UBS Share Information (UBS web site)

What is a Global Registered Share (GRS)?

A Global Registered Share is a security that can be traded and transferred across applicable borders without the need for conversion. This means that identical shares can be traded on different stock exchanges in different currencies. For example, the same share purchased on the New York Stock Exchange (NYSE) can be sold on virt-x (the pan-European blue chip platform) or vice versa.

Why has UBS elected to list a Global Registered Share rather than American Depository Receipts?

UBS is pioneering the Global Registered Share (GRS), which allows for cross-market portability at minimized cost to investors. The concept behind American Depository Receipts (ADRs) is the creation of tailor-made securities for individual unlinked markets, following local regulations. UBS believes that, with the globalization of financial markets, this concept is becoming less valid for securities, which will increasingly be traded in multiple markets. UBS believes that a global fungible security can best track liquidity across the globe. UBS also believes that regulatory structures of different markets will continue to align, reducing the need to have individual securities in each market to comply with different local regulations.

What has happened to UBS ADRs?

The UBS ADR program was terminated at the time of the listing of the GRS on the New York Stock Exchange (NYSE) - 16 May 2000. UBS ADR owners had the option to exchange any outstanding ADRs for UBS shares. The exchange ratio is 10 ADRs for 1 GRS. This option was open until May 2001; a cash equivalent is now available.
To exchange ADRs, contact the administrator (transfer agent) of UBS's ADR program. Details are shown on the Contact Information page.

Where is the UBS Global Registered Share listed?

The UBS GRS is listed on the New York, Zurich and Tokyo Stock Exchanges.

Where can I find the number of shares in issuance?

The Group Review section of UBS's quarterly reports contains a 'UBS Shares and Market Capitalization' table listing the number of outstanding shares for market capitalization. In addition, the quarterly reports contain a more detailed 'Note to the Financial Statements' detailling 'Earnings per Share (EPS) and Outstanding Shares'. UBS's latest quarterly results can be found in the Financials section.

Being the first company ever to list its shares globally has had drawbacks for DaimlerChrysler, reports James Arnold *CFO Europe*, December 1999

"With this launch, DaimlerChrysler is exploding the barriers of the financial world." In November 1998, Jürgen Schrempp, CEO of DaimlerChrysler, the E132 billion car maker, was feeling pretty pleased with himself. His firm, newly created from what was then the biggest corporate merger in history, had just become the first to list its shares globally. While others used different forms of stock--American Depositary Receipts (ADRS) in the US, for example--to list on overseas equity markets, DaimlerChrysler had created a unique structure, allowing its registered shares to trade on 21 exchanges worldwide.

A year on, Schrempp's boast is looking a little hollow. While DaimlerChrysler earns half its revenue in the US, it's now almost wholly a German company in stockmarket terms. Although the New York Stock Exchange (NYSE) sometimes accounted for over one-third of trading in DaimlerChrysler stock in the months around the merger, interest from non-German investors has now waned. Over 95% of the order flow had migrated back to Frankfurt by August, largely because us investors sold their global shares.

A high price to pay

This phenomenon, which bankers call flowback, is one of the hidden costs of cross-border mergers. It typically arises when shareholders in one country feel at a disadvantage to those in another, often because the merger leaves them with a class of stock they see as inferior. Global shares are supposed to remove this concern.

That's why DaimlerChrysler is in an awkward situation, especially when compared with BP Amoco, the $83.7 billion (E78.8 billion) oil firm also formed by a recent transatlantic merger. It opted to keep its US listing in ADRS. While it suffered some flowback to the UK, the NYSE share of trading only dropped from some 40% to between 30% and 35%.

And, says Patrick Colle, head of European ADRS at JP Morgan, "there's a massive amount of index-tracking money in London, unlike in Frankfurt." So investors in London were happy to mop up homecoming BP Amoco stock as the firm's London-exchange weighting swelled. But in DaimlerChrysler's case, as its shares accumulated in Frankfurt, the price had to fall to find scarce buyers. DaimlerChrysler shares have dropped around 25% in the last year. But Lutz Deus, DaimlerChrysler's head of ir for the nafta region, denies that flowback contributed to this underperformance and notes that 20% of the firm's shares are still held by Americans.

For his part, Andrew Karolyi, a finance professor at Ohio State University, argues that the global shares can't take the blame for DaimlerChrysler's flowback. He says it may have been caused by the firm's exclusion from the S&P 500 in November 1998, on the grounds of Chrysler's change of domicile. While Amoco was also dropped from the index, Colle points out that BP, in contrast to Daimler-Benz, has long been a household name among US investors.

Given the car maker's experience, it's easy to understand firms' reluctance to issue global shares. Although the DaimlerChrysler precedent has made it easier for German firms to follow suit, those from other countries face a mountain of paperwork. "In France, trading and settlement conventions are even further from America's than Germany's are," says Colle. As for British companies, one particular problem is the small denominations of their shares.

"Progress has proved more complicated than we expected," admits Georges Ugeux, group executive vice-president at NYSE. "We aimed to have [global share issues from] at least two countries up and running by now."

Yet global shares may be starting to gain wider acceptance. In October, Celanese--a E5.2 billion German chemical company recently spun off from Franco-German Aventis--completed the world's second global share offering. The firm's aim, says Jörg Hoffmann, its head of investor relations, was to spare shareholders the "clunkiness" of ADRS--the need for an intermediary in every transaction, for example. "Although global shares cost you more to set up than ADRS, with ADRS you're just transferring the costs onto the shareholders," he argues.

The NYSE is hoping to persuade index providers such as Standard & Poor's to promote global share indices. And Ugeux has been working with French and British companies that have ADR listings. He reckons one or more will soon switch to global shares. But, at least for the moment, global shares will remain far from global.

Banking on Globalisation

Last month Deutsche Bank became only the fourth company to issue global registered shares in order to get a listing on the New York Stock Exchange.
CFO Europe, November 2001

When Deutsche Bank listed on the New York Stock Exchange (NYSE) in October, the German bank could have followed in the footsteps of hundreds of companies before it and issued American depositary receipts (ADRs)—the standard practice for firms listing in the US since 1927.

Instead, Deutsche Bank opted to use global registered shares—a security which is similar to an ordinary share except that investors can trade it on lots of stock exchanges around the world in many currencies. ADRs, by contrast, are dollar-denominated certificates traded in the US, which give the owner claim over a number of shares in a company that is listed elsewhere. The shares underpinning an ADR are deposited in a US custodian bank.

To date, global registered shares have been relatively rare since their inception in 1998. Indeed, only three companies—DaimlerChrysler, UBS and Swiss chemical firm Celanese—have used them before.

Despite their rarity, Deutsche Bank’s CFO, Clemens Börsig, says his decision to use global shares was never in doubt. “We’re fully aware that ADRs are in the majority in New York, but we believe that the global share is the way forward,” he says. For one, he argues, global shares carry lower trading costs. For another, as the world’s markets edge closer to 24-hour trading, global shares will become more and more convenient as stockmarkets and clearing and settlement systems consolidate.

However, while recognising the intuitive logic of global shares, few securities experts expect a rush of their issuance. Far from it. They say that the high cost of setting up global share programmes, the traditional preference of US-based investors for ADRs, and the problems of balancing local market regulations with those in the US more than offset the benefits.

Chris Sturdy, a managing director at the Bank of New York, for example, isn’t convinced and notes that it’s unclear whether the global trading system can handle the widespread trading of global shares. “There are questions over its efficiency,” he says, noting that, despite consolidation in the securities industry, share trading is influenced by legal systems, regulatory bodies and tax regimes that are organised at a national rather than international level. “Until that changes, it’s difficult to see global shares working effectively,” he notes.

Sturdy adds that ADRs also offer companies superior trading liquidity. “Ninety-nine percent of companies coming to the US want access to the broadest range of US investors,” he says. “But all the evidence shows that moving from an ADR to a global share removes liquidity.”

If it ain't broke...

Recent US listings indicate that global shares will remain rare. So far this year, eight European firms have listed in New York using ADRs. Only Deutsche Bank has launched a global share. And of those firms that did consider global shares—Siemens, BASF and Novartis—all chose ADRs instead.

Nonetheless, backers of global shares counter that it's only a question of time before more firms replace their ADRs with a single global security. For one, they say, the benefits of global shares have been undersold. For example, Deutsche Bank's Börsig says he's confident more firms will choose global shares as investors learn how cheap they are to trade. According to the NYSE, dealing fees levied on ADRs tend to cost investors between three and five cents per share traded. By contrast, the cost for global shares is a flat $5 (E5.5) per trade—no matter how many shares change hands. "It's often underestimated just how much more cost-efficient global shares are for investors [than ADRs]," Börsig says. "That's why the incumbent ADR banks in New York don't like them."

On top of that legal and technical difficulties that have restricted the number of home countries where companies can issue global shares are being overcome. Before a global share can be launched, the home country's clearing and settlement systems must work closely with its US counterpart—as happened in Germany in 1998—so that regulations can be harmonised between the home market and America's SEC.

Because markets are national, we have to put a structure in place country by country, which takes time," says Georges Ugeux, group vice-president of the NYSE's international division. "But next year we expect to begin talking to companies in France, UK, Netherlands, Finland, Spain and Italy."

Deutsche Bank's Börsig also dismisses suggestions that global shares are illiquid. "Many US institutions can only invest in companies that are SEC-registered," he says. "However, when they begin trading the shares, they tend to go where there's most liquidity, whether that's New York or, in our case, Frankfurt."

A Rare Global Share Sighting

So why did Deutsche Bank issue global registered shares on the NYSE, rather than ADRs? Good question.

Ian Rowley, *CFO Europe*, November 12, 2001

When Deutsche Bank listed on the New York Stock Exchange (NYSE) in October, the German bank could have followed in the footsteps of hundreds of companies before it. The bank could have simply issued American depositary receipts (ADRs) — the standard practice for cross-border companies listing in the United States since 1927.

Instead, management at Deutsche Bank opted to use global registered shares (GRS). A GRS is similar to an ordinary share except that investors can trade it on lots of stock exchanges around the world in many currencies. ADRs, by contrast, are dollar-denominated certificates traded in the United States, which give the owner claim over a number of shares in a company listed elsewhere. The shares underpinning an ADR are deposited in a U.S. custodian bank.

Although global registered shares first appeared on the finance scene in 1998, GRS issues have been few and far between. In fact, prior to October, only three companies — DaimlerChrysler, UBS, and Swiss chemical specialist Celanese — had ever issued global registered shares.

Despite the rarity of such issues, Deutsche Bank CFO Clemens Börsig says his decision to use global shares was never in doubt. "We're fully aware that ADRs are in the majority in New York," he says. "But we believe that the global share is the way forward."

Possibly. Global shares do carry lower trading costs. And, as the world's markets edge closer to 24-hour trading, global shares will become increasingly convenient, as stockmarkets and clearing and settlement systems consolidate.

Still, few securities experts expect a rush of GRS issues. Far from it. They say that the high cost of setting up global share programs more than offsets the benefits. What's more, some bankers believe the traditional preference of U.S.-based investors for ADRs — along with the problems of balancing local market regulations with U.S. rules — will deter many finance managers from rushing out and issuing global shares.

Chris Sturdy, for one, isn't convinced global shares will catch on. A managing director at the Bank of New York (which provides clearance, settlement, and custody for ADR programs), Sturdy says it's unclear whether the global trading system can handle the widespread trading of global shares. "There are questions over its efficiency," he claims, noting that, despite consolidation in the securities industry, share trading is influenced by legal systems, regulatory bodies and tax regimes that are organized at a national — rather than international — level. "Until that changes, it's difficult to see global shares working effectively," he notes.

Sturdy adds that ADRs also offer companies superior trading liquidity. “Ninety-nine percent of companies coming to the U.S. want access to the broadest range of U.S. investors," he says. "But all the evidence shows that moving from an ADR to a global share removes liquidity."

If It Ain't Broke...

It also removes issuers from the mainstream. So far this year, eight European companies have listed in New York using ADRs. Only Deutsche Bank has launched a global share. And of those corporations whose management did consider global shares — Siemens, BASF, and Novartis — all ultimately chose ADRs.

Nonetheless, backers of global shares counter that it's only a question of time before more businesses replace their ADRs with a single global security. For one thing, they say the benefits of global shares have been undersold. For example, Deutsche Bank's Börsig says he's confident more companies will choose global shares as investors learn how cheap they are to trade.

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On top of that, the legal and technical difficulties that have limited the number of countries where companies can issue global shares are slowly disappearing. Before a global share can be launched, operators of the home country's clearing and settlement systems must work closely with U.S. counterpart — as happened in Germany in 1998. Such cooperation enables local exchange authorities to harmonize their listing requirements with that of the SEC.

"Because markets are national, we have to put a structure in place country by country, which takes time," says Georges Ugeux, group vice president of the NYSE's international division. "But next year we expect to begin talking to companies in France, the U.K., Netherlands, Finland, Spain, and Italy."

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