

Adding substance & creating value

By Fiona Le Poidevin, CEO, The International Stock Exchange Group

There are a number of advantages of listing on The International Stock Exchange (TISE), including the ability to demonstrate additional substance within and create value for investment structures.

Asset management groups are still coming to terms with the fact that international developments such as the EU's Alternative Investment Fund Managers Directive (AIFMD) and the OECD's Base Erosion and Profit Shifting (BEPS) initiative have placed increased focus on the substance of investment structures.

However, there are a number of advantages of listing on TISE, including the ability to demonstrate additional substance within and create value for investment structures.

From our offices in Guernsey, Jersey and the Isle of Man we offer access to a fully regulated marketplace, which is within the European time zone but outside of the EU. Today, there are some 2,400 listed securities, including more than 400 investment securities.

Adding substance, creating value

Groups with vehicles listed on TISE are able to demonstrate additional substance in Guernsey, Jersey and the Isle of Man by utilising this element of the local infrastructure. Furthermore, greater value is provided through the activity undertaken locally to ensure adherence to the listing rules.

This includes the listing application process, with the minimum conditions of listing, completion of the listing document, disclosure requirements and responsibility statements.

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For example, the listing rules for investment vehicles require a minimum of three directors, with the majority being independent of any investment manager or adviser, which adds value by providing strong corporate governance in the structure that is particularly in the interests of shareholders and potential investors.

There are also the continuing obligations post listing, including notifications to the market and the preparation of audited financial statements to internationally recognised standards (e.g. IFRS, UK GAAP, US GAAP).

The audit provides third party scrutiny and review of the financial position which not only provides us with comfort but creates value by enabling shareholders and the wider public to evaluate performance against the investment objectives outlined in the listing document, which usually takes the form of a prospectus or offering memorandum.

Taken together, these requirements drive transparency and good corporate governance which in themselves create value within the structure as important factors for investors.

Recognitions

Adherence to our listing rules also allows the group to point to the fact that it is complying with the rules of an Exchange which is an Affiliate Member of both the World Federation of Exchanges (WFE) and the International Organisation of Securities Commissions (IOSCO). We apply these global standards in a manner which is proportionate to the type of product which is being listed.

TISE also has a number of other recognitions, including those which help widen the potential investor base to more institutions, such as pension funds. For example, the UK tax authority, Her Majesty's Revenue & Customs (HMRC), deems TISE to be a Recognised Stock Exchange for the purposes of investment by Self-Invested Personal Pensions (SIPPs) and Individual Savings Accounts (ISAs).

“TISE received recognition from the German financial services regulator, BaFin...This adds significant weight to the credibility of the Exchange”

This recognition also means that products listed on TISE may be able to avail of the Quoted Eurobond Exemption (QEE). Its utilisation includes those fund groups, such as private equity managers, who establish listed debt vehicles to finance acquisitions. Listing these special purpose vehicles on TISE demonstrates further use of the local infrastructure and therefore adds additional substance to the overall arrangements.

In addition, earlier this year, TISE received recognition from the German financial services regulator, BaFin. This adds significant weight to the credibility of the Exchange but it also means that German funds established under the European Union's Undertakings for Collective Investment in Transferable Securities (UCITS) Directive can now invest into securities listed on TISE.

Our allure as a listing venue also includes our responsive approach, cost-effectiveness and proportionate rules.

Rules update

We updated our listing rules from 1 September last year to encompass all types of investment vehicles, including not just open and closed ended funds but also Real Estate Investment Trusts (REITs) and other investment companies.

“Today, around a quarter of all UK REITs are listed on TISE”

Indeed, these changes have helped facilitate more HMRC approved UK REITs listing on TISE. This is due to the fact that TISE is not only a recognised stock exchange and listing venue but we have a cost-effective and pragmatic admissions process, including an exemption for REITs from the 25% free float rule. Today, around a quarter of all UK REITs are listed on TISE.

In addition, during this year there have been a number of both open ended and closed ended investment company listings, including UK Investment Trusts which are dual listed on the Specialist Fund Segment (SFS).

Conclusion

These are a number of advantages of listing on TISE, including the ability to demonstrate additional substance within and create value for investment structures. This is increasingly important given the growing international focus on these principles and so we expect further enquiries from asset management groups who want to address these issues as some of the requirements, for example within the BEPS initiative, become clearer.



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