

# Listing in an uncertain world

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This article explores how the offering of certainty is strengthening the rationale for debt securities, investment vehicles and trading companies to list on The International Stock Exchange [TISE].

From Brexit to Trump, we seem to be living in an ever more uncertain world.

However, this has not hindered our business and if anything, it has helped contribute towards further growth due to our ability to offer certainty from our offices in Guernsey, Jersey and the Isle of Man.

In the first five months of 2017 there have been 270 new listed securities, which is 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.

## 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] earlier this year.

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, earlier this year.

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 are international finance centres which are leading the cooperation on international tax initiatives and offer some of the highest regulatory standards globally from locations with close links to the UK but outside of the EU.

This means that EU regulations and directives do not apply unless voluntarily accepted. 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 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.

## REITs

Last June's unexpected vote for Brexit led to an immediate loss of confidence in the UK real estate market but fast forward a couple of months and we began to see groups of international investors, including sovereign wealth funds, seeking to take advantage of new (largely exchange rate driven) opportunities.

This has provided a catalyst for foreign investment into UK property, whether through participation in debt issuances or, combining with HMRC's changes to the regime in recent years, REITs. There has been evidence of this through the applications and enquiries we have seen in both debt and REITs.

Today, a quarter of all UK REITs are listed on TISE. 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. It includes a specific exemption for REITs from the free-float rule requiring 25% of the issued share capital to be held in public hands, which is particularly attractive for REITs with a smaller number of institutional investors.

## 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 considerable growth in new listings in the last two years and while there are a number of factors at play, we believe that the certainty which we can offer in an otherwise uncertain world will help continue to drive new business our way.

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