

Listing high yield bonds on The International Stock Exchange

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Why are high yield bonds listed on The International Stock Exchange (TISE)?

Historically high yield bonds were listed on either the Euro MTF market of the Luxembourg Stock Exchange (**Euro MTF**) or the Global Exchange Market of the Irish Stock Exchange (**GEM**). On 3 July 2016 the Market Abuse Regulation (**MAR**) came into effect across the EU and applies to 'organised trading facilities' and 'multilateral trading facilities' (such as Euro MTF and GEM) in addition to the EU's 'regulated markets'. As a result, financial instruments (such as high yield bonds) listed on those markets are subject to new obligations following the introduction of MAR. For example, under MAR issuers of bonds are governed by requirements concerning public disclosure (and delayed public disclosure) of inside information, maintenance of insider lists, notification and public disclosure of transactions by managers and persons closely associated with them and the trading restrictions applicable to them.

The Channel Islands are not part of the EU so MAR does not apply to issuers of securities listed on TISE. Instead, an issuer of debt securities listed on TISE is required to comply with the obligations imposed by the Listing Rules (the **Listing Rules**) maintained by The International Stock Exchange Authority Limited (the **Authority**). The Authority's stated approach is to apply global standards of regulation in a manner proportionate to the business being carried out so that there is investor protection but issuers are not unduly burdened. As a result TISE is now the stock exchange of choice for new issuers of high yield bonds, and a number of existing issuers have moved their listings to TISE.

Advantages of using TISE for listing high yield bonds

TISE has a number of advantages as a listing platform for issuers of high yield bonds.

1. It is headquartered in the Channel Islands and is therefore within the same time zone as the UK. Guernsey and Jersey are English speaking jurisdictions with a strong reputation for providing high quality professional services to international clients and intermediaries.
2. As mentioned above, Guernsey and Jersey are not part of the EU so MAR does not apply. TISE operates under global standards of regulation but applies a pragmatic approach to disclosure requirements, balancing the need for investor protection against unduly burdening issuers.
3. TISE applies competitive pricing for listing (see below). In addition, listing agent fees are significantly less than other major exchanges.
4. Issuers and intermediaries will experience a quick, responsive and predictable listing process. Whilst TISE does not guarantee turnaround times, its staff understand the typical marketing structure for a high yield bond transaction and are responsive in relation to requested turnaround times.

Requirements for listing high yield bonds on TISE

High yield bonds are listed under Chapters 5 to 7 of the Listing Rules, which provides a streamlined process for listing debt securities. 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 would not be appropriate for retail investors. High yield bonds are usually marketed to institutional and sophisticated investors and have a high minimum denomination, so this is unlikely to be a problem.
2. An issuer will typically be expected to provide the Authority with three years of audited consolidated accounts. Derogations from this requirement can be obtained where the issuer has not been incorporated within that timeframe, or is not required to audit or consolidate its accounts under the laws of its jurisdiction of incorporation.
3. Listed securities must be freely transferable and tradeable, subject to certain exceptions (for example, to maintain a minimum holding per holder). Fully paid securities must be free from all liens.
4. The issuer must appoint a listing agent to assist with the listing process and continuing obligations, who will be 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. In addition, TISE has produced a list of frequently asked questions on its website which contains a range of information on listing high yield bonds ([here](#)).

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 them, the Authority is usually amenable to an omission, provided a reasonable explanation is provided.

The listing document for a listing of high yield bonds will be the issuer's offering memorandum (**OM**). The Authority recognises that the typical OM used on a high yield bond issuance complies with high disclosure standards; in our experience an OM will already cover the vast majority of disclosure requirements in the Listing Rules. As high yield bond OMs tend to follow a similar form, and the nature of any additional disclosures have already been agreed with the Authority, the Authority should have limited comments on any OM which is consistent with an OM that the Authority has previously reviewed (subject to any differences in the transaction structure that may give rise to additional comments or questions).

Procedure for listing

The following is a brief overview of how a listing of high yield bonds on TISE typically proceeds.

1. **Review of OM:** we will review the OM and provide comments based on the requirements of the Listing Rules and having regard to previous high yield bond OMs in relation to which we have advised.
2. **Drafting/collating documents for initial submission:** we will need to draft or collate certain ancillary documents. These include a formal application form, a formal notice, a listing undertaking, a listing agent declaration, a letter seeking any derogations from the Listing Rules and declarations from each of the directors of the issuer (unless the directors are themselves regulated). Many of these documents are in a form prescribed by the Listing Rules. We will also need to collate relevant KYC/AML documentation.
3. **Initial submission:** once the OM has been substantially finalised and the ancillary documents drafted/collated, we will make an initial submission to the Authority. The issuer will also need to pay the initial listing fee to the Authority.
4. **Comments from the Authority:** TISE have introduced a service delivery framework which indicates that comments should be released (assuming prompt payment of listing application fees by the issuer) within three business days of the initial submission.
5. **Addressing comments from the Authority:** following step 4 above, there will be a process by which we will liaise with the issuer/their advisers and the Authority to address any comments they have, update the listing documents as applicable and provide the Authority with any information and confirmations they seek. We generally expect the Authority to have limited comments (subject to there being any particular transaction specific features that might give rise to additional comments or questions).
6. **Final application:** once all documents have been finalised, these will be signed and submitted. The final OM is signed on its front page by a director of the issuer (or their agent or attorney).

7. **Listing:** (after the bonds have been issued, or contemporaneously with their issue) if the final application is submitted prior to 12:00pm, the Authority will issue a grant of listing letter and the high yield bonds will be admitted to the Official List on the same day; if the final application is submitted after 12:00pm the listing may take effect the next working day.

Costs of listing

At the time of this guide, the typical costs for listing a single class of high yield bonds are as follows:

1. **Initial listing costs:** TISE charge an initial listing fee of £8,000, plus a formal notice fee of £150.
2. **Ongoing costs:** TISE charge an annual fee of £1,200 for each class of bond.

TISE fees are subject to revision at their discretion.

In addition, fees would be payable to us 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](#).

This guide is only intended to give a summary and general overview of the subject matter. It is not intended to be comprehensive and does not constitute, and should not be taken to be, legal advice. If you would like legal advice or further information on any issue raised by this guide, please get in touch with one of your usual contacts. © 2018 MOURANT OZANNES ALL RIGHTS RESERVED