

GUIDE TO LISTING OF INVESTMENT FUNDS ON THE CISE

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PREFACE

This Guide is a summary of the law and procedures relating to the listing of investment funds on the Channel Islands Securities Exchange.

We recognise that this Guide will not completely answer detailed questions which clients and their advisers may have; it is not intended to be comprehensive. If any such questions arise in relation to the contents, they may be addressed to any member of the team, using the [contact information](#) provided at the end of this Guide.

Appleby

Jersey and Guernsey

March 2016

1. THE EXCHANGE'S APPROACH TO LISTING

The Channel Islands Securities Exchange Authority (**Exchange**) recognises that units (references to units below include units in a unit trust, shares in a company, interests in a limited partnership and other membership interests or participations in an investment fund) issued by investment funds may be purchased and traded by a limited number of sophisticated institutional investors or may be exposed to the wider market. The Exchange endeavours to adopt a pragmatic approach to regulation and is flexible in its requirements concerning the detailed information describing the investment fund and its units required to be included in a prospectus (**Listing Document**). Disclosure requirements have been set at a level which is intended to provide investors with sufficient information to make an informed investment decision regarding the listed securities, but without imposing unnecessarily onerous demands on the investment fund. The nature of the information required to be disclosed varies depending on whether the fund is to be open-ended or closed-ended. The Exchange may authorise the omission of certain information from the Listing Document where it considers that such information is not applicable, is of minor importance or if disclosure would be seriously detrimental to the investment fund or contrary to the public interest. As a general approach the Exchange would expect the Listing Document to disclose all information as may be necessary to enable an investor to make an informed assessment of the activities, assets and liabilities, financial position, management, prospects and the profits and losses of the investment fund and of the rights attaching to the securities for which a listing is sought.

To be eligible for listing, a fund must be an authorised fund (as defined in the rules for the listing of securities of the Exchange (**Listing Rules**)); incorporated or validly established and regulated in a jurisdiction recognised by the Exchange; or be otherwise acceptable to the Exchange.

The Exchange has issued a guidance note confirming the policy for the listing of funds which would be otherwise acceptable to the Exchange, which includes Jersey unregulated funds. An unregulated fund in Jersey is outside the regulatory regime applicable to investment funds in Jersey. To be eligible for listing, an unregulated fund must be closed-ended with a separate investment manager which is regulated in a jurisdiction recognised by the Exchange with a minimum of two years track record and reviews carried out as part of the application on the Principals are satisfactory.

Self-managed unregulated funds with no regulated Investment Manager will be reviewed on a case by case basis and subject to extra scrutiny.

Other funds which may be acceptable to the Exchange, other than those established in the Channel Islands, may also include closed-ended Cayman or Isle of Man funds or funds domiciled in other jurisdictions which do not regulate closed-ended funds.

2. CONDITIONS FOR LISTING ON THE EXCHANGE

The Listing Rules are designed to ensure that investors have and maintain confidence in the market. In particular, the Listing Rules are designed to ensure that:

- the securities for which application for listing has been made are suitable for listing;
- investors are given sufficient information to enable them to make an informed assessment of the issuer and of the securities for which application for listing has been made;
- the issue and trading of the securities is conducted in a fair and orderly manner;
- all holders of listed securities of the same class are treated fairly and equally; and
- once a listing is granted, there is sufficient disclosure of information to investors to ensure that they are kept fully informed by the issuer of all factors which might affect their interests.

In order to meet these general requirements the Exchange imposes some specific conditions for listing investment funds, the most significant of which are set out below:

- the fund's directors together with its investment manager must have sufficient and satisfactory experience in the management of investments of the type in which the fund proposes to invest; and the board of directors of the fund must be able to demonstrate its ability to act independently of the investment manager;
- the assets of the investment fund must be invested with the aim of spreading investment risk;
- the issuer must have arrangements acceptable to the Exchange for the safe custody of its assets (the CISE is not prescriptive as to what these arrangements should be);
- the fund must enter into a Listing Undertaking in prescribed form;
- audited consolidated accounts prepared in accordance with the issuer's national law and appropriate accounting and auditing standards must be published;
- the units listed must be freely transferable, except to the extent that any restrictions are approved by the Exchange (the Exchange is prepared to accept restrictions on transferability arising from the regulatory status of the fund);
- at least 25% of the listed units of a closed-ended fund must be in the hands of the public (unless a sufficient number of the units are in issue to create a market) and the whole class must be listed with an aggregate market capitalisation of at least £500,000; and
- the fund may not change its principal investment objectives and policies as set out in its Listing Document for a minimum of three years from listing other than with the consent of a majority of unit holders.

3. **CORPORATE GOVERNANCE**

The CISE also imposes certain corporate governance conditions:

- where the investment fund (or manager for a unit trust or general partner for a limited partnership) has corporate directors, a majority of the board of the issuer should be natural persons;
- the directors of the investment fund (or manager for a unit trust or general partner for a limited partnership) who are natural persons and the directors of a corporate director who are natural persons (whom the Exchange would expect to be a majority) are responsible for the information in the Listing Document and must state such responsibility in the Listing Document;
- where an investment fund is a company, other than an open-ended investment fund, at least two of its directors must be independent of the investment manager, investment adviser and their affiliated companies; and
- neither the custodian nor auditor of the Issuer may act as a director of the investment fund, manager or general partner.

4. **APPOINTMENT OF SPONSOR AND REPRESENTATIVES**

Under the Listing Rules the investment fund must have a listing sponsor appointed at all times whilst it is an applicant for listing or it is listed. Appleby Securities (Channel Islands) Limited is a listing member of the Exchange and is qualified to act as listing sponsor. The sponsor will be responsible for all communications and dealings with the Exchange.

The investment fund must appoint two authorised representatives resident in the Channel Islands to act as the fund's principal channel of communication with the Exchange on an on-going basis. The authorised representatives must be directors of the fund, the secretary of the issuer or other persons acceptable to the Exchange (such as a sponsor).

5. THE LISTING PROCESS

Stage 1: Satisfy listing conditions

An investment fund seeking a listing on the Exchange must satisfy all the conditions for listing. The applicant, its professional advisers and the sponsor are encouraged to discuss the suitability of the listing proposals prior to making any formal application.

Stage 2: Preparation of draft documentation

The sponsor in conjunction with the fund's professional advisers will prepare drafts of the formal listing documentation for review and comment by the Listing Department.

The initial application documents which must be submitted to the Exchange are set out in the Listing Rules and include the following:

- formal application for listing;
- sponsor's declaration;
- listing undertaking;
- directors' declaration and undertaking;
- Listing Document, signed by or on behalf of the directors of the fund (or of the manager of a unit trust or of the general partner if a limited partnership);
- formal listing notices setting out the material terms of the proposed issue; and
- application form to subscribe for or purchase units.

Stage 3: Approval

All applications for listing will be processed by the staff of the Exchange Listing Department. Once they are satisfied with an application they will submit a report including their recommendations to the Exchange's Listing and Membership Committee to be considered at a meeting of the Listing and Membership Committee.

Stage 4: Listing

If the Listing and Membership Committee approves the application the listing documentation is then filed and the units are admitted to the Official List. The units are allocated an ISIN reference and the dealings commence once the Listing Document has been issued and all conditions precedent to the issue of units have been satisfied.

6. CONTINUING OBLIGATIONS

Once listed, the fund must comply with the continuing obligations specified in the Listing Rules. The continuing obligations are intended to ensure that all market users have simultaneous access to the same information and to maintain an orderly market in the listed units. Failure by an issuer to comply with any applicable continuing obligation may result in enforcement action being taken by the Exchange. Some of the more important general requirements are mentioned below:

- The fund is required to continue to comply with the conditions for listing.
- The fund is required to keep the holders of its listed units, and the Exchange, informed as soon as reasonably practicable of such information relating to the fund which may be necessary:
 - to enable investors to appraise the financial position of the fund;
 - to inform investors of developments expected materially to affect market activity in the price of its units; and

- to avoid the establishment of a false market in its units.
- The fund must notify the Exchange of any proposed change in its capital structure, including the structure of its listed units, any new issues of securities, any change in the rights attached to any class of listed securities or to any units into which any listed securities are convertible.
- The fund must send with each notice convening a meeting of the holders of its listed units, proxy forms with provision for two-way voting on all resolutions to be proposed.
- The fund must respond promptly to any enquiries made by the Exchange concerning unusual movements in the price or trading volume of its listed (or any other matters raised by the Exchange) by giving such relevant information as is available to the fund or, if appropriate, by issuing a statement to the effect that it is not aware of any matter or development that is or may be relevant to the situation.
- The Exchange is entitled to require the publication of further information by, and impose additional requirements on a fund where it considers that circumstances so justify, but will allow representations by the fund before imposing any additional requirements on it which are not imposed on listed companies generally.
- A fund whose units are listed on any other exchange must ensure that equivalent information is made available at the same time to the Exchange and such other exchanges.

Further details of continuing obligations can be obtained from Appleby.

7. LISTING FEES

The initial application fee for the listing of units issued by investment funds varies based upon whether the applicant is open-ended or closed-ended and single or multi-class. Annual fees are charged in respect of listing such units. For single class funds, these are as follows:

Open-ended funds	Initial fee		Annual fee	
	Primary listing	Secondary Listing	Primary listing	Secondary Listing
Single/Multi-class fund	£6,000 plus £250 per class		£1,500 plus £250 per class	
Multi Fund/Cell Investment Schemes (Umbrella funds/PCCs/ICCs)	£5,000 plus £500 per sub-fund/cell £250 per class*		£1,500 plus £500 per sub-fund/cell £250 per class*	
Closed-ended funds	Initial fee		Annual fee	
	Primary listing	Secondary Listing	Primary listing	Secondary Listing
Single/Multi-class fund	£5,000 plus £250 per class*	£2,500 plus £250 per class*	£2,000 plus £250 per class*	£1,000 plus £250 per class*
Multi Fund/cell Investment Schemes (Umbrella funds/PCCs/ICCs)	£3,300 plus £750 per fund/cell £250 per class	£1,000 plus £750 per fund/cell £250 per class	£1,650 plus £750 per fund/cell £250 per class	£1,000 plus £750 per fund/cell £250 per class

* The first class will not attract a class fee

For more specific advice on listing of investment funds on the CISE, we invite you to contact one of the following:

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For the convenience of clients in other time zones, a list of contacts available in each of our jurisdictions may be found [here](#).

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