

Listing High Yield Bonds on The International Stock Exchange

Insights - 01/01/2022

Executive summary

The purpose of this briefing is to highlight the principal requirements and key issues to be considered when considering listing high yield bonds on The International Stock Exchange (TISE or the Exchange) under The International Stock Exchange Authority Limited's (TISEA or the Authority) listing rules (the Listing Rules).

TISE offers:

- competitive pricing: (see section entitled "Listing fees" below);
- recognised stock exchange status for "quoted Eurobond" and other purposes; and
- a pragmatic approach to disclosure and regulatory requirements.

Introduction

TISE has experienced an increased interest in listing specialist securities, particularly high yield bonds, since the introduction of the EU market abuse regime on 3 July 2016, effected as a result of the EU Market Abuse Regulation (MAR).

The introduction of MAR had a number of implications for issuers of debt securities who usually list on EU exchanges. MAR has direct effect in all EU member states, however the Channel Islands are not part of the EU and therefore EU Directives and Regulations do not apply to debt securities listed on TISE.

The pragmatic approach of TISEA has led to increased interest in a listing on TISE by both new issuers and issuers seeking migrations of existing high yield bonds already listed on EU exchanges.

International recognition

TISE is designated by the HM Revenue & Customs as a recognised stock exchange under Section 1005 of the UK Income Tax Act 2007. This designation is significant because qualifying debt securities listed on TISE are eligible for the 'Quoted Eurobond Exemption'. This allows an issuer within the UK tax net to make payments of interest on listed securities gross without deduction for tax.

TISE:

- is an Affiliate Member of the International Organisation of Securities Commissions (IOSCO);
- is an Affiliate Member of the World Federation of Exchanges (WFE)
- is officially recognised by the Australian Securities Exchange;
- is officially recognised by the German Federal Financial Supervisory Authority, BaFin (Bundesanstalt für Finanzdienstleistungsaufsicht); and
- is officially recognised as a Designated Offshore Securities Market by the US Securities and Exchange Commission (SEC).

While complying with international standards for recognised stock exchanges, TISEA has adopted a flexible and pragmatic approach to regulation. TISEA has developed the Listing Rules which place a premium on clarity and an appropriate level of corporate governance.

Unlike EU exchanges, TISE is not bound by or subject to any EU Directives or Regulations and, as a result, is able to be considerably more flexible in its approach. TISEA does not require an issuer to appoint a local paying agent in the Channel Islands and does not typically require securities to be entered into a clearing system. In certain circumstances it may also list an issuer without audited accounts. The fees levied by TISEA for listing debt securities are competitive with other stock exchanges based in the European Union.

All Exchange listing and trading information can be accessed from TISEA's website at www.tisegroup.com.

Appointment of listing agent

In order to proceed with a listing a proposed issuer must appoint a listing agent to assist in relation to the listing procedure. The listing agent will be responsible for all communications and dealings with TISEA (including seeking approval for the form and content of the listing document and for the preparation and filing with TISEA of the formal listing application and supporting documentation including director's declarations). In addition, a listing agent is able to apply to TISEA for derogations from the formal disclosure requirements applicable to the

contents of the listing document.

General principles for listing on TISE

The Listing Rules are designed to ensure that investors have and maintain confidence in the securities market. In particular, in relation to the issuer and the debt securities for which application for listing has been made, TISE will consider whether:

- the securities are suitable for listing;
- the issuer is suitable for listing - this is also an assessment OCFL will make;
- investors are given sufficient information to enable them to make an informed assessment of the issuer and the debt securities;
- the listing of the debt securities is conducted in a fair and orderly manner;
- all holders of listed debt securities of the same class are treated fairly and equally; following a listing, there is sufficient disclosure of information to investors to ensure that they are kept fully informed of all factors which might affect their interests; and
- debt securities are by their nature usually purchased and traded only by a limited number of investors who are knowledgeable about investment matters.

TISEA's approach to listing high yield bonds

The following factors are considered by TISEA in relation to the listing of high yield bonds:

Investors

High yield bonds are listed under the debt listing chapters of the Listing Rules and require that only investors deemed to be particularly knowledgeable in investment matters are qualified and permitted to hold such securities.

The securities must not be held by retail investors. High yield bonds usually have a high denomination, so would not typically be marketed at retail investors.

TISEA recognises that debt securities, and in particular high yield bonds, issued by special purpose vehicles and intra-group holding companies tend to be purchased and traded by a limited number of sophisticated, intragroup and/or institutional investors.

TISEA deems investors who:

1. qualify as institutional buyers under Rule 144A; or

2. (outside of the US) fall within the exemption from registration under Regulation S; or
 3. fall within institutional investor exemptions under the EU Prospectus Regulation,
- to satisfy this requirement of the Listing Rules.

Listing Documents

TISEA adopts a pragmatic and commercial approach to disclosure, which focuses on issues material to an investor, without the lengthy disclosure which may be required for other stock exchanges operating under the EU Prospectus Regulation. Disclosure requirements have been set at a level which is intended to provide investors with sufficient information to enable them to make an informed investment decision regarding the listed securities but without imposing unnecessarily onerous demands on an issuer.

The offering memorandum (Offering Memorandum) prepared by the issuer's onshore legal counsel will form the listing document for the purposes of the listing application together with the document constituting the bond and any other material documents in connection with the issue of the securities. TISEA is flexible in this regard and has taken the approach (if favourable to the Issuer) that subject to such documents being summarised in detail in the Offering Memorandum, they will not be required to form part of the listing document.

The Offering Memorandum will contain detailed disclosure about, among other things, the terms of the bonds, the structure of the transaction, the issuer's business, the industry in which it operates, audited historical financial statements, a management discussion and analysis of historical financial performance, disclosure regarding the issuer's outstanding indebtedness, discussion of key risk factors and disclosure of other legal considerations (including under applicable tax laws) material to an investor's decision to purchase the bonds.

OCFL will provide comments on the Offering Memorandum to ensure compliance with the disclosure requirements of the Listing Rules.

In the case of a migration from another exchange and/or where the Offering Memorandum has already been finalised, TISEA will accept a wrapper document which will wrap around the original Offering Memorandum and include the necessary statements and disclosures for TISEA (if not already contained in the Offering Memorandum). The front cover of the Offering Memorandum and/or the wrapper document will need to be signed by a director of the issuer.

Accounts

An issuer is required to provide two years of audited accounts under the Listing Rules, unless it qualifies for an exemption from this requirement such as in the case of issuers which are newly

incorporated.

TISEA is flexible in its accounting requirements and will not require the adoption of international accounting standards or international financial reporting standards, provided that an accounting standard acceptable to TISEA is used.

The Listing Rules require that, where the securities have the benefit of a third party or parent company/group guarantee, the latest audited accounts of the guarantor(s) must be provided to TISEA.

In respect of accounting requirements for guarantors, TISEA may permit group consolidated accounts to be provided, subject to this being adequately disclosed in the Offering Memorandum and such accounts being accessible to holders of the securities and qualified prospective investors.

Password Protected Websites

A number of high-yield issuers use password-protected websites to discretely distribute quarterly results and other announcements to bond market participants, without publicly publishing them.

Under the MAR regulations all of the information previously only provided to investors and analysts, are required to be publicly disclosed and therefore fully available to competitors.

TISEA permits the use of password-protected websites, subject to all information being made readily available to any qualified person likely to deal in the securities of the issuer.

TISEA requires such information to be provided upon approach to either the issuer or its advisers, without delay (to ensure adherence with Principle 5 of the Listing Rules (sufficient and timely disclosure of information must be made to investors so that they are kept fully informed of all material factors which might affect their interests)).

The listing process

The process for listing on TISE is straightforward and is carried out in two stages (stage 1: initial application and stage 2: subsequent reviews and final application) via an issuer's listing agent, as further described on TISE's website: <https://www.tisegroup.com/listing/how-to-list/>.

Continuing Obligations

Once a listing has occurred an issuer must comply with the continuing obligations set out in the Listing Rules.

For more information on continuing obligations, please contact a member of our listings team who will be able to advise on the obligations for issuers of debt securities on TISE.

TISEA's listing fees

For TISE's current fee schedule, please refer to its website:

<https://www.tisegroup.com/listing/listing-rules-fees/>

Next steps

Please contact a member of our listings team who will be happy to talk through the listing process and provide a competitive listing agent fee quote.

Services offered by Ogier Corporate Finance Limited / Ogier Legal

Ogier Corporate Finance Limited (OCFL) is a market-leading listing agent and sponsor, wholly owned by Ogier Legal, and is able to act as a listing agent or sponsor for all listing purposes.

In addition:

- OCFL is an active member of TISEA's rules committee, which reviews TISEA's Listing Rules on an ongoing basis in order to improve TISE's offering and the listing process;
- OCFL's listings team includes former TISE listing and technical managers, who maintain excellent working relations with TISEA and provide exceptional technical knowledge and insight to assist our clients; and
- as part of OCFL's full service offering we provide an ongoing post-listing service to issuers, providing advice and assistance in relation to TISEA's Listing Rules and compliance with the continuing obligations applicable to listed issuers.

Ogier Legal is experienced in the provision of high quality and cost effective professional legal services in relation to special purpose vehicles. We have experience in all aspects of structuring and documenting debt issuance transactions, from initial design to public offerings and listings of debt securities.

Full details of the services provided by OCFL/Ogier Legal are available on request.

Client briefings on establishing special purpose vehicles and on other aspects of Channel Islands company law have been prepared by Ogier Legal and are available on request.

If you would like further information about TISE/TISEA and the services that we are able to provide, please speak to one of the contacts listed at the end of this briefing or your usual contact at Ogier Legal.

About Ogier

Ogier is a professional services firm with the knowledge and expertise to handle the most demanding and complex transactions and provide expert, efficient and cost-effective services to all our clients. We regularly win awards for the quality of our client service, our work and our people.

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