



# TraCRs Investor Fact sheet

This fact sheet provides an overview of Transferable Custody Receipts, or TraCRs, including some of the key features and risks for investors. It answers ten questions:

1. **What is a TraCR?**
2. **How is the issuer of the underlying shares involved in a TraCR?**
3. **How are TraCRs structured?**
4. **How are TraCRs traded?**
5. **What fees do I pay?**
6. **What information is on [www.tracrs.com.au](http://www.tracrs.com.au)?**
7. **What are the risks?**
8. **What taxes apply?**
9. **Do any compensation arrangements apply?**
10. **How are TraCRs different from the underlying shares?**

This fact sheet is not investment advice. Nor is it a substitute for reading the relevant product disclosure statement (PDS).

You should also seek appropriate professional advice before making an investment decision.

## 1. What is a TraCR?

TraCRs provide beneficial ownership of the underlying shares of a listed offshore company.

For example, if you invest in a TraCR issued over a US-listed share, you are buying an Australian security that gives you a beneficial interest in, but not legal title to, the US share.

A single TraCR provides the holder with the beneficial ownership of a single underlying share.

The value of the underlying share of a TraCR and the applicable foreign exchange (FX) rate will be the main factors in determining the Australian dollar (AUD) value of the TraCR.

The underlying shares will have generally been listed on a leading global exchange for at least a year and included in a well-known index (e.g. the S&P 500 or Dow Jones Industrial Average).

## 2. How is the issuer of the underlying shares involved in a TraCR?

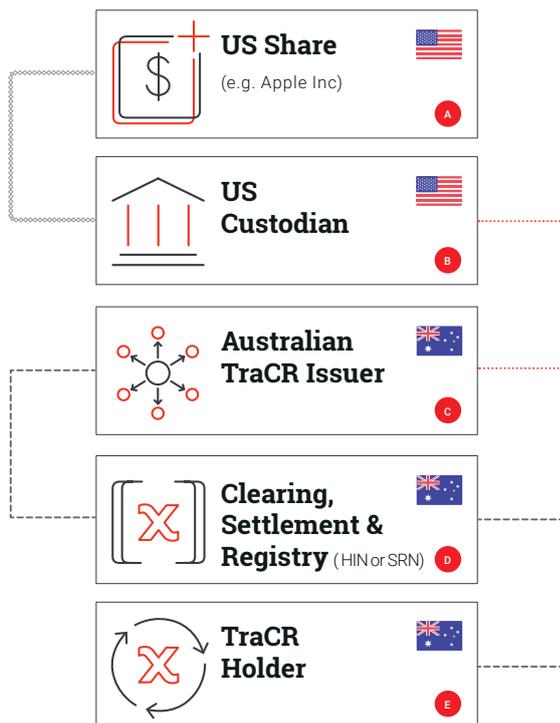
The TraCR is an “unsponsored product” as the offshore company is **not** involved in the creation, trading or operation of the TraCR product in Australia in any way.

The issuer of a TraCR has no relationship with the listed company that has issued the underlying shares.

### 3. How are TraCRs structured?

The following diagram sets out how a TraCR, based on US-listed shares, is:

- (a) structured to provide a TraCR holder with the beneficial ownership of the US shares; and
- (b) settled through CHES and held in an Australian registry in the same way as Australian shares.



**Legend** ——— Legal title (to the US share) ······ Beneficial interest - - - - - Legal title to the TraCR and a beneficial interest in the US Share

- A** The TraCR is based on a share issued by a US-listed company.
- B** The US custodian is appointed by the TraCR issuer to hold the US shares for the benefit of the TraCR issuer.
- C** The TraCR issuer holds an AFSL and issues, cancels and manages the operational processes for TraCRs issued over the US shares as outlined in the terms of issue.
- D** Bought and sold TraCRs are settled through CHES on a “delivery versus payment” basis and held on an investors HIN or SRN: each of these steps is exactly the same as that which takes place for other Australian securities. The registry:
  - a.** records the number of TraCRs issued, bought and sold and arranges payments for each holding; and
  - b.** provides services such as sending notices and other communications on behalf of the TraCR issuer, to holders; and
  - c.** collects and counts votes and other instructions from holders and forwards them to the issuer to vote on your behalf in accordance with the terms of issue.
- E** Investors hold legal title to the TraCRs and have a beneficial interest in the US shares held by the US custodian.

### 4. How are TraCRs traded?

**You buy and sell TraCRs** the same way you buy and sell other Australian securities. TraCRs are exclusively quoted on Chi-X and can only be bought or sold on the Chi-X market through a Chi-X participant. TraCRs trade on a one for one ratio with the underlying shares of a company listed offshore.

**You can convert shares into TraCRs** if you already own the shares on which a TraCR is based, by applying to the TraCR issuer to have the underlying shares converted into TraCRs at an additional cost to you. TraCRs may be issued to you within 24 hours of your delivering the underlying shares to the relevant custodian.

**You can terminate TraCRs** and convert them to cash if an ‘illiquidity event’ occurs: if no liquidity is provided by a registered market maker for 20 consecutive business days then you will, under the terms of issue, be entitled to request that the TraCR issuer convert your TraCR holding into cash by selling the underlying shares (fees and charges will apply).

**You can close out a holding of TraCRs** by:

- a.** selling on the Chi-X market and receiving cash;
- b.** converting the TraCRs into the underlying share (charges may apply), but to do so you will be required to have an international brokerage/custodian account<sup>1</sup>, or
- c.** submitting a sale request to the TraCR issuer to sell the TraCRs pursuant to an illiquidity event (charges may apply).

**All TraCRs that are bought and sold on Chi-X are cleared and settled through ASX Clear and ASX Settlement** and covered by the Australian regulatory framework.

1. It may take up to 10 days to open and operate a new international account or an account with a US broker or custodian, during which time the price of the underlying shares may change. You can keep or sell the underlying shares through the international broker. If you cannot appoint an international broker, you will need to sell your TraCRs on the Chi-X market.

## 5. What fees do I pay?

The applicable TraCR fees are fully outlined in the PDS.

If you invest in TraCRs you may incur the following fees:

- a. Issuance fees** for creating new TraCRs from underlying shares held by an investor (these fees are not charged when TraCRs are bought on the Chi-X market);
- b. Cancellation or creation fees** for converting TraCRs from/into the underlying shares (these fees are not charged when TraCRs are bought or sold on the Chi-X market);
- c. Issuer/Service fees** deducted from most dividends or monies paid to holders;
- d. Corporate action participation fees** for the distribution of cash because of a corporate action event subject to the terms of issue;
- e. Foreign exchange costs** are deducted from all dividends or monies paid to holders and which require conversion to AUD;
- f. Brokerage/Service fees** for holding an Australian trading account with an Australian broker, which can be explained by your broker or advisor and will be similar to those fees that are charged when you invest in Australian shares.
- g. International broker and trading account fee**, which you may also be charged if you create/convert TraCRs from/into underlying shares. The PDS contains further information on the creation and conversion processes.

## 6. What information is on [www.tracrs.com.au](http://www.tracrs.com.au)?

In Australia, listed companies must disclose price sensitive information over an Australian market announcement platform. This helps to ensure all investors have access to the same price sensitive information at the same time. This disclosure process will not apply to the underlying listed shares of a TraCR as those underlying shares are listed offshore.

Potential investors should access and review the information on the TraCR web site before investing in a TraCR.

The web site is maintained by Chi-X and includes:

- a.** information relating to trading in a TraCR, including:
  - i.** real time and historical AUD prices;
  - ii.** trading volumes;
  - iii.** announcements by the TraCR issuer, for example on dividends and corporate actions;
  - iv.** how TraCRs can be converted from/into the underlying shares or into cash;
- b.** information relating to the underlying shares, including:
  - i.** trading and closing prices (in the trading currency for the underlying shares);
  - ii.** after-hours trading data;
  - iii.** trading halts;
  - iv.** in the case of underlying shares traded in the US, links to the EGDAR information system used by the SEC<sup>2</sup> to provide access to time sensitive information filed by US companies;
  - v.** information on historical corporate actions (e.g. dividends, splits);
  - vi.** a calendar of earnings announcements and forward looking date announcements (e.g. dividend due dates and meetings);
  - vii.** hyperlinks to security prices and announcements on the home listing exchange;
- c.** other relevant documents such as the PDS for each TraCR and this fact sheet.

Chi-X does not guarantee that an issuer of a TraCR or the issuer of the underlying share on which it is based, are complying with the relevant disclosure and reporting obligations.

2. The SEC is the lead federal regulator of cash equity markets in the US.

## 7. What are the risks?

The PDS for each TraCR contains a detailed explanation of the risks of investing.

They include the risks posed by:

**a. foreign currency exchange rates:** the underlying shares of a TraCR and TraCR dividends are denominated in a foreign currency and so investors are exposed to FX movements.

**b. not being able to exercise rights attached to the underlying share:** some rights attached to the underlying shares are not available to non-US residents (e.g. the right to acquire new shares pursuant to an offer from the share issuer), in which case TraCR holders may have to rely on an entitlement under the terms of issue, if any, to a cash equivalent payment.

**c. not being able to sell/buy when you want:** market makers may not provide liquidity all the time and so there may be no liquidity at reasonable prices at the time you want to buy or sell TraCRs<sup>3</sup>.

**d. price variations:** TraCR prices may:

- i.** vary from the precise FX adjusted price of the underlying US share; and
- ii.** change quickly and by more than changes in the price of the underlying asset.

These variations can have a positive or negative impact on an investor.

**e. TraCRs trading when the underlying shares are not:** the Chi-X market will be open at times when global markets, on which the underlying shares trade, are closed.

Therefore, trading in a TraCR may take place before the main market for an underlying share has reacted to recent price sensitive news or when market makers are not present.

After hours trading in the underlying shares may occur on global markets but this trading can be volatile and is not necessarily a good indicator of the impact of price sensitive news on those shares.

These risks may impact the closing and/or after hours trading prices of the underlying shares and which are displayed on the [www.tracrs.com.au](http://www.tracrs.com.au) web site.

**f. dependency on the web site [www.tracrs.com.au](http://www.tracrs.com.au):** holders will not be able to trade TraCRs in the unlikely event that this web site is down.

**g. the financial performance of the underlying share:** underlying shares are subject to market and other performance risks, so TraCR investors may lose some or all of the TraCR purchase price.

**h. the way TraCRs are structured and the terms of their issue:**

TraCRs are different in structure and framework from the underlying shares on which they are based. The risks posed by this are covered further in the answer to question 10 below.

**i. voting:** Investors may have shorter cut off times for the exercise of voting rights than those that apply to the underlying shares. The shorter cut off time is to allow the TraCR issuer sufficient time to forward the vote.

## 8. What taxes apply?

The PDS for a TraCR discusses applicable taxes in the country where the underlying company is based.

When you purchase TraCRs issued over US-listed shares you should be sent a W-8BEN US tax form. If you complete and return this form before your dividends are due, the tax withheld may be reduced.

Tax withheld is deducted from the USD amount of the ordinary dividend before it is converted into AUD and the distribution is paid to you. At the time of drafting this fact sheet the standard withholding rates on dividend payments were 30% (no W-8BEN completed) and 15% (a W-8BEN completed by you, lodged with the issuer and then filed).

Tax benefits that are usually available for domestic Australian shares, such as imputation or franking credits, are not available for TraCRs. A tax credit of up to 15% may be available in Australia depending on your particular circumstances. You should speak to your accountant about any Australian tax implications for holding TraCRs.

## 9. Do any compensation arrangements apply?

Chi-X has arrangements for compensating retail investors who suffer a loss as a result of the unauthorised or wrongful use of client money, property or authority by a Chi-X participant. The arrangements are outlined in Chapter 11 of the Chi-X Operating Rules which, together with the application form used to apply for compensation, are available on the Chi-X website at [www.chi-x.com.au/compliance](http://www.chi-x.com.au/compliance).

3. Note, however, that if there is no market maker or a market maker provides no liquidity in a series of TraCRs for 20 consecutive Chi-X business days then that may trigger an illiquidity event, which under the Chi-X Rules will enable holders to convert their TraCR holding into cash (at an additional cost to the holder). Information on the liquidity that will be provided by market makers and the available spreads can be obtained from <https://www.chi-x.com.au/trading-information/market-making/>

## 10. How are TraCRs different from the underlying shares?

TraCRs are not the same as the underlying shares on which they are based. This is further explained in the PDS for each TraCR. The table below summarises the ways in which holding TraCRs issued over the shares of a US-listed company is different to owning the underlying shares:

Difference	TraCRs	Underlying US listed shares
<b>Ownership</b>	The underlying shares of a US-listed company are held by the US custodian on behalf of the Australian TraCR issuer for the benefit of TraCR holders in accordance with the terms of issue.	US investors may hold shares in a US-listed company directly in their own name or indirectly, in which case they may be held, for example, in the name of the nominee company of The Depository Trust Company (DTC).
<b>Disclosures</b>	<p>The public issue of TraCRs is governed by the Australian PDS regime.</p> <p>US-listed companies are not covered by the Australian disclosure regime and so their announcements are not published on an Australian market announcements platform.</p> <p>TraCR investors should therefore look at the TraCRs web site, <a href="http://www.tracrs.com.au">www.tracrs.com.au</a>, and the links on that web site, to obtain information on the US shares on which TraCRs are based.</p> <p>The Registry sends TraCR holders emails confirming any monies paid for holding TraCRs, the number of TraCR held and when holders may provide voting instructions to the TraCR issuer.</p> <p>The TraCR issuer announces ordinary dividends and corporate actions on the <a href="http://www.tracrs.com.au">www.tracrs.com.au</a> web site. The TraCR issuer will also announce illiquidity events.</p>	<p>The public issue of US-listed shares is governed by the US prospectus regime.</p> <p>Under US laws, the US-listed company will publish disclosures relating to the company's affairs according to US laws – for example on a company web site such as <a href="http://investor.apple.com/">http://investor.apple.com/</a> and on the US SEC's EDGAR web site, <a href="https://www.sec.gov/edgar/searchedgar/companysearch.html">https://www.sec.gov/edgar/searchedgar/companysearch.html</a></p> <p>US-listed companies will communicate directly with the registered holder of the US-listed shares.</p> <p>Dividends for US-listed companies are announced on a number of web sites, for example the investor relations web site for the company, the SEC EDGAR web site and the web site for the US market on which the shares are listed.</p>
<b>Voting</b>	<p>TraCR holders can only exercise voting rights by instructing the TraCR issuer, no later than 5 business days before the proxy due date set by the US-listed company, to vote on their behalf.</p> <p>The TraCR issuer will use its best efforts to pass the instructions to the US-listed company.</p>	Investors can exercise their voting rights directly with the US-listed company at any time up to the proxy due date.
<b>Legal actions</b>	<p>TraCR holders may not be able to bring or participate in any legal actions against the issuer of the US-listed shares.</p> <p>The ability to participate will depend on the subject matter of the legal action and the specific laws governing the legal action.</p>	Investors holding US-listed shares are typically able to join legal actions brought by other holders of those shares.

<b>Corporate actions</b>	Investors may not be able to participate in all corporate actions relating to the US-listed shares and may be charged a corporate action participation fee. Participation is dependent upon the terms of issue.	Participation in corporate actions is guaranteed based on the condition that many corporate actions of US-listed companies, e.g. rights offers, are only available to US residents.
<b>Currency</b>	TraCRs trade in AUD. Applicable US taxes and fees are deducted from dividends which are then converted to AUD, charged a FX conversion fee and the balance paid to you.  You will be paid the distributions later than if you held the US-listed shares directly.	US-listed shares trade in USD.  Dividends are also paid in USD.
<b>Fees</b>	TraCR holders are charged administration, brokerage and product fees and applicable US taxes.  Holders may also be charged fees they would not normally pay if they held US-listed shares, including those relating to participation in corporate actions, issuance and cancellation fees and Australian taxes.  Accordingly, TraCR holders will not receive the full dividend when paid due to fees payable being extracted at this point under the terms & conditions of the TraCRs issued.	Investors are charged administration and brokerage fees and applicable US taxes.
<b>Termination</b>	The TraCR issuer may choose to terminate a series of TraCRs without the permission of unit holders and sell the US-listed shares at any time after giving you 90 days' notice.  The TraCR issuer will pay investors the proceeds less applicable taxes and expenses incurred in connection with the sale.	Investors decide if and when they will sell their US-listed shares, provided the company continues in existence and is not, for example, undergoing a terminating corporate event such as bankruptcy or compulsory takeover.
<b>Liquidity</b>	Liquidity is provided in TraCRs by market makers in accordance with Chi-X market maker arrangements.	The US-listed shares on which TraCRs are based will be actively traded companies that can usually be quickly bought or sold by retail investors without affecting the price of the shares.
<b>Pricing</b>	Market makers usually determine the price of a TraCR by quoting both a firm ask (sell) and bid (buy) price, which may be different to the AUD price of the US-listed share.  As the market making framework is a reasonable bid, the market maker may not always or necessarily determine the ask price.	The prices of US-listed shares are determined by forces of supply and demand on the primary market for the shares and are the prices at which multiple (many hundreds if not thousands) investors are willing to buy and sell shares.



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