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# An expanding capital market

Fiona Le Poidevin, CEO of The International Stock Exchange Group [TISEG], explores the growing role that The International Stock Exchange [TISE] is playing within global capital markets.

Guernsey is a facilitator of global capital flows, with a report from KPMG demonstrating that the island acts as a conduit for more than £100 billion of investment into Europe, with a large majority from international investors.

Ultimately the island acts as a hub for investment both inward to and outbound from the UK and wider Europe.

The International Stock Exchange [TISE], which is headquartered in Guernsey and also has offices in Jersey and the Isle of Man, plays a significant and growing role in facilitating these and other flows of capital globally.

During the first three quarters of 2017, there have been 454 new listed securities on TISE, which is a 44% rise year on year so that by the end of September there were 2,418 listed securities with a total value of around £400 billion.

## Global business

The Exchange business was established in the Channel Islands in 1998. It was rebranded from the Channel Islands Securities Exchange [CISE] to The International Stock Exchange [TISE] in the first half of 2017.

***“We have growing international recognition, with approval from the German regulator, BaFin, during 2017.”***

This was predominantly to reflect the fact that much of our existing business is global in nature. Indeed, we have seen increased geographical diversification in recent years, including the first issuer with an ultimate Chinese parent and the first South African domiciled issuer. The Exchange has also been home to some ‘world firsts’, including the first regulated bitcoin fund to be listed on any exchange globally. Also, we have growing international recognition, with approval from the German regulator, BaFin, during 2017.

Changing our name also made sense because we had already amended the membership rules to allow for listing sponsors from beyond the Channel Islands and the fact that we have opened an office in the Isle of Man.

## MAR & high yield bonds

The three British Crown Dependencies of Guernsey, Jersey and the Isle of Man are based outside of the European Union (EU), which means that EU regulations and directives do not apply unless voluntarily accepted.

***“The ability to regulate according to the type of product means that we can offer a more proportionate regime.”***

For example, from 3 July last year, the EU introduced the Market Abuse Regulation (MAR) which was aimed at improving transparency of trading in the equity markets where there are retail investors. However, the blanket approach is disproportionately onerous on high yield bonds which are less frequently traded and held by sophisticated investors.

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 50 issuers – comprising a mix of private and public and European and US companies – and including a €1.3 billion high yield bond from Netflix.

In total, there are around 2,000 debt securities listed on TISE.

## REITs

TISE is also home to some 400 investment vehicle securities, including open and closed ended funds and a growing number of UK Real Estate Investment Trusts (REITs).

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

A number of factors have come together to drive up interest in UK real estate as an asset class (low interest rate environment and currency changes post-Brexit vote) and the REIT as a vehicle for that investment (HMRC changes to the REIT regime and the shift from open ended to closed ended structures for property).

Coupled with the shift towards REITs, we have also seen increased interest in the fact that we not only fulfil the requirement of being listed on an HMRC ‘recognised stock exchange’ but we have a cost-effective and pragmatic admissions process. Today, around a quarter of all UK REITs are listed on TISE.

While UK REITs must be tax resident in the UK, they can be incorporated in other jurisdictions and there are a number of advantages of using a Guernsey company, for example company law in Guernsey allows distributions to be made on a cash flow solvency basis and there is no stamp duty payable on the transfer of shares in a Guernsey company.

## Trading companies

We also believe that the 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 UK Small and Medium Sized Enterprises (SMEs) to raise finance.

SMEs are already facing squeezed bank lending, 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.

## Conclusion

TISE has seen significant expansion in the business and growth in new listings in the last two years which means that we are playing an increasingly important role in the flow of capital across global markets.



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