

Listing debt on The International Stock Exchange (the “TISE”)

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This note seeks to explain the benefits of listing debt securities on The International Stock Exchange. It further sets out the main requirements for admittance of debt securities to the Official List and the role of Hatstone Listing Services Limited as listing sponsor.

Overview

The International Stock Exchange (“TISE”) has approved over 5000 securities for admission to its Official List, following its rapid growth since commencement of operations in 1998. It is licensed to operate as an investment exchange under The Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, and is regulated by the Guernsey Financial Services Commission. The UK Financial Services Authority (the “FSA”) approved the TISE in 2004, as a ‘Designated Investment Exchange’ within the meaning of the Financial Services and Markets Act 2000.

The types of debt securities listed on the TISE which Hatstone Listing Services can advise on, include: Eurobonds, tier one capital, corporate debt, special purpose vehicles (“SPVs”), asset backed securities, equity linked securities, multi issuer programs, warrants and PIK notes.

Benefits of the TISE

Some of the main benefits of the TISE include:

- a fast document turnaround and effective service - a debt listing can be undertaken in less than two weeks;
- competitive pricing - initial listing fee from £4,200;
- sponsor’s fees are significantly lower than other exchanges; and
- a pragmatic approach to disclosure requirements.

International Recognition of the TISE

The TISE continues to attract international recognition and has the following designations:

- Affiliate Member of the International Organisation of Securities Commissions;
- Associate Member of the International Capital Market Services Association;
- US Securities and Exchange Commission designation as an Offshore Securities Market (within the meaning of Rule 902(b) under regulation ‘S’ of the Securities Act 1933);
- officially recognised by the Australian Securities Exchange; and
- member of the Association for Financial Markets in Europe.

The Quoted Eurobond Exemption

On 10 December 2002, the UK Inland Revenue designated the TISE as a Recognised Stock Exchange under Section 841 of the Income and Corporation Taxes Act 1988. Under this designation qualifying debt securities listed on the TISE are eligible for the “Quoted Eurobond Exemption”. This permits an issuer

within the UK to make gross payments of interest on their listed securities without deduction of withholding tax.

On 27 March 2012, the UK tax authorities issued a consultation paper in relation to the future use of the quoted Eurobond exemption “so that it would not apply where the Eurobond is issued to a fellow group company, and listed on a stock exchange on which there is no substantial or regular trading in the Eurobond.” Following substantial opposition to these changes, the UK Government issued a revised proposal with significant U-turns, most notably that they no longer intend to implement the proposals relating to the quoted Eurobond exemption.

Benefits of the TISE Position Outside of the EU - Prospective Directive Changes

On 1 July 2012 the Prospectus Directive regime in Europe was amended by Directive 2010/73/EU which brought in a requirement that prospectuses must be published online where debt securities are listed on EU regulated markets (like the Irish Stock Exchange for example). Due to its position outside of the EU, the TISE does not require prospectuses to be published online. This reflects the TISE’s greater flexibility over exchanges within the EU.

The TISE Approach to Debt Listing

The TISE has a pragmatic approach to regulation and recognizes that debt securities issued by SPVs are usually traded and held by a very small number of institutional and sophisticated investors. The TISE is flexible (and more so when the issuer is an SPV) in terms of the detailed information that must be laid out in the Listing Document as stipulated by Appendix IX, Part D of the TISE Listing Rules (please see below). The level of information to be disclosed in the Listing Document must be sufficient to enable sophisticated investors to make informed investments but not so onerous as to place unnecessary burdens on the issuer.

Where any information required by Appendix IX, Part D of the TISE Listing Rules is not applicable or irrelevant to the listing of the debt securities, the sponsor can apply to the TISE for derogation from the requirements to disclose such information. (These are referred to as the “non-applicability letter” and “omitted information letter”.)

A normal derogation sought for debt security listings includes dispensation from the requirement that the securities be cleared through a clearing system which can lead to cost savings (Rule 8.2.3). Under this rule, the clearance system may be by Euroclear, Clearstream or a cash settlement via the sponsor.

It should be noted that additional benefits of the TISE regulatory regime include:

- debt issuers are not required to appoint local paying agents in the Channel Islands; and
- an SPV does not have to make any financial disclosures in the listing document.

Accounts

The TISE is flexible in its accounting requirements and does not require that accounts for debt issuers adopt the International Accounting Standards/International Financial Reporting Standards, so long as an appropriate accounting standard is used.

SPVs are not required to file accounts, however, all other issuers must normally file independently audited accounts for the two financial years immediately preceding the application for listing (Rule 8.2.2). If an issuer cannot furnish accounts, it is very important that they are able to fall under the definition of an SPV otherwise the TISE may require the issuer to be listed under the more onerous rules of Chapter 8 of the Listing Rules.

Satisfying Listing Conditions

Hatstone Listing Services will ensure that the issuer satisfies all the conditions for listing and through liaising with the TISE will pre-empt any contentious issues. At this stage we will work with the issuer’s professional advisors in relation to the drafting of the listing document Hatstone Listing Services can

provide template forms of listing particulars or disclosure “wrappers” which together with the loan note instrument or other constituting document, will compromise the listing document. Please note that only securities can be listed on the TISE and therefore loan agreements must be converted into a form of loan note agreement or equivalent acceptable to the TISE.

Once the issuer’s professional advisors have drafted the listing document, Hatstone Listing Services will review this from a listing perspective and revert with comments where necessary.

Initial Application

Hatstone Listing Services will draft the following documents which, once agreed with the issuer’s advisors, will then be filed with the TISE as part of the initial application.

- formal application for listing;
- sponsor’s declaration;
- listing undertaking;
- issuer’s declaration and undertaking to listing sponsor;
- draft marked up listing document;
- the loan note instrument or equivalent;
- non-applicability letter;
- omitted information letter;
- certified true copies of the authorising board resolutions; and
- certified true copies of the foundational documents of the issuer.

The application will also include a marked up listing document showing compliance with the disclosure requirements of the listing rules.

The TISE will revert with comments within 3-5 working days from filing of the initial application. Hatstone Lawyers will at this stage amend documents where necessary until they are in an agreed form with all parties concerned.

Listing

An issuer’s securities will be added to the Official List of the TISE once the above documents are in the agreed form, have been signed appropriately and filed with the TISE, along with payment of the correct listing fees. Normally, securities will be admitted to the Official List the same day as filing of the final documents.

Continuing Obligations

A limited number of continuing obligations apply to issuers, which have listed debt securities. In particular, Rule 8.5.5 of the Listing Rules provides that as soon as practical following the publication of the report, the issuer shall send one copy of the relevant annual account or interim financial statement of the issuer to the TISE.

About Hatstone

Hatstone is a multi-jurisdictional group providing legal, investment fund administration, fiduciary and corporate services with offices in the British Virgin Islands, Jersey, Ireland, London, Panama and South Africa. Our team is committed to providing responsive service and innovative solutions to our clients.

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NOTE ON THIS RELEASE

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