

Taking a growth mindset

Fiona Le Poidevin, CEO of The International Stock Exchange Group [TISEG], looks at what was behind the significant increase in new listings during 2017 and what is in store for 2018 at The International Stock Exchange [TISE].

2017 was a hugely significant and successful 12 months for the International Stock Exchange [TISE], both in terms of the continued development of the business and representing another year of growth in new listings.

There were 705 new listings on TISE during 2017, which was an increase of 203 [40%] on the previous year and took the total number of listed securities on the Exchange to 2,511 at the end of December. Growth areas for new listings included debt products, such as high yield bonds and investment vehicles, including Real Estate Investment Trusts [REITs].

This success has its roots in a number of changes we have made in the previous years, including listing the parent company of the group on our own Exchange, increasing our marketing and business development activities, modernising the rules for listing both debt and investment vehicles and expanding to allow listing sponsors from beyond the Channel Islands.

Rebrand

The latter was a precursor to us rebranding from the Channel Islands Securities Exchange [CISE] to The International Stock Exchange [TISE] in March last year. That change was made as we opened an office in the Isle of Man, where there has been significant interest in what TISE can offer and now we have our first member firm in the form of international fiduciary services provider IQE.

The rebrand was also to reflect our wider ambitions for the future, as well as the fact that much of existing business is global in nature, with investors from different parts of the world investing in a range of companies, including many with operations internationally.

We also have wide international recognition that we operate to global standards. For example, our market authority is an affiliate member of both the International Organisation of Securities Commissions [IOSCO] and the World Federation of Exchanges [WFE] and the Exchange is recognised by the UK tax authority, HMRC, the Australian Stock Exchange [ASX] and – as of April last year – the German regulator, BaFin.

BaFin recognition

The recognition from BaFin means that securities listed on TISE are now eligible for investment by German funds established under the European Union's Undertaking for Collective Investment in Transferable Securities (UCITS) Directive as part of their 'listed' allocation, without the fund itself needing to specifically disclose the Exchange as a potential source of investable assets.

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Research we have carried out shows that TISE-listed products are now eligible listed assets for UCITS established in 5 EEA jurisdictions, including Germany. UCITS funds from a further 19 EEA jurisdictions, including France, Ireland, Luxemburg and the UK can treat TISE-listed products as eligible listed assets simply by disclosing TISE as a potential source of investable assets in their documentation.

TISE-listed products being considered eligible listed assets increases the potential allocation from UCITS funds. As such, it makes TISE a more attractive venue for listing products, including other types of funds, such as those from Guernsey and Jersey, as well as debt, which themselves may wish to attract investment from UCITS funds.

High yield bonds

The international nature of our business is also reflected through our high yield bond listings. High yield was an area of notable growth during last year, with 56 companies issuing 71 high yield bonds which listed on TISE during 2017. Historically, only a very small number of high yield issuances had come to our Exchange but this position has changed markedly since the introduction of the Market Abuse Regulation (MAR) across the EU from July 2016.

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Our position as a stock exchange based in Europe geographically but outside the EU has resulted in some high yield migrations from Ireland and Luxembourg but predominantly, we are attracting new issuances from companies accessing the European markets. Since July 2016, more than 100 issuers – comprising a mix of private and public and European and US companies – and including such high profile names as Netflix have chosen to list high yield bonds on TISE.

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

REITs

There are also nearly 400 investment vehicle securities listed on TISE and this includes a growing number of REITs.

A series 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 (changes to the REIT regime, the shift from open ended to closed ended structures for property and UK tax measures regarding property ownership).

Coupled with the shift towards REITs, which require a listing, we have also seen increased interest in TISE as the listing venue. This is because 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 compared to major exchanges. We have tended to attract 'institutional' REITs (i.e. where there are a smaller number of larger investors) but there are also some which are more widely held and also trade on TISE. 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 or Jersey company, for example company law in both Guernsey and Jersey 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 or Jersey company.

We have been actively working with other local firms and organisations to raise awareness locally of this offering and then also take it further afield into the (principally London) adviser community to showcase this joined up offering from the Channel Islands.

Trading companies

During 2017 financial services business PraxisIFM Group Limited became the latest trading company to be listed on TISE. It listed to widen the group's visibility internationally, provide access to the capital markets and to give shareholders a market for their holdings.

Upon listing, it also entered the Channel Islands segment which, along with an Isle of Man segment, was established when the Exchange was rebranded and opened the Isle of Man office. This reflects our commitment to providing local companies with a cost-effective way in which they raise their visibility among potential investors who could provide capital which would help grow the business.

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A particular focus for us during 2018 will be showcasing how both local companies and those from outside our home islands of Guernsey, Jersey and the Isle of Man, such as UK small and medium sized enterprises (SMEs), can potentially benefit from listing on TISE. We are set to release revised rules for listing trading companies in the near future and our Isle of Man office will provide the platform for us to target SMEs in the 'Northern Powerhouse' cities of the UK.

These efforts will include demonstrating how TISE is a more convenient exchange for listing SMEs compared to larger exchanges but also that being based in the Crown Dependencies means we can offer stability at a time of significant uncertainty in the UK given the ongoing Brexit process.

A growth mindset

Last year we passed a number of significant milestones in the evolution of the Exchange. Most latterly, this included expanding our offering through the introduction of administration service to help local financial services business obtain a Legal Entity Identifier (LEI) from the London Stock Exchange.

We are continually assessing new opportunities to enhance what we can provide to the market and how we might grow the business in the future. In December, Mark Nicol joined as the new head of the regulatory arm of the Exchange, The International Stock Exchange Authority Limited (TISEA), and I am looking forward to working with him on developing the Exchange as we take further strides forward in 2018.



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