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.THE WALL STREET JOURNAL MONDAY, APRIL 29, 1991
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J.P. Morgan Ends
South AfricctADR
Processing Work

By FRED R. BLEAKLEY
Staff Reporter of THE WALL STREET JOURNAL
N EW YORK-J.P. Morgan & Co. said it
will no longer serve as a conduit for Amer-
. icans to own shares in South African com-
panies, apparently in reaction to objections
i from some states and municipalities that
use the banking company as a bond un-
derwriter.

The decision to cease processing Ameri-
can Depository Receipts for several dozen
South African companies came after the
Massachusetts state government notified
J .P. Morgan that it was delaying naming a
Morgan subsidiary as an underwriter of its
bonds pending an evaluation of the bank's
ADR role.

- Massachusetts had been reacting to a
report earlier this month by the Amalga-
mated Clothing and Textile Workers Union
that J.P. Morgan's service, as related to
South African companies, was not in keep-
ing with the us. government's anti-apart-
heid stand.

Morgan's decision clears the way for it
to be considered as one of the 26 co-manag-
ing underwriters being chosen for \$2 billion
or more of Massachusetts state bonds over
the next two years. said Eric Turner, the
. state's deputy treasurer for debt manage-
ment.

"It appears that any lingering concerns
related to South African involvement have
ended," he said. A decision on adding Morv
gan. which Mr. Turner said had made an
ltimpressive" presentation with its financ-
ing ideas. is expected to be made within
the next few days.

Morgan's withdrawal from South Afri-
can company ADRs. "means we made our
case effectively," said Byron Rushing, a
Massachusetts state legislator who urged
Treasurer Joseph Malone to look. into the
union's report. Boston City Council mem-
ber David Scondras asked the same of his
city's treasurer.

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ADRs are issued by American banks
and traded in the United States as proxies
for shares in foreign companies. The banks
keep the records of ADR holders and pro-
cess dividend payments. J.P. Morgan is
the largest distributor and processor of
ADRs and most likely will sell or transfer
its South African ADR business to another
bank. Over the past ten years, the bank
has served as senior manager or coman-
ager on 61 deals that raised \$3.6 billion for
Massachusetts municipal issuers, accord-
ing to a recent report in the Bond Buyer, a
financial newspaper.

Morganis action is not likely to have

any impact on South Africa's economy, especially since the ADR activity did not relate to any current capital raising efforts. In announcing Friday it would stop processing ADRs for South African companies. J.P. Morgan said the ADRs represent shares that existed before America's 1986 South Africa sanctions and that it believes they do not facilitate new investment in South Africa or in any way support apartheid." Nonetheless, "In deference to sincere and strongly held views." it said it was withdrawing from the South African portion of its ADR business.

Ironically, Morgan's decision comes at a time when overall criticism of apartheid seems to be easing as South Africa is moving to liberalize its racial policies. A Morgan spokesman. John Morris, confirmed that continuing processing ADRs for South Africa could have hurt the bank's municipal underwriting business. Morgan was one of a few banks that received expanded underwriting powers from the Federal Reserve. "A lot of municipalities put in grids of what will make an acceptable underwriter," he said when asked if Morgan had received inquiries and objections to its South African ADR role.

Security Pacific Corp. had stopped processing ADRs for South African companies last year in reaction to objections. but a number of other leading banks such as Citicorp's Citibank unit remain in the business. A Citibank spokesman said Friday the bank processes ADRs for a handful of South Africa companies and "We just don't believe it bolsters apartheid in any way." A spokesman for Bank of New York CofS Bank of New York unit, which is one of the most active processors of ADRs, was not available for comment. -