# shipping Companies



Guide to listing on the Cayman Islands Stock Exchange



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## The Cayman Islands Stock Exchange

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### Introduction

Since its launch in 1997 the Cayman Islands Stock Exchange ("CSX") has established itself as a leading specialist stock exchange and a gateway to capital markets across the world.

Situated in a United Kingdom Overseas Territory with a long and distinguished maritime history, the Cayman Island is ranked as one of the premier ports of registry for ships and yachts internationally. Ship owners are attracted to the Cayman Islands by a stable business environment, the choice of a wide range of legal structures, no direct taxation and the 'George Town shipping cluster' - a concentration of world-class maritime service providers based around the highly regarded Cayman Islands Shipping Registry, a UK recognised Category One Red Ensign Registry with over 100 years of operations.

Building on the popularity of the Cayman Islands as a maritime centre, the CSX has developed rules to facilitate listings of shipping companies. It is now possible to list companies owning anything from a luxury yacht to a fleet of supertankers. Companies can be based in any recognised jurisdiction and are not necessarily required to have several years of operations. Newly-formed special purpose owning companies can also achieve a CSX listing provided they can provide independent valuations of all material vessels and proof of adequate operations.



A CSX listing may appeal to companies looking to raise capital, attract new investors or simply to reinforce the security and sustainability of the investment of existing owners. A listing can provide the following benefits:

- Banks and other lenders may require a listing as a pre-condition to finance or may prefer listed equity as collateral.
- Institutional investors may be prevented from investing in anything but listed securities.
- Private investors may prefer the transparency and regulatory oversight that a listing provides.
- The ability to sell and trade shares on a stock exchange can offer existing investors a useful exit strategy and a means of diluting ownership without a complete divestment.

A CSX listing can provide a cost-effective alternative to listing on larger onshore exchanges, particularly for companies using the services of the Cayman Islands Shipping Registry. CSX listing agents may also be local maritime service providers meaning it is possible to use the same firm to register your vessel, incorporate the holding company and list it on the CSX – the one-stop-shop!

In 2013 the CSX launched a new equity market 'XCAY' which operates on Deutsche Boerse's XETRA® trading platform with connectivity to up to 400 banks and brokers worldwide and settlement by Clearstream Luxembourg. All CSX listings and trading information can be accessed from the CSX's dedicated pages on Bloomberg Professional and on our website.

Listing on the CSX is a cost-efficient way to increase your company's visibility, profile and access to global markets.





This brochure sets out the basic requirements for listing shipping companies. For more information please contact us on **csx@csx.ky** or **+1 345 945 6060**.

### What the CSX has to offer

#### **Fast response**

The CSX will endeavour to make your company listing a smooth and speedy process. Provided an application is submitted to the CSX in substantially complete form a listing can be achieved in 4-6 weeks. Where time is of the essence, a listing application can be made simultaneously with an application to register your vessel with the Cayman Islands Shipping Registry.

#### **Flexibility**

CSX rules are based on IOSCO disclosure principles but unlike many European exchanges the CSX is not bound by the EU Prospectus Directive and so can be more flexible in its approach. Companies are free to use existing registration documents as a base for a listing document.

Where company ownership is limited to sophisticated investors it is possible to lower the requirement for a liquid share market. This is an important concession that allows companies to syndicate ownership amongst a more limited group of investors whilst still enjoying the other benefits of a listing.

#### **Competitive costs**

CSX fees for a primary listing of equity securities are:

Market value	(to US\$ 10m)	(to US\$100m)	(over US\$100m)
Listing fee	US\$10,000	US\$15,000	US\$20,000
Annual fee	US\$10,000	US\$10,000	US\$10,000

Listing and annual fees for secondary listings are half those of a corresponding primary listing.

There are no trading fees - the CSX operates a listing fee based model.



#### **Trading facilities**

In 2013 the CSX launched a new equity market on the XETRA trading platform, Deutsche Boerse's international cash market platform for trading equities, exchange traded funds and other instruments. Based on the industry-driven and international messaging standard FIX protocol (Financial Information eXchange protocol), the XETRA FIX Gateway offers simple and flexible access to all XETRA markets and up to 400 banks and brokers based around the world.

The CSX is accessible through the FIX Gateway under the market information code 'XCAY'. Trading on XCAY is Monday to Friday continuous with main trading between 12pm to 5.30pm (GMT), pre- and post-trading sessions and opening and closing auctions. CSX trades can be settled on Clearstream Luxembourg or any equivalent alternative.

#### Bloomberg

The CSX has dedicated pages on Bloomberg Professional which makes news, real-time prices, company profiles and other information on CSX-listed securities available on over 300,000 terminals worldwide. To access this information on Bloomberg type CSX <GO>.

#### **Recognitions**

The CSX is recognised by the UK tax authority HM Revenue & Customs as a "recognised stock exchange" under Section 1005 of the Income Tax Act 2007. This recognition makes CSX listed securities eligible for investment by certain UK pension schemes and generally 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 a member of the Inter Market Surveillance Group, a surveillance focused group of over 30 major exchanges from around the world, and an affiliate member of IOSCO and the World Federation of Exchanges.

Listing of equity securities on the CSX provides admission to 'XCAY', the new trading market powered		1980 37.52 1975 17.02 1947 40.86 4945 1972	17.12 42.15 27.09	+0.75	1.81% 0.48%
by Deutsche Boerse's XETRA®	1 21 212	27.15 26.07	22.47	+0.46	5.12%
trading platform.	1 10 101	22.59 22.74	23.37	-1.20	2 20%
	34 351	391,70 377,43	391.66	+12.01	0.70%
	1 84 851	\$5.67 \$3.96	95.61	+0.74	0.10%
	1 32 39 1	2532 24.74	25.22	+0.42	1.69%
	1 58 551	5155 55 55	24.82	+0.30	1.22%
			57 27	10.00	

### **Conditions for listing**

#### **Title to vessels**

 the new applicant must provide a legal opinion confirming or otherwise demonstrate the title to each material vessel directly or indirectly leased or owned

#### Liquid market

• the new applicant must have an expected market capitalisation of at least US\$5 million with a sufficiently liquid market, normally at least 25% of equity securities in public hands (which excludes holdings of directors, substantial shareholders or their associates) unless the applicant is a specialist company limited to sophisticated investors in which case the requirement for a liquid market can be lowered

#### **Management and directors**

- companies must have an adequate operating record under substantially the same management
- the normal requirement for three years prior operations can be varied for shipping companies which are able to supply instead a satisfactory business plan, proof of title to and an independent valuation of all material vessels
- the directors of the issuer must collectively have appropriate expertise and experience for the management of its business
- unless the company is restricted to sophisticated investors it must have at least three directors, of whom a majority are independent

#### Financial information and working capital

- where available, audited financial statements must be prepared in accordance with IAS or acceptable local GAAP
- an accountants report is required where there has been any material change to the group structure, accounting policies, or a qualified audit in the past three years
- newly formed companies must have sufficient working capital for at least 12 months although companies restricted to sophisticated investors and companies with an established track record need only provide an explanation as to how the necessary working capital will be obtained

#### Trading and transferability

- the equity securities must be freely transferable except to the extent that any restrictions are approved by the CSX
- share "lock-up" provisions will be required for recently formed shipping companies restricting disposals by directors and senior managers within the first 12 months following listing without the prior approval of the CSX
- securities must have adequate clearing and settlement arrangements
- there must be a registrar and paying agent which can be based in the Cayman Islands or any acceptable financial centre
- the issuer must make arrangements with a CSX registered broker for share dealing

The company must be properly registered and its constitution must meet certain governance standards specified in the CSX rules regarding shareholder rights, corporate actions and directors' conduct. There must also be a code of conduct governing share dealings by those discharging managerial responsibilities.

"...The Cayman Islands Stock Exchange...a leading specialist stock exchange and a gateway to capital markets across the world."



### The listing process

#### Step 1: Appoint a listing agent

A listing agent registered with the CSX must be appointed for every application 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. Where investment in the issuer is open to retail investors the listing agent must be a corporate advisor with appropriate corporate finance experience and regulatory oversight in the issuer's home jurisdiction. Details of all current CSX listing agents are on the CSX website www.csx.ky

#### Step 2: 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 3: Prepare draft listing documents

The issuer and its listing agent must prepare a listing document for review and comment by the CSX. 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

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 CSX will endeavour to meet issuers' timing requirements although this will require that the listing application and supporting documents are in substantially complete form.

#### **Step 5: Admission**

The securities will be admitted to listing and trading 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 6: Continuing obligations**

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

### **Contents of the Listing Document**

The general requirement is that a company 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:



The company must make certain documents available for public inspection including its constitutional documents and financial statements. Shipping companies will be required to include in the listing document the following additional information:

- an overview of the fleet (if appropriate) and a detailed summary of each material vessel directly or indirectly managed, leased, owned or to be acquired by the issuer including cost, individual value, vessel type, dimensions, capacity, place of registration, ship owning company (as appropriate), financing terms, insurance arrangements and any other relevant details such as costs of scheduled improvement works
- a summary of a legal opinion or other evidence confirming the title to each material vessel leased or owned
- a statement as to whether the issuer and each material vessel owned, operated or leased (whether directly or indirectly) by the issuer, meet and will continue to meet the minimum standards required by the flag state of the vessel and under all international treaties, conventions and other laws applicable to the owner and/or the vessel (as relevant)

- details of certificates or other documents issued under any applicable codes required to be observed by each material vessel or in relation to its operation under any applicable law and a statement that such documents will be made available for inspection
- disclosure of risks specifically relating to the redeployment of vessels, contract extensions, piracy on vessels' regular or proposed routes and taxation of vessels in foreign waters
- details of any external ship management company or entity managing vessels (including details of its experience and the value of vessels under its management) and any representative agent or other maritime services provider
- a summary of the principal contents of any ship management contract, crew management agreement and charter agreement or other contract for the use of material vessels.

The listing document must also contain a report and valuation from a suitably qualified independent valuation expert (which must be a member of the Institute of Chartered Shipbrokers or other body agreed in advance with the Exchange) of any material vessel directly or indirectly leased, owned or to be acquired. The report must detail separately any vessel to be financed through the issue of securities, and will normally cover as a minimum:

- status, independence, knowledge and skills of the valuation expert
- the basis and assumptions on which the report and valuation have been prepared
- the valuation method used
- details of the work and any physical inspections undertaken by the valuation expert, the dates of such inspections and limitations of available information or access
- the effective date of valuation for each material vessel
- valuation of each material vessel
- an explanation of the differences between the valuation figure and the equivalent figure included in the issuer's latest audited annual financial statements.

The report must be dated within 1 year of the listing document and the listing document must include details of any material changes to the information contained in the report. A report and valuation is not required where such a report has been included in a previously published listing document provided there is disclosure in the listing document of any material changes to such report.

# **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**

A company 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. In certain cases the CSX will also require that a circular be sent to shareholders and where the company proposes a change that will fundamentally alter its business operations or a significant transaction with a related party the CSX may require the company to obtain prior shareholder approval.

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



#### **Financial statements**

The issuer must publish audited annual financial statements within six months of its year end and prepare semi annual interim financial statements, which may be unaudited.

#### **Quarterly updates**

Newly formed companies are required to publish quarterly updates on their operations. Financial data may be included but need not be audited.

#### **Equality of treatment**

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

#### New issues

Any new issues of equity securities must be approved by 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.

#### Share dealings

Companies must implement a model code to regulate share dealings by directors and managers and ensure compliance with the CSX Code on Takeovers and Mergers and Rules Governing Substantial Acquisitions of Shares. These requirements can be varied for companies restricted to sophisticated investors.

### **Contact us**

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

**The Cayman Islands Stock Exchange** 4th Floor, Elizabethan Square P.O. Box 2408 Grand Cayman KY1-1105 Cayman Islands

Tel: 1(345) 945-6060 Fax: 1(345) 945-6061 Email: csx@csx.ky

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



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### www.csx.ky

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