



**Responsive.
Innovative.**

Driving growth through innovation

Fiona Le Poidevin, CEO of The International Stock Exchange Group [TISEG], in a wide-ranging interview with World Commerce Review, says that a responsive and innovative approach is driving growth and creating a new capital markets option for SMEs.

Can you begin by giving us a brief history of TISE?

The Exchange business was established in the Channel Islands in 1998.

Its growth was slightly different to most other exchanges in that, whereas usually they would tend to serve their domestic market, the exchange in the Channel Islands grew the bulk of its business base out of serving the global financial services industry of which Guernsey and Jersey are key centres.

This was rebranded from the Channel Islands Securities Exchange [CISE] to The International Stock Exchange [TISE] in March this year. It reflected the fact that much of our business is global in nature, we had already changed the membership rules to allow for listing sponsors from beyond the Channel Islands and the fact that we were about to open an office in the Isle of Man.

We launched our presence in the Isle of Man in March and three months later we had our first member from the island. It means that the listing of debt, investment vehicles and trading companies on TISE can now be facilitated directly from the Isle of Man.

What particular expertise do you bring to clients?

We provide a fully regulated listing and trading facility for companies to raise capital from investors based around the world.

We have wide international recognition that we operate to globally recognised standards and this combines with a responsive and innovative approach that has seen us continue to expand the product range.

It is this offering which is contributing towards strong growth in new listings, including from globally recognisable companies as well as some 'world firsts'. For example, the world's first listed private catastrophe bond came to our exchange and last year, we became home to the world's first listed regulated bitcoin fund.

What benefits and advantages does your Channel Islands location confer?

Whilst having our roots in the Channel Islands of Guernsey and Jersey, our new office in the Isle of Man means that now we have a presence in each of the three British Crown Dependencies.

They are international finance centres which are leading the cooperation on international tax initiatives and have some of the highest regulatory standards globally. In addition, they are English speaking, use the British pound sterling and in the same time zone as and with close links to, the UK but outside of the European Union [EU].

Being outside of the EU means that its regulations and directives do not apply unless voluntarily accepted. For example, in July last year, the EU introduced the Market Abuse Regulation [MAR] which was aimed at improving transparency of trading in the equity markets with retail investors. However, the blanket approach has also brought into scope debt listings and is disproportionately onerous on high yield bonds which are less frequently traded and held by sophisticated investors.

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We have not changed our rules and the fact that we have the ability to regulate according to the type of product means that we can offer a more proportionate regime. As a result, we have seen some migrations from Ireland and Luxembourg but predominantly, we are seeing new issuances coming to us. Since July last year, TISE has been chosen by more than 30 issuers – comprising a mix of private and public and European and US companies – and including a €1.3 billion high yield bond from Netflix.

What volume of listings are you handling and how do you see this developing?

We have seen strong growth in the number of new listed securities during the last few years.

In 2016 there were 502 new listed securities, which was a rise of 19% on the previous year and the total value of all listings rose 10%.

In the first five months of 2017 there have been 270 new listed securities, which is itself a rise of 50% year on year so that by the end of May there were 2,394 listed securities with a total value of £398 billion.

A significant proportion of new business continues to be debt securities, in particular convertibles and high yield bonds. However, we have also seen an uptick in investment vehicles, including open and closed ended funds as well as Real Estate Investment Trusts [REITs] investing into UK property. In addition, we have seen another trading company list and this is an area where we will be focussing in the future in terms of additional business growth.

How do you see Brexit impacting on trade?

The Brexit vote itself initially created concerns about the UK real estate market and – although it was not the case of any listed with us – led to some open-ended property funds having to protect themselves against a run of investor redemptions.

However, following that immediate reaction, we have seen groups of international investors, including sovereign wealth funds, seeking to take advantage of the value in the UK property market, especially given the exchange rate fluctuations.

This, combined with HMRC's changes in recent years to the UK REIT regime and the modernisation of our rules for investment vehicles, has provided a catalyst to renewed growth in this product area for us so that today a quarter of all UK REITs are listed on TISE.

In addition, we also believe that the stability and certainty which the Crown Dependencies can offer, at a time when Brexit is creating so much uncertainty in the UK, means that TISE provides an alternative venue for Small and Medium Sized Enterprises (SMEs) to raise finance.

“TISE provides a complementary offering... which is better suited, for example in terms of costs, to SMEs.”

The UK Government has identified SMEs as the engine room which will provide jobs and generate growth in the economy but to do that they will need to find suitable sources of capital to assist in their development.

However, SMEs are already facing squeezed bank lending (since the financial crisis), alternative financing such as peer-to-peer lending or crowdfunding remains limited in scale, owners are often worried about the loss of control afforded by private equity and a listing on a major stock exchange is often prohibitively expensive and/or bureaucratic.

We believe that TISE provides a complementary offering to those which already exist by offering a capital markets option which is better suited, for example in terms of costs, to SMEs.

It might be that in the longer term the company will grow and migrate to a major venue but by acting as an ‘incubator’ exchange, we can help to oil the wheels of economic growth in the UK, especially given the context of Brexit.

What are the key developments do you envisage in the coming years?

There is significant infrastructure involved in owning and operating an exchange and that is why even the larger exchanges, such as the London Stock Exchange (LSE) and Deutsche Bourse, are looking at ways in which they can create synergies.

We are no different and perhaps the problem is even more accentuated with smaller exchanges where there are reduced economies of scale and more limited pools of liquidity. As such, part of our strategy is to look at ways in which we can create synergies with other exchanges and to that end we signed a Memorandum of Understanding (MoU) with the Bermuda Stock Exchange (BSX) towards the end of last year and we are continuing to have discussions with a range of potential partners.

How would you compare TISE to other exchanges?

The feedback we get is that TISE is not only competitive on cost but most notably, we are responsive to the needs of issuers. This also stems from the long and strong relationships we have with the listing sponsors, which includes banks, law firms and fund and fiduciary administrators who are experienced in bringing issuers to market.

In conclusion, how would you sum up TISE?

TISE is a responsive, innovative exchange which is seeing significant growth in new listings and we have ambitions to work with other partners to create synergies and develop our business for the future.

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