

## **LISTING AN INVESTMENT FUND ON THE CAYMAN ISLANDS STOCK EXCHANGE**

The Cayman Islands Stock Exchange (“CSX”) was established in 1997, in recognition of the strength of the mutual fund and structured finance sectors in the Cayman Islands. There are now over 1,000 listed issuers with the large majority of such being investment funds.

### **Advantages of Listing an Investment Fund on the Cayman Islands Stock Exchange**

- A listed fund can be attractive to investors who either prefer or are required to maintain a proportion of their portfolio in listed assets. In particular, pension funds often require that a large part of the investment portfolio be maintained in listed assets, so a CSX listing can increase the ability of the Fund to attract new investors that prefer listed securities.
- A CSX listing enhances the profile of the fund as the CSX is a well known and respected exchange, on which several of the largest investment funds in the world are listed.
- Listing an investment fund attracts significant publicity on admission to the CSX and on an ongoing basis, through the announcements made to the CSX of the profitability of the investment fund. Investor protection is enhanced through the ongoing compliance required by the CSX such as disclosure of any new material information or changes in respect of a listed investment fund.
- In 1999, CSX became the first offshore stock exchange to be granted approved organization status by the London Stock Exchange and as a result, securities listed on CSX are eligible for trading on the LSE’s international equity market. In 2001, CSX and Euroclear established a link which allows CSX listed funds to participate in Fund Settle, which is a platform designed for high volume cross-border fund transactions.
- In 2004, the United Kingdom Inland Revenue moved to recognise the CSX to facilitate investment in listed funds through personal equity plans (PEPs) and individual savings accounts (ISAs).
- Securities issued by a Cayman Islands issuer listed on CSX now may take advantage of the quoted Eurobond exemption. This means that where the securities are held in or through the UK by a paying agent, no UK withholding tax is deducted from payments by the Cayman Islands company to the holders of those securities.

### **Characteristics of Listing an Investment Fund on the Cayman Islands Stock Exchange**

- Investment funds listed on the CSX are generally not restricted in their investment strategy and may pursue a range of trading strategies, although there are particular rules governing fund of funds and feeder funds.
- There are no particular restrictions on the net worth or minimum investment required of investors, although funds registered with the Cayman Islands Monetary Authority are required, generally, to have a minimum investment of US\$50,000 per investor.
- Smaller funds may be admitted to the CSX. There is no particular minimum assets under management that an investment fund must launch with.

- Secondary listings (where the investment fund has a primary listing elsewhere) are encouraged and the documentation and process simplified for listing.
- The CSX does not generally require independent directors be appointed to the board of directors.
- Some other conditions to listing include the investment fund:-
  - Appointing a suitable custodian and independent auditor;
  - Calculating net asset value at least quarterly;
  - Having directors with adequate experience and expertise in the management of funds;
  - Having an investment manager with appropriate expertise and experience in the management of funds;
  - Issuing shares which are freely transferable subject to any restrictions approved by the CSX; and
  - Filing annual audited reports to the CSX.

#### **Documents and Process of Listing an Investment Fund on the Cayman Islands Stock Exchange**

- The documents required for listing include the normal documents for a Cayman Islands investment fund such as an offering memorandum (referred to as the listing document). The offering memorandum however must contain specific disclosures to demonstrate compliance with the CXS listing rules. In addition, the directors need to make written declarations both personally and for the investment fund.
- Save for secondary listings, a CSX listing agent must be appointed to deal with the CSX on all matters relating to the application for listing and to ensure the suitability for listing of the investment fund. The listing agent will assist in ensuring the investment fund satisfies the requirements for listing.
- The documents are then submitted to the CSX for review and approval. The CSX is committed to providing initial comments within five business days and a document turnaround time of three business days thereafter. It usually takes between three to six weeks to list an investment fund.
- Subject to payment of the listing fees, the investment fund will be admitted to the CSX list, allocated a Bloomberg equity ticker and details of the investment fund, including price information, will be displayed on Bloomberg. Similar details will be added to the CSX website, along with any marketing material submitted by the investment fund.
- Once listed, an investment fund must continue to comply with its ongoing obligations, as specified in the listing rules. The CSX must be notified of any major new developments in the listed fund's activities which are not public knowledge and which may, by virtue of the effect of those developments on its financial position or the general course of business of the listed fund, lead to a substantial movement in the price or net asset value of the shares.
- The net asset value following calculation must be advised to the CSX.

#### **Further Information**

Campbells Attorneys are listing agents to the CSX. Campbells can advise and assist Cayman Islands funds on listing and ongoing compliance with the Cayman Islands Stock Exchange. For further information on the matters referred to in this memorandum, please contact us.

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*This memorandum has been prepared as a summary of the law as at 25 November 2005 and is for general guidance only. It is not intended to be, nor should it be used for, a substitute for specific legal advice on any particular transaction or set of circumstances.*