

## EXPANDING THE CAPITAL POOL

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More international recognition and a green market segment have further expanded the potential capital pool available to entities listed on [The International Stock Exchange \(TISE\)](#), says Mark Oliphant of the Guernsey-headquartered exchange in a contribution to HedgeWeek's special report: Guernsey Fund Services 2019.

A common aim for investment managers is ensuring that their product is available to the widest range of, and can secure the largest possible capital allocation from, potential investors. As a result, they will look at establishing and running their investment vehicle taking into account one of more of a range of factors, including their own preferences, the demands of the underlying investors and regulatory/legal/tax requirements.

Investors, including institutions such as pension funds and insurance companies, are often mandated to only allocate, or allocate a larger proportion of capital, into listed products (as opposed to unlisted). This is because a security listed on a recognised stock exchange is subject to a greater level of scrutiny and because a listing drives greater transparency through the additional disclosures required. For example, a listing ensures that there is at least a minimum amount of disclosure to the market and equality for investors as the information is made available to all at the same time.

These requirements drive good corporate governance, which itself creates value within the structure for investors. An investment can still carry any level of risk but it is the transparency of disclosure and the governance which allow the investors to make an informed decision.

HMRC deems TISE to be a recognised stock exchange. This enables investment into TISE-listed products by Self-Invested Personal Pensions (SIPPs) and Individual Savings Accounts (ISAs), which is key for many institutions who invest on behalf of their clients. Additionally, it means that TISE is considered a recognised stock exchange and listing venue under HMRC's UK Real Estate Investment Trust (REIT) regime. A report from Grant Thornton published in the middle of last year noted that TISE was home to more than a quarter of all UK REITs and since then, we have continued to grow our market share.

TISE has a number of other recognitions, including from the US Securities and Exchange Commission (SEC), the Australian Stock Exchange (ASX) and the German regulator, BaFin. Each of these recognitions adds to the international distribution of securities listed on TISE, with the latter meaning that TISE-listed products are automatically eligible assets as part of the listed investment allocation of German insurers and German UCITS funds.

TISE-listed products are already eligible listed assets for UCITS funds established in several EEA jurisdictions. UCITS funds from another 19 EEA jurisdictions, including France, Ireland, Luxembourg and the UK, can treat TISE-listed products as eligible listed assets by disclosing TISE within the fund documentation as a potential source of investable assets.

Growing concern for the environment in the wake of climate change means that there have been increased governmental and regulatory measures as well as underlying investor demand, for example from asset managers, which have led investment managers to focus on sustainable and responsible investment.

TISE has introduced a green market segment, TISE GREEN. It is open to bonds, funds or REITs, or trading companies from any jurisdiction. A security must be admitted to TISE's Official List but there is no additional fee for entering TISE GREEN, although there needs to be third party verification of the investment's green credentials against a globally recognised standard.

Being on TISE GREEN provides recognition for, and enhanced visibility of, investments which make a positive environmental impact. The scope of the segment will widen in the future to cater for broader social and impact investing where there is less industry standardisation at the moment but which seems likely to occur as the market develops.

There were 865 new listings on TISE during 2018, which was an increase of 23% on the previous year and it

represented the largest number of securities newly listed in a calendar year. There are now more than 2,800 listed securities with a total market value of more than £300 billion. These listings comprise a mix of equity and debt being issued by trading companies and more than 300 securities issued by investment vehicles.

Investment managers often cite TISE as being a cost effective and convenient venue for listing. However, in addition, the Exchange's increasing number of international recognitions and growing range of market segments mean that a TISE-listed product can benefit from an expanded potential pool of capital from an increasingly diverse investor base.

The original version of this article first appeared in the HedgeWeek Guernsey Fund Services 2019 Special Report, April 2019. To access the full report, [click here](#).

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