Independent study title	CONVERGENCE AND PRICING FACTORS OF DEPOSITORY RECEIPTS (DRs) ON THE THAI STOCK EXCHANGE
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ABSTRACT

Depository receipts (DRs) in Thailand, despite being introduced in 2018, have only experience actual growth in the past two years. The number of issuances has tripled driven by the new capital tax rules on investment abroad in 2024. However, no prior researches in Thai DRs have been conducted up until now.

This research investigates the pricing factors of a DR, whether it is a perfect resemblance of its underlying. Despite of limited data length, a sample of 17 DRs is analyzed, incorporating variables including the DR, its underlying, SET Index, and the exchange rate. Vector Autoregressive Model (VAR), Impulse Response Function (IRF), and Forecast Error Variance Decomposition (FEVD) are employed.

Results show that, without country-specific patterns, Thai DRs' unexpected return are primarily influenced by its unsystematic risks. DRs took up to 3 days to adjust from their own shocks and up to 4 days to fully respond to their underlying's innovation. Interestingly, exchange rate shocks may impact the pricing despite already assumed the translation exposure while SET plays minimal roles as a systematic risk.

Keywords: Thai Depositary Receipts (DRs), Vector Autoregression (VAR), Impulse Response Function (IRF), Forecast Error Variance Decomposition (FEVD)