

SPECIALIST Debt Securities



Guide to listing on the
Cayman Islands Stock Exchange

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Introduction

The Cayman Islands is recognised as one of the world's major international financial centres, and the leading offshore financial centre for structured finance, securitisations and capital markets transactions.

Many institutional investors are precluded by their home jurisdiction regulation or applicable investment policy from investing in equities or anything other than listed debt. Debt securities issued by Cayman SPVs and listed on the Cayman Islands Stock Exchange will meet the requirements of such institutional investors.

The CSX has developed a set of listing rules which place a premium on clarity, flexibility and appropriate regulation. These rules have been specifically tailored to meet the needs of specialist debt issuers, usually SPVs. Since its launch in 1998, the CSX specialist debt listing facility has attracted attention from some of the major institutional arrangers for these types of issues and has established itself as a premier venue for such listings.

The CSX operates in a remote environment with Deutsche Boerse's Xetra® trading platform which it monitors centrally. All CSX listings and trading information can be accessed from the CSX's dedicated pages on the Bloomberg network and on its website.

This guide deals in particular with the requirements for listing securities issued by an SPV. The requirements for listing other types of securities may be obtained separately from the CSX.

To find out more visit www.csx.ky or call us on +1 345 945 6060.



The Cayman Islands
Stock Exchange.

A leading venue for
securities issued by
SPVs.

What CSX has to offer

The CSX understands the commercial reality of these specialist products and is therefore able to adopt a more pragmatic approach to the documentation required for a listing. Disclosure requirements have been set at a level which is intended to provide investors with sufficient information without imposing unnecessarily onerous demands.

- Asset-backed or credit-linked securities
- International recognition
- Timely response
- No requirement for a listing agent
- Competitive costs
- Flexibility

Asset-backed or credit-linked securities

The CSX debt listing facility offers a significant advantage for issuers of asset-backed securities in that the disclosure requirements are significantly reduced where the CSX is satisfied that investors will be able to obtain the information necessary to form a reasonable opinion as to the value of the underlying assets.

Where the underlying assets are listed on a recognised exchange, only very limited information on the underlying assets need be disclosed in the listing document as the CSX will rely on the obligations imposed by such exchange to make public any material information. Where the underlying assets are not listed on a recognised exchange, the CSX will consider the disclosure requirements for each application on a case by case basis. Consideration will be given both to the nature of the transaction and the underlying assets.

The CSX applies a similar approach to the listing of credit-linked securities, where the value of the securities is determined by reference to the credit performance of a specific reference entity or reference assets. Where information on the reference entity or reference assets is publicly available, only very limited information need be disclosed in the listing document.

International recognition

The HM Revenue and Customs, the United Kingdom Tax Authority, has granted the CSX status as a “recognised stock exchange” under Section 1005 of the Income Tax Act 2007. This recognition allows issuers of CSX listed specialist debt securities to use the “eurobond exemption” to pay interest to investors without deducting withholding tax, and makes CSX listed specialist debt securities eligible for certain UK pension investments. The CSX is also an affiliate member of IOSCO and the World Federation of Exchanges.

Timely response

The CSX is aware of the time pressures under which issuers and their advisers in the debt securities market operate and will make every effort to accommodate an issuer's timetable. 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. With commitment on both sides to expediting the listing process it can realistically be expected to take between 2-3 weeks to list.

No requirement for a listing agent

There is no requirement in the listing rules for a listing agent to be appointed in connection with an application to list specialist debt securities on the CSX. This means that the lead manager or the issuer's legal advisers (whether or not registered as listing agents) may deal directly with the CSX's listing department. This helps to reduce costs and improve time efficiencies, particularly where the lead manager or legal adviser is familiar with the listing process.

Competitive costs

The fees levied by the CSX for debt securities are competitive with other established exchanges.

Flexibility

Unlike certain other exchanges, the CSX is not bound by any European Union Listing Directives and as a result can be considerably more flexible in its approach. It is possible to use a commercial offering document as a base for a listing document, which can result in significant cost savings. Issuers and other advisers are encouraged to consult the CSX at any time for advice on special situations or in relation to the development of new products.



Advantages to listing on the CSX include a streamlined process with listing rules tailored for the specialist market.

The listing process

Step 1: Satisfy CSX conditions for listing

The issuer must satisfy all the conditions for listing. Applicants and their advisers are encouraged to discuss any issues with the CSX directly prior to making any application.

Step 2: Prepare draft listing documents

The issuer must prepare a listing document for review and comment by the CSX. The CSX rules may require specific disclosures to be included in the document, which must also demonstrate compliance with the CSX's conditions for listing.

- Satisfy CSX conditions for listing
- Prepare draft listing documents
- Approval
- Listing
- Continuing obligations

Step 3: Approval

In the first instance, all applications for listing are dealt with by the CSX's Head of Listing and the staff of the listing department. Once the CSX staff are satisfied with an application, they will submit it to the listing committee of the CSX for approval. Once the document has been approved, supporting documentation must be filed before the securities are admitted to listing. The timing of comments on documents by the CSX is guaranteed and the listing committee will meet as often as necessary to approve applications.

Step 4: Listing

The securities will be admitted to listing once they have been issued. Details of the securities, including any pricing information, will be posted on the CSX's dedicated pages on the Bloomberg system. Similar details will also be added to the CSX's website.

Step 5: Continuing obligations

Once listed, an issuer must continue to comply with its on-going obligations, as specified in the listing rules.

Conditions for listing

Set out below is a summary of the principal conditions for listing specialist debt securities.



Asset-backed securities

- a trustee or other appropriate independent representative must be appointed to represent the interests of the holders of asset-backed securities and that representative must have the right of access to appropriate information relating to the assets
 - provided such information is publicly available, only limited information need be reproduced in the listing document
 - if an issue of asset-backed securities is secured by equity, the securities must represent minority interests in, and not confer legal or management control of, the companies issuing the equity securities
 - if an issue of asset-backed securities is secured on debt obligations or other receivables from a managed pool of assets, the entity appointed to manage/service the portfolio of assets must have adequate experience and expertise
- such entity must provide periodic financial reports on the performance and credit quality of the underlying portfolio for the benefit of the trustee and the holders of the debt securities
 - the issuer must appoint a suitable custodian or make the trustee responsible for custody of the assets and cashflows.

Credit-linked securities

- may be linked directly or indirectly to equity or debt securities, indices, currencies, interest rates, swap rates, exchange rates and certain commodities such as oil, gold and silver. Other types of credit-linked securities may be listed following consultation with the CSX.
- underlying assets must generally be listed or traded on a recognised market although other arrangements may be acceptable provided investors will have access to the necessary information.

Convertible securities

- the CSX must be satisfied that investors will be able to obtain the information necessary to evaluate the securities into which they are convertible.

Financial information

The basic requirement is for the following:

- audited financial statements, prepared in accordance with IAS or acceptable local GAAP, covering at least two years before the application for listing
- a statement of any material adverse change in the financial or trading position or prospects of the issuer

However this requirement will not apply where:

- the issuer is an SPV or
- where the securities benefit from an unconditional and irrevocable guarantee of another company or equivalent arrangements

but it must provide:

- a capitalisation and indebtedness statement.

The securities

- must be freely transferable except to the extent that any restrictions are approved by the CSX
- must have an ISIN and be eligible for deposit in an acceptable electronic clearing and settlement system including Euroclear, Clearstream or The Depository Trust Company or a satisfactory system approved by the CSX although where the debt securities are privately placed with a small number of institutions of qualified purchasers, the CSX may accept alternative arrangements.

There must be a paying agent which can be based in the Cayman Islands or any acceptable financial centre.



The Cayman Islands Stock Exchange is internationally known with a complete range of service providers.

Contents of the listing document

The general requirement is that a specialist debt issuer must include in its listing document all information necessary for an investor to make an informed investment decision. In particular the listing document must disclose details of the following:

- general information on the issuer, its business and its directors
- risk factors
- the securities for which application is being made
- credit rating of the securities
- taxes payable on principal or interest
- trust deed
- structure and cashflow including details of credit enhancements and counterparties
- the company's financial position including audited financial statements where available and a capitalisation and indebtedness statement as at the most recent practicable date

The company must make certain documents available for public inspection including its constitutional documents, trust deed, key service provider agreements and any financial statements. For asset-backed, credit-linked and convertible securities there must be detailed disclosures about the underlying securities or where appropriate the general characteristics of the securities and any entity appointed to manage a pool of assets.

Debt issuance programmes

In the case of specialist debt securities issued under a programme, issuers are expected to follow the normal application procedure, which involves the preparation of a listing document or programme memorandum.

The application for listing will cover securities issued under the programme within five years of the publication of the programme memorandum, subject to the CSX:

- being advised of the final terms of each issue
- receiving a letter from the issuer confirming which listing requirements do not apply to the issue
- receiving a letter from the issuer requesting non-publication of certain information
- receiving and approving for publication any supplementary listing document that may be appropriate
- receiving confirmation that the securities in question have been issued
- receiving the listing fees payable on admission to listing

The pricing supplement relating to an issue, when read together with the programme memorandum and any supplementary programme memorandum in respect of the programme, must provide an investor with the full terms and conditions of the issue. If a programme memorandum has been approved by another recognised stock exchange, the CSX will accept such programme memorandum and list securities issued thereunder, provided the programme is still current.

Continuing obligations

The CSX has a duty to protect investors and to maintain a fair and orderly market in the securities. In order to fulfil this responsibility the CSX requires listed issuers to undertake to comply with its continuing obligations. The principal obligations are as follows:

- General obligation of disclosure
- Equality of treatment
- New issues
- Exercise of rights
- Financial statements
- Asset-backed securities

General obligation of disclosure

A specialist debt issuer must notify the CSX immediately of any price sensitive information, material new developments or operational changes and any material change in its performance or financial position for dissemination by the CSX.

Equality of treatment

The issuer must ensure equal treatment of all holders of the same class of listed securities.

New issues

Any new issues of debt securities and any guarantee or surety must be notified to the CSX.

Exercise of rights

The necessary information and facilities must be made available to holders of securities to enable them to exercise their rights. Any changes in the rights, powers or privileges of the listed securities or any securities into which they are convertible must be notified to the CSX.

Financial statements

The issuer must publish audited annual financial statements within six months of its year end unless the issuer is an SPV, or the securities benefit from a guarantee in which case the Exchange will waive the requirement. Where listed securities are convertible into securities of, or are guaranteed by another entity the issuer must send copies of the other entity's financial statements to the CSX.

Asset-backed securities

If further debt securities are to be issued backed by the same assets, unless those further debt securities rank pari passu with, or are subordinated to any class of existing listed debt securities, the prior approval of the holders of that class must be sought.

Contact us

To obtain more information or copies of other CSX publications, including the Listing Rules, please contact the CSX at:

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The listing rules and details on listed companies are also available on the CSX's website at www.csx.ky



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