

Listing Eurobonds on The International Stock Exchange

Last reviewed: May 2021

Introduction

The International Stock Exchange (**TISE**) provides a platform for the listing of a wide range of products including Eurobonds, loan notes, payment in kind notes (**PIK Notes**), variable funding notes and convertible notes (**Debt Securities**).

TISE is the exchange operated by The International Stock Exchange Authority Limited (the **Authority**). The Authority is licensed by the Guernsey Financial Services Commission to operate an investment exchange under the Protection of Investors (Bailiwick of Guernsey) Law, 1987.

Why use TISE?

The key strengths of the TISE are:

- speedy turnaround time and consistency of response;
- competitive pricing and cost effectiveness (see www.tisegroup.com for current fee schedule);
- the cost of appointing a listing agent is significantly less than other major exchanges;
- the Listing Rules meet international standards and are easy to understand;
- TISE is receptive to innovative product structures;
- responsive and approachable Listing and Membership Committee which meets daily to consider listing applications;
- pragmatic approach to disclosure requirements;
- based in a renowned premier offshore location (within an OECD jurisdiction); and
- it is not bound by European Listing Directives and can therefore be more flexible in its approach.

Requirements for listing Debt Securities on TISE

Debt Securities are listed under Chapters 5 to 7 of the Listing Rules. The issuer may list as a special purpose vehicle or a trading entity. Chapters 5 and 6 of the Listing Rules set out certain requirements for the issuer of Debt Securities and the Debt Securities themselves. It is beyond the scope of this guide to set out a detailed explanation of every requirement, but we highlight below some of the key points.

1. Debt Securities listed under Chapters 5 to 7 are typically expected to be issued to institutional and/or sophisticated investors who are knowledgeable in investment matters. Additional requirements will apply if the Debt Securities are intended for retail investors.
2. An issuer will typically be expected to provide the Authority with audited consolidated accounts covering the previous 3 years unless (i) the issuer has been established for less than 3 years in which case the accounts must cover the period since the issuer was established or (ii) the issuer has been incorporated within the 12 months preceding the date of the listing application and has not commenced activities prior to the date of listing, in which case no financial information is required. A derogation from the audit and consolidation requirements will generally be available if the issuer's

accounts are not required to be audited and / or consolidated under the laws of its place of incorporation.

3. Listed securities must be freely transferable and tradeable, subject to certain exceptions (for example, where the holding of such securities may result in a disadvantage for the issuer or the noteholders).
4. The issuer must appoint a listing agent to assist with the listing process and continuing obligations. The listing agent is responsible for communications and dealings with the Authority. Mourant Securities Limited is able to act as a listing agent for all listing purposes.

Further details are available on request.

Types of issuer

There are a number of different types of issuer that may wish to list Debt Securities on TISE, including the following:

1. A borrower under an intra-group loan. Instead of structuring intra-group lending as a loan, the borrower may wish to issue Debt Securities to the intra-group lender.
2. An entity issuing Debt Securities as part of a private equity transaction.
3. An issuer in a debt fund / debt platform.

Quoted Eurobond Exemption

In general, where a debt is owed by a UK entity to any entity or person who is not resident in the UK and interest is payable on that debt, then the UK entity is obliged to deduct UK withholding tax in respect of the interest amount payable. There are certain reliefs from this rule, for example, where a double tax treaty applies, however, this requirement can still prove to be a burden from an administrative/cost perspective and can sometimes be a disincentive to investing in the UK. The UK Government recognises the need to strike a balance between raising tax and promoting inbound investment and has therefore taken steps to provide for certain withholding tax exemptions.

One such exemption is the 'Quoted Eurobond Exemption'. If a debt meets certain requirements to be classified as a 'Quoted Eurobond' then UK tax does not need to be withheld on interest payments in respect of that debt.

In order to qualify for the 'Quoted Eurobond Exemption' the debt must be in the form of a security and must: i) be issued by a company; ii) carry the right to interest; and iii) be listed on a recognised stock exchange. If these requirements are met then the 'Eurobond' should be exempt from the obligation to pay UK withholding tax in respect of the interest payable on the debt. TISE is a recognised stock exchange by Her Majesty's Revenue and Customs pursuant to section 1005 of the UK Income Tax Act 2007, and is therefore a popular choice for such listings.

In these types of transactions, the Debt Securities are usually listed post-completion but before the first interest payment date in order that the first payment of interest qualifies for the Quoted Eurobond Exemption. If the instrument creating the Debt Securities permits the issue of PIK Notes in lieu of payments of interest, the PIK Notes will be listed as a separate class of securities unless they are fully fungible in every respect with the original Debt Securities.

Variable funding notes

Variable funding notes (VFNs) may be used in place of a typical Eurobond to structure a flexible funding line.

When structured as a Eurobond, a drawdown or repayment on an underlying loan is usually accompanied by a corresponding further issue or redemption of Debt Securities. Under the Listing Rules, each further issue or redemption requires an application to be made to the Authority to adjust the principal amount of the Debt Securities which are in issue and listed on TISE. There is also an associated fee of at least £375 per further issue / redemption. The frequency of anticipated drawdowns and/or repayments on an underlying loan may mean that a VFN is more cost efficient and administratively less onerous than a standard Eurobond.

VFNs are typically structured by an issuer issuing one note certificate in a specified principal amount. The outstanding principal balance represented by the VFN increases or decreases to reflect drawdowns and/or

repayments on the underlying loan, without a further issue or redemption of notes being required. The increases and decreases in the outstanding principal balance represented by the VFN are recorded by making entries in the register of VFN holders. TISE reporting requirements for VFNs involve the submission of quarterly reports recording the adjustments to the outstanding principal balance represented by the VFN for the previous quarter. The annual fee charged by TISE for the VFN facility is currently £1,600.

The Listing Document

An issuer seeking a listing on TISE must prepare a Listing Document that complies with the content requirements of Chapter 6 of the Listing Rules. Where particular content requirements are not applicable, or where the issuer wishes to seek derogation from certain Listing Rules, the Authority is usually amenable to an omission, provided a reasonable explanation is provided.

There is no specific form required for the Listing Document, however, it typically comprises the instrument creating the Debt Securities (eg a note instrument) and a 'wrapper document' prepared by the listing agent which contains specific disclosures required under the Listing Rules.

The Listing Document is not made available on the TISE website or otherwise published following listing. Under the Listing Rules, the Listing Document must be made available for inspection at a specified location (typically our offices in the Channel Islands) for 14 days from the date of listing.

Procedure for listing

The following is a brief overview of how a listing of Debt Securities on TISE typically proceeds.

1. **Drafting/collating documents for initial submission:** We will need to draft certain ancillary documents as part of the listing application. These include a formal application document, a formal notice, a listing undertaking, a listing agent declaration and a letter(s) setting out the Listing Rules which are not applicable to the issuer and/or the Debt Securities and (if required) seeking derogations from particular Listing Rules. We will also need to collate relevant KYC/AML documentation and copies of any documents (other than the instrument creating the Debt Securities) which contains terms affecting or relating to the Debt Securities.
2. **Initial submission:** Once the ancillary documents have been drafted and/or collated, we will make an initial submission to the Authority. The Authority will issue invoices for the application fee and the first year's annual fee which need to be settled by the issuer in order for the application to proceed.
3. **Comments from the Authority:** TISE has introduced a service delivery framework which indicates that comments should be released (assuming prompt payment of the listing application fee and first year's annual fee by the issuer) within three business days of the initial submission.
4. **Addressing comments from the Authority:** Once comments from the Authority are released, there will be a process by which we (as listing agent) will liaise with the issuer/their advisers and the Authority to address any comments made by the Authority, update the listing application documents as applicable and provide the Authority with any additional information and/or confirmations requested. We generally expect the Authority to have limited comments (subject to any particular transaction specific features that might give rise to additional comments or questions).
5. **Final application:** Once all documents have been finalised, these will be signed and submitted to the Authority. The wrapper document will be signed on its front page by a director of the issuer (or their agent or attorney) and, together with the instrument creating the Debt Securities (and any other relevant documents), will constitute the Listing Document for the purposes of the Listing Rules.
6. **Listing:** If the signed application documents are submitted prior to 12:00pm, the Authority will issue a grant of listing letter and the Debt Securities will be admitted to the Official List on the same day. If the signed application documents are submitted after 12:00pm the listing will usually take effect the next working day.

Costs of listing

At the time of this guide, the typical costs for listing a single class of Debt Securities are as follows:

1. **Initial listing costs:** TISE charges an initial application fee of £5,300, plus a formal notice fee of £150.
2. **Ongoing costs:** TISE charges an annual fee of £1,300 for each class of Debt Securities, plus an annual fee of £1,600 for any VFN facility.

TISE fees are subject to revision at the discretion of TISE.

In addition, fees would be payable to Mourant to assist with the listing process and documentation and to act as listing agent on a continuing basis. We can provide a detailed fee proposal on request.

The information in this guide reflects the current provisions of the Listing Rules and our experience of the Authority's practices, either of which may change at any time and are subject to the discretion of the Authority.

Contacts

To find out more, please get in touch with your usual Mourant contact, or alternatively, a full list of contacts specialising in corporate law can be found [here](#).