



Guide to  
CISX Listing of Investment Funds  
in Jersey

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## PREFACE

Many institutional investors are constrained by their internal investment policies or by regulation to investing in securities which are listed, or to limit their exposure to investments that are not listed, on stock exchanges recognized for the purposes of such restrictions.

The Channel Islands Stock Exchange (the “Exchange” or “CISX”) has been established for the purpose of providing a stock exchange listing facility for investment funds and other issuers in order to meet international investor demand. Although complying with international standards for recognised stock exchanges, the Exchange has adopted a flexible and pragmatic approach to regulation similar to that which has contributed to the development of the Channel Islands as first class finance centres. The CISX has developed listing rules which place a premium on clarity and on an appropriate level of governance. We have found the Exchange to be both co-operative and responsive in meeting deadlines imposed by transaction timetables.

The Exchange commenced operations on 27 October 1998 and since that time has established itself as a leading securities exchange for investment funds and specialist securities. The CISX is a Recognised Overseas Exchange under the United Kingdom Income and Corporation Taxes Act 1988, a Designated Investment Exchange under the Financial Services and Markets Act 2000 and has been given Designated Offshore Securities Market status by the US Securities Exchange Commission under Regulation S of the United States Securities Act of 1933.

Unlike other European stock exchanges, the CISX is not bound by any European Union Listing Directives and, as a result, is able to be considerably more flexible in its approach.

It is recognised that this Guide will not completely answer detailed questions which clients and their advisers may have. It is intended to provide a sketch of the subject matter covered. The Guide is, therefore, designed as a starting-point for a more detailed and comprehensive discussion of the issues.

**Appleby**  
St Helier, Jersey  
November 2008

## **1. THE EXCHANGE’S APPROACH TO LISTING**

The 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 (the “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.

## **2. CONDITIONS FOR LISTING ON THE EXCHANGE**

The rules for the listing of securities 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:

- a. 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;
- b. the issuer must have arrangements acceptable to the Exchange for the safe custody of its assets (the CISX is not prescriptive as to what these arrangements should be);
- c. audited consolidated accounts prepared in accordance with the issuer’s national law and appropriate accounting and auditing standards must be published;

- d. 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);
- e. 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 capitalization of at least £500,000; and
- f. 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 Unitholders.

### **3. CORPORATE GOVERNANCE**

The CISX also imposes certain corporate governance conditions:

- a. 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;
- b. 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;
- c. 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
- d. neither the custodian or 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 (Jersey) 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 ongoing basis. The authorised representatives may be directors of the fund 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 advisors 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 advisors will prepare drafts of the formal listing documentation for review and comment by the Listing Department. The application documents will 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 Exchange's Head of Listing and the Staff of the Listing Department. Once the Listing Department is satisfied with an application it will prepare a response to the Exchange's Market Authority together with a recommendation as to the suitability of the listing proposal.

### Stage 4: Listing

If the Market Authority 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. Some of the more important general requirements are mentioned below:

- a. The fund is required to continue to comply with the conditions for listing.

- b.** 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:
  - i.** to enable investors to appraise the financial position of the fund;
  - ii.** to inform investors of developments expected materially to affect market activity in the price of its units; and
  - iii.** to avoid the establishment of a false market in its units.
- c.** 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.
- d.** 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.
- e.** 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.
- f.** 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.
- g.** 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            £ 1,000

Annual Fee            £ 1,000

### Closed-ended funds

Initial fee	Primary listing	£3,300
	Secondary Listing	£1,000

Annual Fee	Primary listing	£1,650
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Secondary Listing                      £ 1,000

For umbrella or multi-class funds, additional fees of £300 per sub-fund or class are payable.

For more specific advice on CISX Listing of Investment Funds in Jersey, we invite you to contact one of the following:

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Over 800 lawyers and professional specialists deliver sophisticated, specialised services, primarily in the areas of Corporate and Commercial; Litigation and Insolvency; Private Client and Trusts; and Property. We advise global public and private companies, financial institutions, and high net worth individuals, working with them and their advisers to achieve practical solutions, whether in a single location or across multiple jurisdictions.

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