



Date: 31 May, 2012

## **PRACTICE NOTE 13: BSX LISTING REGULATIONS**

### **International Issuers – Equity Securities**

**(As prescribed by the Exchange pursuant to the Bermuda Stock Exchange Listing Regulations, Section I, Regulation 1.8 : Effective from 01 June, 2012)**

#### **1. Introduction**

The Bermuda Stock Exchange (the BSX or the Exchange) is a full member of the World Federation of Exchanges.

The BSX Listing Regulations, Section IIIA provide for the listing of equity securities by international issuers. An international issuer may have a secondary listing on the BSX; in which case the listed securities are freely transferable between any & all investors; Regulation 4.5 refers. An international issuer may otherwise have a primary listing on the BSX; in which case investment in the listed securities must be restricted to Qualified Investors in a manner acceptable to the Exchange; Regulations 4.7, 4.8 & 4.9 refer. This restriction means, inter alia, that the securities may only be marketed to Qualified Investors and may only be traded on the Exchange between Qualified Investors. Further, it has been the policy of the Exchange to require issuers of listed securities that are restricted to Qualified Investors to not allow the transfer of such securities to Non- Qualified Investors as part of the regime to restrict investment in the securities to Qualified Investors “in a manner acceptable to the Exchange”.

The BSX has also made provision in the Listing Regulations for an international issuer that is a Bermuda exempted company to be granted a waiver from the Qualified Investor requirements; Regulation 4.10 refers. Thus a Bermuda exempted company has two options available to it & can select to list with the restricted marketing provisions applied or can seek a waiver from those provisions per Regulation 4.10.



**Date: 31 May, 2012**

## **2. Recent Developments**

The BSX has recently noticed an increase in the number of enquiries from international issuers seeking primary listings for their equity securities. The increase in enquiries has been linked to the recent decision by the Deutsche Borse in Germany to close down its First Quotation Board on 15 December, 2012 & to impose stricter rules to the Entry Standard Market for SME's into the Open Market from 01 July, 2012. The First Quotation Board functioned as a type of OTC Bulletin Board where only trading & settlement were regulated.

Another factor prompting the increase in enquiries to the BSX is that an international issuer can still gain access to the German capital markets on the basis of a secondary "dual" listing on the Deutsche Borse where it already has a listing on a regulated main market / supervised trading platform of an exchange that is recognized by Deutsche Borse, such as a full member exchange of the World Federation of Exchanges & which includes the BSX. Access will be via the Quotation Board (formerly the Second Quotation Board).

A critical point regarding the posting & trading of securities on the Quotation Boards of the Deutsche Borse is that trading in the securities is open to retail investors. That being the case, it is the view of the BSX that securities trading in multiple markets must do so under the same basic conditions. Thus the current provisions of Regulation 4.10 would have to be adopted by & applied to any international issuer of equity securities that wishes to obtain a primary listing on the BSX in order for the issuer to be in a suitable position to have access to retail investors via the markets of the Deutsche Borse.

The BSX wishes to give guidance to prospective issuers seeking a listing on the Exchange that are contemplating accessing the Deutsche Borse markets or the junior markets of any other BSX recognized stock exchange & also to BSX Trading Members & Listing Sponsors who may act for these issuers.

## **3. BSX's Position**

The BSX sees the increase in interest by international issuers in obtaining a primary listing for their equity securities on the BSX & who may intend to seek access to the Quotation Board of Deutsche Borse once a BSX listing has been achieved as an interesting business opportunity for the BSX & Bermuda generally.

The BSX is prepared to list the equity securities of international issuers who avail themselves of the provisions of Regulation 4.10 & by doing so are granted a waiver of the BSX requirements pertaining to



**Date: 31 May, 2012**

the restricted marketed provisions to Qualified Investors. To be granted the waiver the issuer must:- 1) be a Bermuda exempted company; 2) have a minimum of two directors resident in Bermuda; 3) once listed, agree to comply with the continuing obligations of a domestic main board issuer as set out in Chapter 6 of Section IIA of the BSX Listing Regulations & 4) submit quarterly financial reports made up of statements of assets & liabilities & of income & expenditure.

In addition to the above, where the issuer acknowledges an intention to access the markets of the Deutsche Borse or any other market as noted above, the BSX will require an international issuer of equity securities seeking a listing on the BSX, & wishing to avail itself of the waiver provided for in Regulation 4.10 of Section IIIA of the BSX Listing Regulations, to submit a prospectus that complies with the requirements of Appendix 2 of Section IIA of the BSX Listing Regulations. The BSX views this as a prudent regulatory stance as there will be a clear intent on the part of the issuer to attract investment in their listed securities by retail investors.

Likewise, if an international issuer lists its equity securities on the BSX under the provisions of Regulations 4.7, 4.8 & 4.9, i.e. the restricted marketing to Qualified Investors requirements, & at some point thereafter wishes to avail itself of the waiver allowed by Regulation 4.10 in order to open up investment in its listed securities to retail investors, the BSX will allow such. The BSX will however impose on an issuer using this option the requirement that they produce a prospectus compliant with the requirements of Appendix 2 of Section IIA of the BSX Listing Regulations in conjunction with any offering of securities to retail investors or the introduction of the issuer's BSX listed securities to any other market where they will be made available to retail investors.

The BSX holds that the highest standard of regulatory oversight set out in the BSX Listing Regulations must be applied to all issuers looking to place their securities with & attract investment from the general public. The BSX will not otherwise grant any waiver from the restricted marketing provision relating to Qualified Investors to allow retail investor access to international issuers' BSX listed equity securities.

#### **4. Cautionary Note**

**The contents set out above are for guidance only and are derived from information in the possession of the BSX on the date of publication and are subject to revision by the BSX. The contents are in no way binding on the BSX. The BSX gives no assurance that an international issuer who attains a primary listing for its equity securities on the BSX will be able to attain a further secondary or dual listing on any other stock exchange or market. Issuers contemplating a primary listing on the BSX and who intend to seek a further secondary or dual listing on any other stock exchange or market must conduct their own investigation into the feasibility of**



**Date: 31 May, 2012**

**attaining such a secondary or dual listing and satisfy themselves that their aim can be achieved.**

**The BSX expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this Practice Note.**

## **5. Reservation of the Exchange's Powers**

The Listing Committee of the Bermuda Stock Exchange reserves the power in its absolute discretion to grant or not grant to international issuers of equity securities the waiver provided for in Regulation 4.10 & to determine whether or not an issuer is suitable for listing on the BSX.

**Listing Regulations Practice Note No. 13 issued by the Exchange on 01 June, 2012.**

© The Bermuda Stock Exchange  
All rights reserved