

CAYMAN ISLANDS STOCK EXCHANGE NEWS

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CSX hits the 100th mark on first anniversary

The Cayman Islands Stock Exchange has celebrated its first anniversary by announcing its 100th listing – confirming its status as one of the world's fastest growing exchanges.

The Exchange now has a total of 109 listed issuers with a total market capitalisation of approximately US\$ 12 billion.

Chairman Travers receives OBE

Cayman Islands Stock Exchange Chairman Mr Anthony Travers has been made an Officer of the Most Excellent Order of the British Empire [OBE] for his services to the Government and the financial sector.

At a ceremony in George Town recently, Mr Travers received the honour from His Excellency the Governor Mr John Owen CMG.

Mr Travers, a senior partner at law firm Maples and Calder, now heading up Maples and Calder Europe in London, has been the driving force behind a large number of the developments in the financial sector in Cayman over the last 20 years.

Apart from being one of the prime movers behind the crea

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The century mark was hit with the listing of a series of funds by Schroder Investment Management and the Exchange's chief executive officer Ann Nealon said "It has been a very exciting year for us and I think we have succeeded in outperforming expectations."

"The quality of the issuers we have attracted is also impressive both for the mutual funds and the specialist debt vehicles that have listed over the past year."

Schroder Investment Management has listed 26 funds, all of which are available to local investors and the group's local representative, Mr Rory Healy commented "The Exchange has proved its worth over the past year and we are delighted to be able to help play a part in its success."

The Schroder funds that have been listed include the US\$1 billion Latin American Fund, which has achieved growth of 595% since it was launched at the beginning of 1991, and the \$408 million US Smaller Companies Fund, which has grown 483% since its 1989 launch, outperforming the Russell 2000 index by 100%.

Schroder manages US\$175 billion for clients world-wide and

opened for business in Cayman in 1972. It has been marketing its funds in Cayman for the past two years. Mr Healy said "I think the fact that we have been here for 26 years demonstrates our commitment to Cayman and our local clients. In that time we have built up very close investment management relationships which will be enhanced by the listings on the Stock Exchange."

Reviewing the past year, Ms Nealon, who was formerly with the Hong Kong Stock Exchange, said that one of the most unexpected developments has been the significant amount of interest shown in the Exchange from Latin America, particularly Brazil. A number of funds managed in Brazil have listed and the Exchange is currently working on a new listing facility for unsponsored depositary receipt programmes, which is targeted at the Latin American market.

Among the offshore fund managers attracted to the Exchange is one of the world's premier hedge fund operators, Maverick Capital, which manages over US\$ 1 billion from its base in Dallas, Texas.

The CSX's introduction of a responsive regime for specialist debt in January this year has also paid dividends when dealing with the requirements of the interna-

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tional capital markets. The listing of specialist debt vehicles by such international finance houses as Deutsche Bank, Lehman Brothers and Merrill Lynch has grown significantly since January.

The chairman of the CSX, Mr Anthony Travers said "The major institutional arrangers are familiar with the legal structures in the Cayman Islands and the recognition of the CSX as more sympathetic and cost effective for listing sophisticated debt instruments is a logical development."

"There is no doubt that the expertise that we provide at the CSX, and the speed at which it is brought to bear, will have a significant bearing on selection of the most appropriate Exchange for this type of debt listing."

The Exchange was created as a joint venture between the Cayman Islands Government and the private sector and, having established a firm base with international institutions, it is now considering launching a Developing Equities Market which will be open both to local and international companies to raise capital.

Merrill Lynch lists credit-linked notes

The Exchange has seen a growth in listings of credit-linked notes. Merrill Lynch has recently listed a number of such notes under its Spires and Sires-Star programmes. The value of these types of notes is determined by reference to the credit performance of a specific reference entity or assets.

The CSX is currently considering new guidelines for listing collateralised bond obligations in response to a demand from institutional arrangers in the United States.

Change to local law

A recent change to local law is set to promote further fund listings on the CSX.

Cayman registered mutual funds listed on the Cayman Islands Stock Exchange can now market their products locally following a change to section 194 of the Companies Law (1995 Revision).

The change to section 194 allows a Cayman domiciled fund to make a public offer of its shares in the Cayman Islands, provided the fund is listed on the Cayman Islands Stock Exchange. The change should help further in the development of the CSX which is already one of the fastest growing offshore bourses in the world.

The Exchange's chief executive Ann Nealon said "The amendment was made because certain Cayman exempt mutual funds wished to promote or accept local investment, but were concerned as to whether such activities were prohibited under local law. The amendment clarifies the position, provided the fund is listed on the Exchange."

The CSX has quickly developed a reputation in the international financial markets for providing a fast and efficient service for both the mutual funds and structured finance industries.

OBE awarded, from page 1

tion of the Exchange, he has been instrumental in preparing legislation governing financial services, including the Fraudulent Dispositions Law 1989, the Exempted Limited Partnership Law 1991 and the Mutual Funds Law 1993.

The Governor of the Cayman Islands, Mr. John Owen said "Anthony Travers has contributed enormously to the development of the Cayman Islands as a leading financial sector and this honour is in recognition of a job well done."

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CSX introduces fast track facility

The Cayman Islands Stock Exchange has introduced a fast track listing facility to help fund managers take advantage of proposed changes to rules governing the distribution of "hot issue" securities in the United States.

A number of leading hedge funds have already applied to list on the CSX as a result of the changes to be introduced by the National Association of Securities Dealers. Most recent to list is M.Kingdon Offshore N.V., managed by Kingdon Capital Management Corp in New York. The fund is capitalized at over US\$1.7 billion and has a minimum subscription level of US\$2 million.

Certain funds have been restricted in the past from partici-

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participating in "hot issues" which are oversubscribed initial public offerings of stock which trade at a premium.

The intention of the restrictions was to prevent NASD broker-dealers artificially raising the price of such issues, retaining them for themselves or channeling the stock to favoured clients.

In practice, the rules meant that mutual funds participating in these offerings had to maintain segregated accounts for their various clients to distinguish between those who were subject to the restrictions, and those who were not. The burden of maintaining such a system discouraged many funds from getting involved in "hot issues".

Under the amended rules, NASD members may sell "hot issues" securities to offshore funds on condition that the fund has one hundred or more investors; is listed on a foreign exchange; does not invest 5% or more of its assets in the issue; and nobody controlling 5% or more of the fund is a restricted person under the regulations. The change is anticipated to take effect in August 1998. Those funds who qualify will be able to take advantage of the new rules and will no longer have to maintain segregated accounts in order to invest in "hot issue" securities.

Cayman Islands Stock Exchange Chief Executive Ann Nealon said: "As soon as it was announced that the NASD was proposing to change the rules we had a number of inquiries from hedge funds wanting to list.

"We are now processing appli-

cations and have decided to introduce a fast track for funds with well established track records who seek to list take advantage of the forthcoming NASD rule change."

"Fund Managers demand a fast and efficient service and our philosophy in Cayman is to be responsive to the market place."

Since it opened its doors for business in July 1997 the CSX has won a reputation for providing a flexible, efficient and cost effective listing service.

For funds with sophisticated investment strategies, such as hedge funds, the Exchange offers two distinct advantages in that there are no restrictions on the investment policies of the fund or accounting requirements that demand extensive disclosure of a fund's investment portfolio, including its short positions. The Exchange requires disclosure only of the usual financial information contained in audited accounts prepared in accordance with International Accounting Standards or a recognised GAAP.

Apart from Kingdon, the Exchange has already attracted some of the world's leading hedge funds including the renowned Maverick Fund.

Lehman Brothers fund lists on CSX

Lehman Brothers has listed GLG Universal Investments, a new multi-fund mutual fund, on the Cayman Islands Stock Exchange.

GLG Universal Investments is a feeder fund established and managed by GLG Partners, a division of Lehman Brothers International (Europe). The fund has seven separate classes, each of which invests into another Lehman Brothers fund.

The new fund expects to have up to US\$75 million invested initially. The combined assets of the underlying funds, into which the new fund invests, are approximately \$800 million. GLG Partners has approximately US\$ 1 billion under management.

The Exchange's Chief Executive Ann Nealon commented "We have built a solid relationship with some of the larger institutions like Lehman Brothers over the past year in the structured finance area. We are pleased that we have been able to provide a listing facility for a Lehman Brothers fund."

Exchange adds new staff member

Lee Hodgkinson is the latest recruit to the Cayman Islands Stock Exchange, joining as Head of Markets Development.

Lee joins from the London Stock Exchange, where he was a manager in the Market Regulation Department and he brings with him a wealth of experience.

During his nine years at the London bourse he had a primary role in the development of secondary market rules, practices and regulatory policy. He was also instrumental in delivering regulatory and market policy for the London Stock Exchange's Electronic Trading System.

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