

Investment Funds



Guide to listing on the
Cayman Islands Stock Exchange

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Introduction

The Cayman Islands is recognized worldwide as a leading centre for investment funds. It is home to 75% of the world's hedge funds with over 9,000 open-ended funds domiciled and registered in 2011, giving it the title of the largest hedge fund domicile.

Since its launch in 1997 the Cayman Islands Stock Exchange ("CSX") has grown rapidly to become one of the world's premier listing venues for investment funds. The CSX has developed a set of listing rules geared towards risk disclosure rather than prohibition and specifically tailored to meet the needs of funds of all types and from jurisdictions all over the world.

The CSX combines a clear and effective regulated listing environment with flexibility of approach and efficient and timely processing of listing applications.

For Cayman domiciled funds the ability to use local legal advisors who are also listing agents the 'one stop shop' - results in cost and time efficiencies. Funds domiciled in approved overseas jurisdictions will benefit from the CSX's international outlook meaning that funds are free to appoint directors and service providers in their local jurisdiction as long as this will ensure efficient operations.

This guide provides a background to the listing of funds and a summary of the listing requirements of the CSX.

To find out more please read on, and feel free to call us on +1 345 945 6060.



The Cayman Islands
Stock Exchange.

Your ultimate
offshore listing
experience.

What CSX has to offer

The general benefits of listing a fund are that a listing increases a fund's potential investor base and increases the visibility, marketability and prestige of the fund. The particular benefits of the CSX as a listing environment are as follows:

International recognition

In 2004 the Board of the UK Inland Revenue (now known as HM Revenue and Customs) granted the CSX status as a “recognised stock exchange” under Section 841 of the Income and Corporation Taxes Act 1988.

- International recognition
- Visibility
- Speed with which listing can be achieved
- Trading facilities
- Competitive costs
- No minimum subscription

Among the categories of securities a personal pension scheme in the UK can hold are securities listed or dealt in on a ‘recognised stock exchange’. Accordingly, CSX listed securities can form part of the investments held by such personal pension schemes.

This recognition enhances Cayman’s position as a jurisdiction with the regulatory and legislative framework necessary for the conduct of international finance and securities transactions. The CSX is also an affiliate member of IOSCO and a member of AIMA.

Visibility

The CSX has dedicated pages on the Bloomberg Financial Markets Information Service. Therefore, through the CSX, the fund’s net asset value and investment profiles are available on over 80,000 terminals worldwide. To access this information type CSX <GO> on the Bloomberg system.

The CSX also has a dedicated website upon which listed funds current and historic NAVs and news announcements for listed funds are published. The CSX site can provide links to a fund’s own website or to other websites providing analytical information about the fund. There is no additional cost to the fund for using the CSX website; space on the site is provided to the fund as part of the CSX’s listing service. The CSX’s website address is www.csx.ky

Speed with which listing can be achieved

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 3-6 weeks to list a fund.

Trading Facilities

From 2013 all funds listing on the CSX, whether closed- or open-ended, will have the ability for their shares to be traded on the CSX’s internationally recognised XETRA-based trading platform.

Competitive costs

The listing fees of the CSX are highly competitive compared with those charged by other exchanges and there are discounts available for umbrella funds and fund families.

No minimum subscription level for funds

The CSX does not impose any minimum subscription level for funds although funds with a minimum subscription per investor of less than US\$100,000 may be treated as 'retail' and be subject to additional requirements for a board comprising a majority of independent directors and a regulated investment manager.

No restrictions on investment policy

The CSX does not impose any investment restrictions on the investment policy of a fund, nor does it insist on any prescribed degree of investment diversification or prohibit newly incorporated funds from changing their investment policies for a specific period of time.

This gives the fund a great deal of flexibility and makes a listing on the CSX very attractive to funds offering highly focused investment strategies.

- No Investment policy restriction
- No local directors requirement
- Not bound by European directives
- No restrictions on redemptions
- Flexibility

No requirement for local directors or board independence (except for retail funds)

The CSX understands that a fund's operations may be based anywhere in the world and so, provided the fund operates within its local laws of incorporation, does not impose a requirement for its directors to be domiciled or resident in the Cayman Islands.

Although for funds open to retail investors the CSX requires the appointment of directors who are independent from the investment manager and other service providers this is not usually a requirement for other funds provided there is adequate disclosure in the listing document of any conflicts of interest.

No restrictions on redemptions

The CSX does not impose any restrictions on a fund's redemption provisions provided that they are clearly disclosed in the listing document and shareholders are treated fairly and equally.

Flexibility - Not bound by European Directives

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. 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.

The listing process

Step 1: Appoint a listing agent

A listing agent registered with the CSX must be appointed by every fund applicant unless for a secondary listing. The listing agent is responsible for dealing with the CSX on all matters relating to the application and for ensuring the applicant's suitability for listing. A list of listing agents is available from the CSX website.

Step 2: Satisfy CSX conditions for listing

The fund and its listing agent must ensure that it can satisfy all conditions for listing. Applicants are encouraged to discuss any issues with the CSX directly prior to making any application.

- Appoint a listing agent
- Satisfy CSX conditions for listing
- Prepare draft listing documents
- Approval
- Listings
- Continuing obligations

Step 3: Prepare draft listing documents

A fund must submit, through its listing agent, a listing document for review and comment by the CSX. Usually this document will be the prospectus which will be used to promote the fund. The CSX rules require specific disclosures to be included in the document, which must also demonstrate compliance with the CSX's conditions for listing.

Step 4: Approval

All applications for listing are dealt with by the CSX's Head of Listing, and the Listing Department of the CSX. Once the Listing Department is satisfied with an application, they will submit it to the Listing Committee of the CSX for approval. Once the document is approved by the Listing Committee, supporting documentation and the initial listing fee must be filed before the fund is admitted to listing. If the listing application is being made in conjunction with the launch of a fund, the listing approval will be granted subject to the successful launch and the closing of the initial offering.

Step 5: Listing

Once the fund's securities have been issued and the listing procedures are complete, the fund will be admitted to listing. It will be allocated a Bloomberg equity ticker and details of the fund, including price information, will be captured on the CSX's dedicated pages on the Bloomberg system. Similar details will also be added to the CSX's website, together with any marketing materials submitted to the CSX by the fund.

Step 6: Continuing obligations

Once listed, a fund must continue to comply with its on-going obligations, as specified in the listing rules and summarised below.

Conditions for listing

The general requirement is that a fund must

- appoint a listing agent (unless the application relates to a secondary listing)
- be domiciled in an approved jurisdiction
- appoint a suitable custodian
- appoint an independent auditor
- calculate net asset value at least quarterly



The directors must

- collectively, have adequate experience and expertise in the management of funds
- individually, take responsibility for the content of the listing document

The investment manager

- must demonstrate appropriate expertise and experience in the management of funds. Where the investment manager of the investment manager's track record, as supplied by the listing agent. The CSX does not generally (other than for retail funds) apply a benchmark figure to determine the suitability of the investment manager. Each application will be considered on a case by case basis

The custodian

- must be a separate legal entity from, but may be an associate of the fund, its directors, the investment manager or administrator
-
- 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. If the custodian is a licensed entity in the Cayman Islands, this fact will be taken into account by the CSX

All service providers and directors

- must disclose any conflicts of interest that may arise in the operation of the fund and provide a clear statement of any cross-class liabilities

The securities of all funds

- must be capable of being traded on an equal basis
- must be freely transferable except to the extent that any restrictions on transfer are approved by the CSX

A feeder fund must

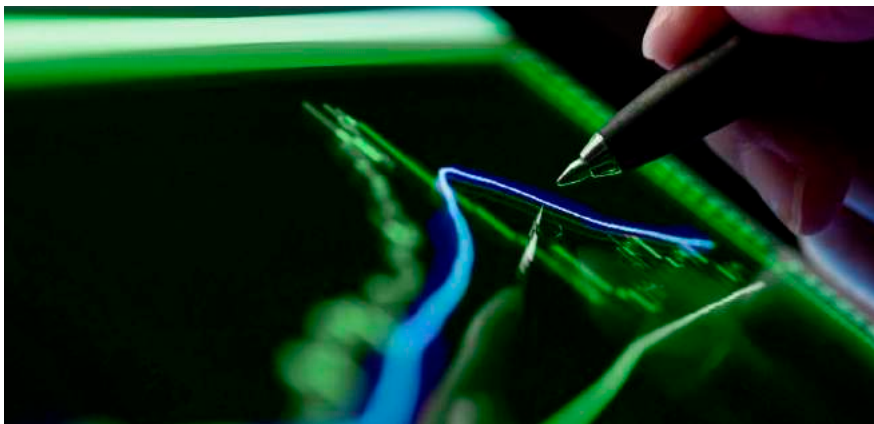
- restrict investment to qualified investors
- prove that investors will have access to sufficient information on the master fund
- invest in a listed master fund or one which is suitable for listing

A closed-ended fund must

- have 25% of listed securities in the hands of the public at all times
- include in its constitution the requirement for prior shareholder approval of material changes to the constitution or class rights; the creation of additional classes of security; material changes to investment policies, objectives, investment or borrowing restrictions; extension or termination of the fund and any intention to compulsorily redeem all securities

Financial information

- Broadly, accounts prepared in accordance with UK or US GAAP or International Accounting Standards will comply with CSX financial information requirements. For funds which have been in existence for less than twelve months, the CSX requires an audited statement of the net asset value of the fund and its portfolio of investments. Funds that have not yet commenced operations are not required to produce financial statements



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 fund 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 fund
- the securities for which application is being made
- redemption and valuation provisions
- the fund's investment policy
- the fund's directors and service providers
- risk factors and conflicts of interest
- fees and expenses
- the fund's assets and financial position including audited financial statements where available

The fund must make certain documents available for public inspection including its constitutional documents, key service provider agreements and any financial statements.

There are additional requirements for umbrella funds, feeder funds, funds of funds, property funds and closed-ended funds:

- umbrella funds, feeder funds and funds of funds must disclose details of underlying funds and any special risk factors or conflicts of interest
- property funds must include a portfolio valuation prepared under international standards by a qualified independent valuer
- closed-ended funds must disclose details of any substantial shareholders

Continuing obligations

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.

Net asset value calculations

All net asset value calculations must be notified immediately to the CSX.

Interim and annual accounts

- Audited annual reports and accounts must be sent to shareholders and the CSX within six months of the period to which they relate
- The annual report and accounts and any interim financial accounts published by the fund must be made available on request either in the Cayman Islands or at a place otherwise acceptable to the CSX
- Annual financial statements of umbrella funds, feeder funds and funds of funds must include financial statements for the underlying funds
- Property funds must include a summary of the portfolio valuation and details of significant transactions in the financial statements

Equality of treatment

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

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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