



Three cheers for the CSX 5th Anniversary



Given the increased volume of listing activity in 2002, it was “business as usual” in the CSX as our fifth anniversary was quietly celebrated. We were all very pleased to have not suffered from any global slowdown.

As of 5 July 2002, the CSX had 674 listings and a market capitalization of \$39.5 billion and has posted an average annual growth rate of 45% over the first five years giving the Exchange a huge reason to celebrate and receive far more than three cheers.

550 of the listings relate to mutual funds, which alone, fully supports the decision to provide a listing facility for the Cayman Islands mutual fund industry. The listings come from a wide array of the fund industry and a high proportion of international funds have also chosen to list in the Cayman Islands.

The Exchange has also attracted a significant number of specialist debt security listings as the Cayman Is-

lands are the favoured home of the special purpose vehicles used by the leading institutions in the specialist debt markets.

The fastest growing market for the Exchange has been the listing of derivative warrants which commenced in 1999 and has been very well received by the institutions. Warrants typically have a life of one year and are then de-listed on maturity. The Exchange had 50 warrants listed in July 2002.



The fact that the net number of listings is increasing and the gross number has passed the 700 mark illustrates satisfactory growth for the



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The Cayman Islands Bankers' Association 9th Biennial Conference 2003

Watch this space in our next newsletter for upcoming news on the conference

Exchange primarily in the high-end institutional arena.

During the past 5 years, the Exchange has become a Corresponding Market of the World Federation of Exchanges, been admitted to the London Stock Exchange’s list of approved organizations, been accepted as an associate member of the Intermarket Surveillance Group – a self regulatory organization for exchanges and a member of the European Securitisation Forum.

The CSX looks forward to more achievements for its 10th anniversary.

P.O. Box 2408 G.T.
4th Floor Elizabethan Square
Grand Cayman, Cayman Islands

Cayman Islands
Stock Exchange
<http://www.csx.com.ky>

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

Cayman introduces New Securities Investment Business Law

The Cayman Islands passed the Securities Investment Business Law 2001 in January of 2002. The new law will regulate conduct of securities investment business in and from the Cayman Islands and brings brokers, investment advisors, investment managers and market makers under regulatory supervision by the Cayman Islands Monetary Authority (CIMA).

The new law will come into effect when the operating arrangements and regulations under the law are in place. This is expected to occur early in the fourth quarter of this year. Criminal offenses under the law include market manipulation and insider dealing.

The licensing authority under the new law will be CIMA. Firms

seeking to engage in securities investment business will have to seek appropriate license from CIMA.

CIMA will be responsible for conduct of business regulation, prudential regulation, on-site inspections and money-laundering regulation of such licensees.

Current Broker Members of the CSX will need to apply for a license from CIMA in order to continue to conduct securities investment business. The CSX will continue to regulate market activity and any trading activity that takes place on the Exchange.

Any questions from CSX brokers with reference to the new securities legislation can be emailed to:

Monique.Melis@csx.com.ky

The CSX Attends IOSCO General Meeting

The CSX recently attended the 27th IOSCO Annual Conference which took place in Istanbul, Turkey at the end of May, 2002.

The theme of the 2002 Conference was "Globalisation: Opportunities and Challenges". This year's conference was attended by 478 participants from 85 jurisdictions.

The theme of the conference provided an opportunity for regulators and industry participants to discuss and analyse the issues relating to cross-border activity and the associated international capital flows. IOSCO is committed to facilitating a dialogue among securities commissions internationally that will assist them in dealing with risks in an increasingly complex financial environment. Particular focus was given to emerging markets and it was said that local reforms are most successful when implemented in tandem with global reforms.

The IOSCO Memorandum of Understanding concerning consultation, cooperation and the exchange of information was endorsed at the meeting. It builds upon the long history of cooperation among IOSCO members and by setting forth clear standards for information sharing, the MOU will facilitate investigation of cross-border issues worldwide. IOSCO currently has 174 members.



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Listings update

Since the issue of the last newsletter the Exchange has enjoyed tremendous success with the number of new listings rising by 59%. The increase came mainly from mutual funds but was also backed up by good contributions from debt securities and derivative warrants.

One of the reasons for the recent success appears to be due to the international interest in alternative investments. As the world's stock markets decline, investors from both the institutional and private equity markets have focused on the alternative investments market, which can make money in a downward market as well as the traditional upward markets, by selling investments short. Hedge funds are the most common vehicle used as alternative investments and the Cayman Islands is the leading jurisdiction for the incorporation of these funds.

The Exchange has seen significant interest from the hedge funds market including multi-manager funds, multi-strategy funds and fund of funds invest-

ing in hedge funds. These funds benefit from the differences in strategies in the hedge fund universe and rely on the different correlations among those styles to achieve a diversification. Master-feeder structures have also been popular this year and the Exchange listed both the master and feeder companies of the Seligman Tech Spectrum Fund and the feeder fund of Van Eck Global Opportunity (Offshore) Fund Ltd.

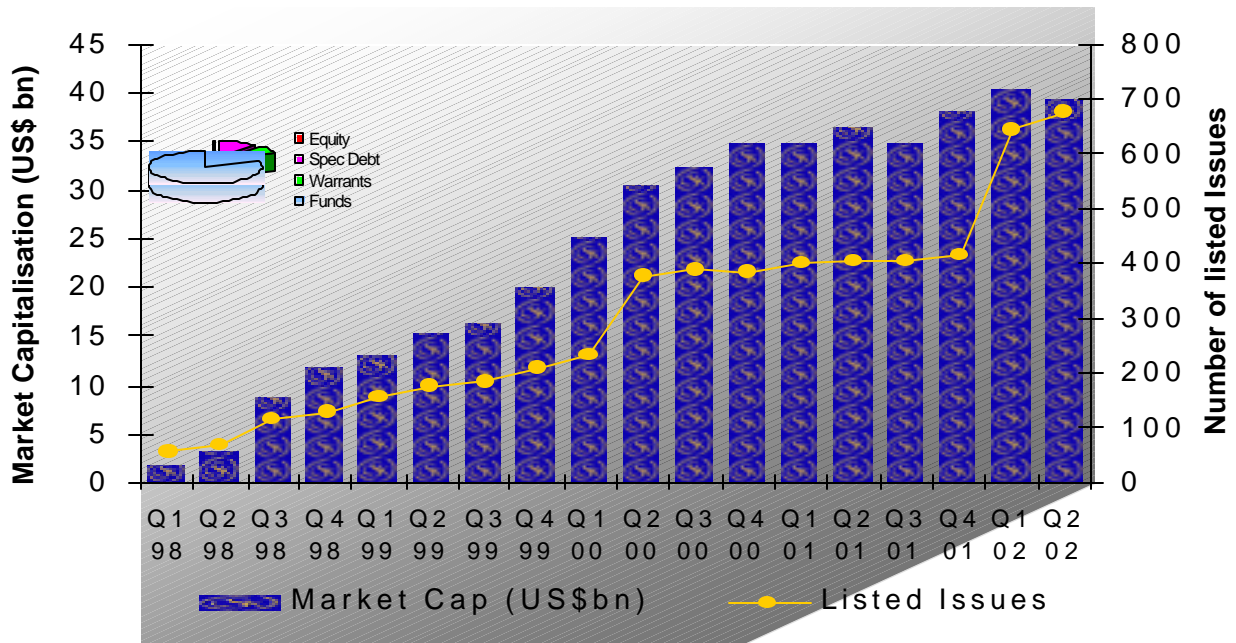
The Van Eck Global Opportunity (Offshore) Fund Ltd. is managed by Van Eck Absolute Return Advisors Corp. from New York and invests, through its master fund Van Eck Global Opportunity Master Fund Ltd., in international, non-investment grade debt securities. Hans Humes, a director of the investment manager stated "The fund invests in niches that are under-analyzed and therefore highly inefficient allowing the fund to invest in undervalued and mispriced assets. The fund listed on the CSX to provide investors with a listed security, which gives the added comfort of the additional regulation, and in or-

der to market the fund."

The interest in listing derivative warrants continued during this period. Morgan Stanley Dean Witter continued to be the primary issuer of the warrants with the majority of the underlying assets being Taiwanese or Indian listed equities.

The CSX expanded its market in listing the preferred share element of collateralised debt and loan obligation deals (CDO's and CLO's), which are primarily specialist debt security issues. The most recent listing was of GoldenTree Loan Opportunities I, Ltd.

In June the Exchange listed four classes of notes issued by Special Value Absolute Return Fund LLC under a CDO structure, which has Special Value Investment Management, LLC (an affiliate of Tennenbaum & Co., LLC) as the investment manager and David L. Babson Inc. (a member of the MassMutual Financial Group) as Co-manager of a high yield distressed debt portfolio. Morgan Stanley were the arrangers.



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The Benefits of listing on the Cayman Islands Stock Exchange

In these volatile times with an ever larger number of investment funds chasing an ever more cautious investor any competitive advantage can be the difference between success and failure in gaining a potential client's trust.

Having a fund listed on the Cayman Islands Stock Exchange is one way of differentiating it from the thousands of other funds on the market today.

Complete financial service offering - A Cayman Islands Stock Exchange listing is the seamless extension to setting up a fund or SPV in the Cayman Islands.

With first class lawyers, accountants and fund administrators to handle all issuers' needs and requirements it seems natural to utilize all services offered to the finance industry within the jurisdiction by adding a listing of the company on the CSX.

Regulation - By obtaining a CSX listing, potential investors get an added level of comfort that the fund they are investing in is regulated and that an independent third party is monitoring its compliance with the terms of operation stated in the offering document. A CSX listed fund therefore becomes more transparent than other funds.

Marketability - A CSX listing will also give a fund and its representatives an unhindered opportunity to market the fund in the local institutional marketplace in the Cayman Islands. A CSX listing will give a fund access that unlisted funds do not have.

Visibility - The CSX has a dedicated information system, part of the Bloomberg Financial Markets Information Service where pricing information and description of the issuers is posted. Issuers are also entitled to space on the CSX web page for the publication of financial and marketing information as well as a hyperlink to their own websites if desired.

Professionalism, knowledge, efficiency - The operating standards of the CSX place a premium on consistency, efficiency and professionalism. The listing process is streamlined, responsive and cost effective. Listing applications are processed through innovative information technology systems. All documents are received and comments are returned electronically. The Exchange staff is extremely knowledgeable and well versed in all aspects of mutual funds, debt instruments and derivative warrant issues, able to assist and answer any questions on listing of particular transactions on the CSX. It understands the time pressures that govern the issues brought for listing and ensures that documents are processed quickly to accommodate the issuers' specific needs and timetables. To date the CSX has met its guarantees that comments will be given within a maximum of 5 days for first draft of the listing document and a maximum of 3 days for further drafts.

Flexibility - The exchange's listing rules are concise and easy to understand. They have been designed specifically to facilitate the listing of offshore mutual funds, specialist debt, derivative warrants and eurobonds and are carefully balanced to ensure the safeguard of investors' interests and appropriate regulation, while at the same time encouraging issuers through the flexibility of its rules to apply to list. They are tailored to meet the needs of issuers and to accommodate the latest structures and products, focusing upon the disclosure of all relevant information without imposing unnecessarily onerous conditions upon the issuers and restricting their activities.

CSX 2002 Fees

	Listing Annual	
Mutual Funds	2500	2500
Secondary Listing	2000	2000
Derivative Warrant Prog.	3500	2500
Derivative Warrants	3500	1500
Debt Securities	3500	1500
Debt Programmes	3500	2500
Issues Under Programme	1500	1500

(Prices in US\$)

As a result, a CSX listing is a very inexpensive and effective way to add credibility and a higher profile to a new or existing company. If you wish to discuss listing on the Exchange or have any queries with regards to any of our services contact:

Richard Crawshaw (Richard.Crawshaw@csx.com.ky)

All CSX listing rules and other regulations can be reviewed on the CSX website at: <http://www.csx.com.ky>.

Hard copies of the rules in CSX binders are also available from the CSX.

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