

CISX listing - A Cost Effective Way To Make AIM Shares Eligible For ISAs

Amedeo Claris-Delmedico
Financial Services Lawyer
(UK Briefings Series)

"listing on the CISX can be achieved very quickly at a comparatively low cost, make a listing on the CISX an attractive option for AIM quoted companies that wish to improve their liquidity and marketability, facilitate fundraising and widen their shareholder base"

The Alternative Investment Market (AIM) of the London Stock Exchange is not designated as a "recognised stock exchange" by HM Revenue & Customs (HMRC). Therefore shares traded on AIM cannot be held in a stocks and shares Individual Savings Account (ISA). However, shares which are traded on AIM and also listed on the Channel Islands Stock Exchange (CISX) will ordinarily be eligible for inclusion in a stocks and shares ISA due to the fact that the CISX, unlike AIM, is a recognised stock exchange offering a full listing facility and not just an admission to trading. A dual listing should also provide certain other investors, who are restricted to investing in shares listed on a recognised exchange, with access to AIM quoted companies. ISA managers have shown flexibility in enabling dual listed AIM shares to be included within ISA platforms. These factors, allied to the fact that a listing on the CISX can be achieved very quickly at a comparatively low cost, make a listing on the CISX an attractive option for AIM quoted companies that wish to improve their liquidity and marketability, facilitate fundraising and widen their shareholder base.

THE CHANNEL ISLANDS STOCK EXCHANGE

The CISX commenced operations in October 1998 and has grown rapidly, with over 4,000 securities having been approved since inception, for a total market capitalisation of over US\$50 billion. The CISX is recognised internationally, as demonstrated by its recognised stock exchange status and by the following:

- The CISX is approved by the UK Financial Services Authority as a Designated Investment Exchange within the meaning of the Financial Services and Markets Act 2000.
- The CISX is an Affiliate Member of the International Organization of Securities Commissions.
- The CISX is an Associate Member of the International Capital Market Services Association.

- The US Securities and Exchange Commission has designated the CISX as a Designated Offshore Securities Market, within the meaning of Rule 902(b) under Regulation S of the Securities Act of 1933.
- The CISX is officially recognised by the Australian Securities Exchange.
- The CISX is a member of the Association for Financial Markets in Europe.

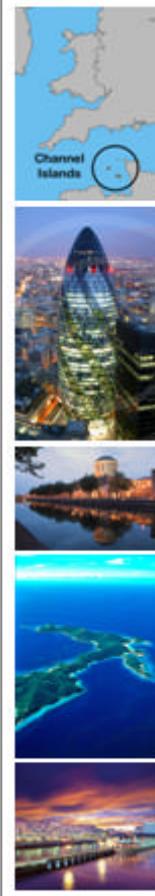
LISTING AND SPONSOR FEES

The listing fees charged by the CISX compare favourably with those charged by other stock exchanges worldwide. The initial listing fee for a non Channel Islands based trading company is GB£6,500, while the annual fee is also GB£6,500. A one-off fee of GB£125 is charged for the formal notice. Listing fees for other categories of securities (such as those issued by investment funds) are generally lower.

In addition to the fees payable to the CISX, fees will also be payable to the listing sponsor. Bedell Channel Islands Limited is a category 1 listing member and can act as sponsor on all categories of listings. Sponsor fees are dependent on the complexity of the listing, although they are generally extremely competitive when compared with advisory fees in connection with listings on other exchanges and the sponsor will not charge a percentage based fee. The issuer must also appoint a market maker, although there is no requirement to appoint an independent corporate advisor.

PROCEDURE

When preparing the listing document, it is often possible to utilise the information disclosed and/or the documentation produced in connection with the



admission to AIM (for example, a prospectus or offering memorandum) in conjunction with a "wrapper" document designed to ensure compliance with the CISX disclosure rules. In many cases this will mean that it will not be necessary to prepare a new long form listing document, thereby reducing the costs and timescales associated with achieving a listing.

The application process is carried out in two stages. At stage one, draft documents are prepared on behalf of the issuer, the sponsor and the directors of the issuer and submitted to the Market Authority of the CISX, together with the listing fees. The Market Authority will usually provide comments on the draft documents within a week. Stage two simply involves the submission of final, executed documents, together with a formal notice. Once the security is approved by the Market Authority (usually on the same day as the final documents are submitted), a grant of listing letter is issued and the shares are admitted to the Official List. The disclosure requirements for the listing particulars of trading companies are set out in Chapter VI of the Listing Rules, although the CISX is responsive and approachable in the event that a particular requirement cannot be met due to circumstances.

There are various ways to apply for a listing. Clearly an AIM traded company will already have shareholders and, accordingly, it may not wish to make an offer to further investors. In these circumstances, a listing by way of introduction to the CISX may be the most appropriate route. Bringing shares to listing by way of introduction does not involve an issue of new shares or any additional marketing of existing shares if the shares are already widely held. For these purposes, the shares will be widely held if at least 25% of the shares to be listed are in the hands of the public.

OTHER CISX ADVANTAGES

- The CISX operates outside the EU, therefore, EU directives do not apply.

This Briefing has been co-authored by Bruce Scott of Bedell Cristin. For further information in relation to the above, please contact **Amedeo Claris-Delmedico** at info@amedeoclarisdelmedico.com or on +44 (0)20 7367 8330

Important Disclaimer: The content of this document is of general interest and is not intended to apply to specific circumstances. Nothing contained in this document constitutes, or is intended to constitute, legal or any other professional advice whatsoever; therefore, it should not be relied upon as such.

- The CISX adopts a pragmatic and commercial approach to disclosure, which focuses on issues material to an investor, without the requirement for lengthy disclosure which may be required for other stock exchanges operating under the EU Prospectus Directive.
- The CISX does not insist on the appointment of a local paying agent and many listings are achieved without any paying agent being appointed.
- The CISX is flexible in its accounting requirements and will not require the adoption of international accounting standards or international financial reporting standards, provided that an appropriate accounting standard is used.
- It is possible to pre-clear any potentially contentious issues with the CISX.

CORPORATE TRANSACTIONS, CONTINUING OBLIGATIONS AND ANNOUNCEMENTS

As for all stock exchanges, once the shares are listed, there is an obligation on the issuer to keep the public, the exchange and the shareholders informed of material information relating to the issuer or the shares. Due to the fact that it is a recognised stock exchange, a listing on the CISX would be primary to the admission to AIM and the issuer would need to comply with the CISX Listing Rules. There are certain differences between the rules governing AIM and the CISX (in relation to, for example, the classification of corporate transactions), and we would be happy to assist in advising as to the relevant differences.

The sponsor will generally assist the issuer in complying with its disclosure obligations and is able to publish announcements directly on the CISX website.