

Listing of investment funds on the Cayman Islands Stock Exchange

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The Cayman Islands Stock Exchange was founded in 1996 and is a leading, globally focused, specialist exchange for various sophisticated products.

Recently, we have witnessed a growing interest in launching Cayman Islands domiciled investment funds with shares listed on the Cayman Islands Stock Exchange (CSX). The purpose of this briefing is to highlight the principal requirements and key issues to be considered for the listing of the shares of an investment fund on the CSX.

Benefits of listing on the Cayman Islands Stock Exchange

Marketability

A fund which is structured as an exempted company is prohibited from offering its shares to the public in the Cayman Islands, except this prohibition will not apply if the securities of the fund are listed on the CSX. This can be attractive to fund managers when designing a fund product as the listing element may better fit the investment mandates of certain institutional investors. For example, investors who are precluded from investing in unlisted securities. A listing may therefore enhance the marketability of a fund and provide access to a wider investor base.

Recognition

The CSX is an affiliate member of International Organization of Securities Commissions (IOSCO). IOSCO is recognised as the global standard setter for the securities sector, and its members include regulators and operators of major international exchanges around the world.

No restrictions on investment policy

The CSX does not impose any investment restrictions on the investment policy of a fund whose

securities are listed on the CSX, nor does it insist on any prescribed degree of investment diversification.

No minimum size

The CSX does not impose any requirements on the size of the fund.

Visibility

All CSX listings and trading information can be accessed from the CSX's dedicated page on the Bloomberg Financial Markets Information Service and [its website](#) assisting with transparency for investors. This is where listed funds' current and historic Net Asset Value (**NAV**) and news announcements are published.

Listing Rules

The rules governing the admission to listing of securities on the CSX (**Listing Rules**) are based on IOSCO disclosure standards and are easy to comprehend. The Listing Rules emphasise disclosure of relevant information, rather than imposing unnecessarily onerous conditions on the operations of a fund. The offering memorandum or private placement memorandum of a fund can be easily adapted (for example, with the addition of a listing wrapper or inclusion of appropriate disclosure) to serve as the listing document of a fund.

Ability to opt for trading on the CSX

A fund listed on the CSX, whether closed- or open-ended, will have the ability to elect to have its shares to be traded on the CSX's internationally recognised XETRA-based trading platform.

Main conditions for listing on the CSX

- **Incorporation:** A fund must be: (a) duly incorporated or otherwise established in the Cayman Islands; (b) duly incorporated or otherwise established in a jurisdiction defined in the Listing Rules as being a low risk jurisdiction for investment fund incorporation; or (c) otherwise acceptable to the CSX.
- **Whole class to be listed:** An application for listing of a class of shares must relate to all shares of that class.
- **Transferability:** The shares of a listed fund must be freely transferable, but may be subject to certain transfer restrictions if they are adequately disclosed and approved by the CSX.
- **NAV:** The NAV of the listed shares must be calculated at least quarterly, with assets of the fund valued in accordance with the accounting standards applicable to the fund.

- **Sufficiently liquid market:** A closed-ended fund must have at least 25% of its listed securities in the hands of the public at all times. For these purposes, “the public” shall mean persons who are not directors or substantial shareholders of the investment fund, or directors of a substantial shareholder of the investment fund, or an associate of any of them. In exceptional circumstances, and where the closed-ended fund is not a retail fund, the CSX may accept a lower percentage in the hands of the public if it determines that the market in the securities will still be sufficiently liquid and will still operate properly.
- **Clearing and settlement:** To be admitted to listing, securities must have an ISIN and securities of a closed-ended fund must also be eligible for deposit in an acceptable electronic clearing and settlement system.

There are additional requirements applicable to listings generally, relating to the contents of listing documents and also prescribed procedural requirements. There are also requirements specifically relating to the required counterparties of a fund whose securities are listed on the CSX, and specific listing conditions apply for retail funds, umbrella funds, feeder funds, funds of funds, property funds and closed-ended funds.

Parties involved in the listing of a fund

- **Directors:** The CSX does not impose a requirement for the directors of a fund to be domiciled or resident in the Cayman Islands, provided that the fund operates within its local laws of incorporation. There is no requirement for local directors or board independence (except for a retail fund, where the majority of the board must be independent).

The directors of a listed fund must have adequate experience and expertise in the management of investment funds, and the adequate experience in the particular types of investment envisaged by the fund’s investment policy and objectives (generally measured by reference to the amount and duration of funds under management). Individually, they must also take responsibility for the content of the listing document.

- **Listing agent:** The listing agent of a fund acts as an intermediary between the issuer and the CSX and responsibilities include preparing and lodging the formal listing application, and communicating with the CSX during the application process.

Ogier has been a full listing agent of the CSX since 2004 and has acted as listing agent on a number of listings. Ogier advises on all aspects of the listing of an investment fund – from the initial listing process through to advising on continuing CSX obligations – and has a wide range of experience on the structuring and launching of investment funds.

- **Investment manager:** The directors and key personnel of the investment manager must have adequate experience and expertise in the management of investment funds, and the

adequate experience in the particular types of investment envisaged by the fund's investment policy and objectives (generally measured by reference to the amount and duration of funds under management).

- **Administrator, registrar and transfer agent:** A fund must be able to demonstrate to the CSX adequate arrangements for calculating the NAV of its shares or appoint a fund administrator to perform this function. The fund must also appoint a registrar and transfer agent in a financial centre acceptable to the CSX.
- **Custodian:** Where a fund is expected to invest in custodial assets (namely, assets of a type that are normally held in custody) it must appoint a custodian which is regulated in a recognised jurisdiction. If the custodian is not known to the CSX it must provide, through the listing agent, evidence that it is of good reputation and has the necessary experience to carry out its duties. The custodian must be a separate legal entity from the investment fund, its directors, the investment manager, investment adviser and the investment fund administrator, but may be an associate of any of them.
- **Auditor:** An independent auditor must be appointed to carry out the audit of the fund's financial statements. The annual financial statements of the fund must be published as soon as possible after the accounts have been approved, and in any event within nine months of the end of the period to which they relate.

Timing

The CSX has committed itself to providing initial comments on a listing application within five business days, and a document turnaround time of three days thereafter. The Listing Committee, which is responsible for approving listings, will convene as often as necessary.

If the Listing Committee approves the application, the listing documentation is then filed, preferably one day before the intended listing date. Where an issuer is listing and issuing securities simultaneously, confirmation of allotment of securities must be provided to the CSX on the intended listing date.

With commitment on the CSX and the listing applicant to expediting the listing process, it can realistically be expected to take between three to six weeks to list a fund.

Listing fee

The initial application fee for the listing of a fund is US\$5,000, and a first year annual fee of US\$2,500 per issue (including all share classes/sub-funds). The total fee payable on an application of listing for a fund is therefore US\$7,500.

The subsequent annual fee payable to the CSX is US\$2,500 for one share class/sub-fund, which increases according to the number of share classes/sub-funds.

Continuing obligations of a listed fund

Once listed, a fund must continue to comply with its ongoing obligations, as specified in the listing rules, including the following:

- **General obligation of disclosure:** A listed fund must notify the CSX immediately of any price sensitive information, material new developments or operational changes and any material change in performance or financial position for dissemination by the CSX.
- **NAV calculations:** All NAV calculations must be notified immediately to the CSX for publication on the CSX's website.
- **Interim and annual accounts**
 - Audited annual reports and accounts must be sent to shareholders and the CSX within nine months of the period to which they relate.
 - The investment fund must send a copy to the CSX of the annual financial statements, any interim financial statements and every circular sent to investors at the same time as they are issued.
 - The annual report and accounts and any interim financial accounts published by the fund must be made available to investors or prospective investors upon request.
- **Equality of treatment:** The fund must ensure equal treatment of all holders of the same class of listed shares.
- **Matters requiring prior consultation:** The fund must consult the CSX in advance of any matter which, in the reasonable opinion of the fund, may affect the suitability of the fund for listing or may materially adversely affect the interests of its investors.
- **Payment of annual fee:** The fund must pay an annual fee to the CSX in accordance with the schedule of fees published on the CSX website. The annual fee currently payable is as set out under "Listing fee" above.

This briefing is a summary only as of the date hereof and should not be regarded as specific legal advice applicable to any particular circumstances. If you would like further information about the CSX and the related 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.

About Ogier

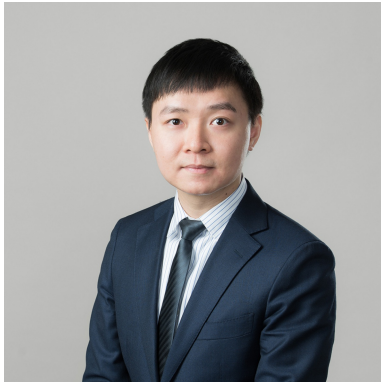
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