

Listing high yield bonds on The International Stock Exchange

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Why are high yield bonds listed on The International Stock Exchange (TISE)?

Historically high yield bonds were listed on either the Euro MTF market of the Luxembourg Stock Exchange (**Euro MTF**) or the Global Exchange Market of the Irish Stock Exchange (**GEM**). On 3 July 2016 the Market Abuse Regulation (**MAR**) came into effect across the European Union (**EU**) and applies to 'organised trading facilities' and 'multilateral trading facilities' (such as Euro MTF and GEM) in addition to the EU's 'regulated markets'. As a result, financial instruments (such as high yield bonds) listed on those markets are subject to additional obligations following the introduction of MAR. For example, under MAR issuers of bonds are governed by requirements concerning public disclosure (and delayed public disclosure) of inside information, maintenance of insider lists, notification and public disclosure of transactions by managers and persons closely associated with them and the trading restrictions applicable to them.

The Channel Islands are not part of the EU so MAR does not apply to issuers of securities listed on TISE. Instead, an issuer of debt securities listed on TISE is required to comply with the obligations imposed by the Listing Rules (the **Listing Rules**) maintained by The International Stock Exchange Authority Limited (the **Authority**). The Authority's stated approach is to apply global standards of regulation in a manner proportionate to the business being carried out so that there is investor protection but issuers are not unduly burdened. As a result TISE is now a stock exchange of choice for new issuers of high yield bonds, and a number of existing issuers have moved their listings to TISE.

Why use TISE?

The key strengths of the TISE are:

- speedy turnaround time and consistency of response;
- competitive pricing and cost effectiveness (see www.tisegroup.com for current fee schedule);
- the cost of appointing a listing agent is significantly less than other major exchanges;
- the Listing Rules meet international standards and are easy to understand;
- TISE is receptive to innovative product structures;
- responsive and approachable Listing and Membership Committee which meets daily to consider listing applications;
- pragmatic approach to disclosure requirements;
- based in a renowned premier offshore location (within an OECD jurisdiction); and
- MAR does not apply to issuers of securities listed on TISE and so TISE can be more flexible in its approach.

Requirements for listing high yield bonds on TISE

High yield bonds are listed under Chapters 5 to 7 of the Listing Rules, which provide a streamlined process for listing debt securities. The issuer may list as a special purpose vehicle or a trading entity. Chapters 5 and 6 of the Listing Rules set out certain requirements for the issuer of debt securities and the debt securities

themselves. It is beyond the scope of this guide to set out a detailed explanation of every requirement, but we highlight below some of the key points.

1. Debt securities listed under Chapters 5 to 7 are typically expected to be issued to institutional and/or sophisticated investors who are knowledgeable in investment matters. Additional requirements will apply if the debt securities are intended for retail investors. High yield bonds are usually marketed to institutional and sophisticated investors and have a high minimum denomination, so this is unlikely to be an issue.
2. An issuer will typically be expected to provide the Authority with audited consolidated accounts covering the previous 3 years unless (i) the issuer has been established for less than 3 years in which case the accounts must cover the period since the issuer was established or (ii) the issuer has been incorporated within the 12 months preceding the date of the listing application and has not commenced activities prior to the date of listing, in which case no financial information is required. A derogation from the audit and consolidation requirements may be available if the issuer's accounts are not required to be audited and / or consolidated under the laws of its place of incorporation.
3. Listed securities must be freely transferable and tradeable, subject to certain exceptions (for example, where the holding of such securities may result in a disadvantage for the issuer or the noteholders).
4. The issuer must appoint a listing agent to assist with the listing process and continuing obligations. The listing agent is responsible for communications and dealings with the Authority. Mourant Securities Limited is able to act as a listing agent for all listing purposes.

Further details are available on request. In addition, TISE has produced a list of frequently asked questions on its website which contains a range of information on listing high yield bonds. See <https://tisegroup.com/listing/products/high-yield-bonds/hyb-faqs/>

The Listing Document

An issuer seeking a listing on TISE must prepare a listing document that complies with the content requirements of Chapter 6 of the Listing Rules. Where particular content requirements are not applicable, or where the issuer wishes to seek derogation from certain Listing Rules, the Authority is usually amenable to an omission, provided a reasonable explanation is provided.

The listing document for a listing of high yield bonds will usually be the issuer's offering memorandum (**OM**). The Authority recognises that the typical OM used on a high yield bond issuance complies with high disclosure standards; in our experience an OM will already cover the vast majority of disclosure requirements in the Listing Rules. As high yield bond OMs tend to follow a similar form, and the nature of any additional disclosures have already been agreed with the Authority, the Authority should have limited comments on any OM which is consistent with an OM that the Authority has previously reviewed (subject to any differences in the transaction structure that may give rise to additional comments or questions).

The listing document is not made available on the TISE website or otherwise published following listing. Under the Listing Rules, the listing document must be made available for inspection at a specified location (typically our offices in the Channel Islands) for 14 days from the date of listing.

Procedure for listing

The following is a brief overview of how a listing of high yield bonds on TISE typically proceeds.

1. **Review of OM:** we will review the OM and provide comments based on the requirements of the Listing Rules and having regard to previous high yield bond OMs in relation to which we have advised.
2. **Drafting/collating documents for initial submission:** We will need to draft certain ancillary documents as part of the listing application. These include a formal application document, a formal notice, a listing undertaking, a listing agent declaration and a letter(s) setting out the Listing Rules which are not applicable to the issuer and/or the high yield bonds and (if required) seeking derogations from particular Listing Rules. We will also need to collate relevant KYC/AML documentation.
3. **Initial submission:** Once the ancillary documents have been drafted and/or collated, we will make an initial submission to the Authority. The Authority will issue invoices for the application fee and the first year's annual fee which need to be settled by the issuer in order for the application to proceed.
4. **Comments from the Authority:** TISE has introduced a service delivery framework which indicates that comments should be released (assuming prompt payment of the listing application fee and first year's annual fee by the issuer) within three business days of the initial submission.

5. **Addressing comments from the Authority:** Once comments from the Authority are released, there will be a process by which we (as listing agent) will liaise with the issuer/their advisers and the Authority to address any comments made by the Authority, update the listing application documents as applicable and provide the Authority with any additional information and/or confirmations requested. We generally expect the Authority to have limited comments (subject to any particular transaction specific features that might give rise to additional comments or questions).
6. **Final application:** Once all documents have been finalised, these will be signed and submitted to the Authority. The final OM will be signed on its front page by a director of the issuer (or their agent or attorney).
7. **Listing:** If the signed application documents are submitted prior to 12:00pm, the Authority will issue a grant of listing letter and the high yield bonds will be admitted to the Official List on the same day. If the signed application documents are submitted after 12:00pm the listing will usually take effect the next working day.

Costs of listing

At the time of this guide, the typical costs for listing a single class of high yield bonds are as follows:

1. **Initial listing costs:** TISE charges an initial application fee of £8,100, plus a formal notice fee of £150.
2. **Ongoing costs:** TISE charges an annual fee of £1,300 for each class of high yield bonds.

TISE fees are subject to revision at the discretion of TISE.

In addition, fees would be payable to Mourant to assist with the listing process and documentation and to act as listing agent on a continuing basis. We can provide a detailed fee proposal on request.

The information in this guide reflects the current provisions of the Listing Rules and our experience of the Authority's practices, either of which may change at any time and are subject to the discretion of the Authority.

Contacts

To find out more, please get in touch with your usual Mourant contact, or alternatively, a full list of contacts specialising in corporate law can be found [here](#).