? If the answer is yes for particular issuers or investors, the framework should be sufficiently clear and flexible to accommodate them. If the answer is increasingly no, the continuing legal framework can remain available without being treated as a market-development priority.

12.3 A Context-Specific Framework

A context-specific Indian model would therefore rest on four principles. First, regulation should be outcome-oriented rather than designed merely to imitate ADR architecture. Second, investor protection should focus on disclosure, custody, pricing transparency and enforceability while minimising unnecessary procedural duplication. Third, fungibility should remain sufficiently workable to preserve the economic relationship between the receipt and the underlying share. Fourth, the instrument should coexist with, rather than obstruct, broader overseas-investment channels.

Such an approach recognises that financial globalisation is not the uniform adoption of one market's institutions. It is the controlled integration of domestic markets with global capital in a manner consistent with local legal structures, investor needs and macroeconomic priorities.

13. Discussion

The comparison between ADRs, GDRs and IDRs shows that the performance of a depositary-receipt regime depends upon the interaction of law and market structure. ADR scholarship demonstrates that investor protection, liquidity and transaction convenience influence whether investors prefer the receipt to the underlying foreign share (Aggarwal, Dahiya and Klapper, 2005). GDR experience in India similarly demonstrates that regulation must manage the tension between international capital access and market abuse (Khakase, Ronald and Rathi, 2021).

India's IDR framework satisfied the basic legal requirement for a foreign issuer to access Indian capital markets. Standard Chartered proved that an issue could be structured, offered, listed, traded, converted and ultimately terminated within a regulated framework. Yet the market did not reproduce itself. That difference between operational functionality and market scalability is the central finding of this study.

The Standard Chartered case also weakens a purely regulatory explanation of failure. Some initial restrictions were materially important, particularly the limited redemption and fungibility structure. Regulators subsequently responded. If regulation alone had been the decisive barrier, liberalisation should have produced substantial new issuance. The continuing absence of a broad issuer market indicates that demand-side and issuer-side incentives were equally important.

The contemporary position is therefore paradoxical but instructive. IDRs remain legally recognised. SEBI continues to explain their eligibility and issue requirements, and the regulatory framework continues to provide for partial two-way fungibility (SEBI, 2025; SEBI, 2026). The product has survived in law while disappearing from practical market significance. This is precisely why IDRs provide a useful case study of regulatory transplantation: law can authorise a market, but it cannot by itself create the economic reasons for that market to exist.

14. Research Limitations and Scope for Future Research

The study is primarily doctrinal and institutional. It does not calculate daily price differentials between Standard Chartered's IDRs and its London or Hong Kong listed shares, nor does it conduct an event study around fungibility reforms, corporate actions or the termination announcement. Such analysis could provide a more precise measure of pricing efficiency and liquidity.

Future research may construct a time-series dataset covering IDR prices, underlying share prices, exchange rates, trading volumes and conversion headroom. This could test whether regulatory changes materially improved price integration. Investor surveys could also investigate whether the limited uptake of IDRs reflected low awareness, tax considerations, insufficient product availability or a preference for direct overseas investing.

Comparative work could examine similar receipt programmes in Taiwan, Hong Kong or other Asian markets to identify whether reverse-depositary-receipt models perform differently under alternative capital-control and investor-access regimes. Such empirical work would complement, rather than replace, the institutional analysis developed in this paper.

15. Conclusion

Indian Depository Receipts were created at a moment when India's capital markets were becoming deeper, more international and more confident. The idea was intuitively attractive: if Indian companies could use ADRs and GDRs to access foreign investors, foreign companies should be able to use an Indian counterpart to access Indian capital and provide domestic investors with global equity exposure.

The Standard Chartered experiment demonstrated that the legal architecture could function. In 2010 the company issued 240 million IDRs at Rs. 104 per IDR, with ten IDRs representing one underlying ordinary

share. Over the following decade, the framework evolved, particularly in relation to redemption and partial two-way fungibility. Yet the programme ultimately terminated in 2020, by which time only a small fraction of the original IDRs remained outstanding, and no durable multi-issuer IDR market had emerged (Standard Chartered PLC, 2010; Standard Chartered PLC, 2020).

The failure of the market should not be explained simply as excessive regulation or as an inherent weakness of Indian finance. The deeper explanation lies in institutional mismatch. ADRs and GDRs developed within market environments in which issuers and investors had strong independent incentives to use them. India's attempt to reverse the model created the legal form of a depositary receipt without necessarily reproducing the economic demand that supported the foreign versions.

This distinction is important for the broader debate concerning the relationship between the Indian economy and Western economic models. Imported financial institutions are neither inherently beneficial nor inherently inappropriate. Their success depends upon adaptation. A model developed within a deep dollar-based market cannot be assumed to perform identically in a market governed by different foreign-exchange rules, investor preferences, liquidity conditions and issuer incentives.

The contemporary policy question is therefore not simply how to revive IDRs. It is whether IDRs continue to solve a distinct problem in India's financial architecture. If they do, the framework should be simplified, predictable, fungible and economically attractive. If alternative channels now provide more efficient international exposure and capital access, the IDR regime may remain a legally available specialised route rather than a policy priority.

The broader lesson is that financial globalisation succeeds through institutional compatibility, not imitation. India's experience with IDRs demonstrates that the transplantation of a financial product must be accompanied by a careful assessment of domestic market structure, regulatory incentives and investor behaviour. The objective should not be to reproduce Western financial forms, but to develop cross-border mechanisms that are credible, useful and appropriately adapted to Indian market realities.

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