

MFSA

MALTA FINANCIAL SERVICES AUTHORITY

Listing Authority Policies

Feedback Statement further to Industry Responses to MFSA Consultation document dated 12th August 2011 on the proposed amendments to Listing Authority policies

[1.0 Introduction]

On 12th August 2011, the MFSA issued a consultation document regarding the proposed amendments to Listing Authority Policies. The consultation document proposed the following:

1. The introduction of **an exemption from the requirement of having a Sinking Fund and the Financial Soundness Report** for bond issues where the minimum subscription amount is at least €50,000 per individual investor and where subsequent trading takes place only in multiples of €50,000 per individual investor. Where a person is subscribing for securities on behalf of third parties, the minimum amount shall apply to each underlying beneficial owner. Furthermore for the exemption to apply, an issuer cannot use any form of advertising or promotional activity to invite or induce the general public to subscribe for or otherwise acquire these type of debt securities
2. The introduction of **an exemption from the applicability of the policy on the preparation of a financial soundness report** for bond issues which satisfy the following criteria:
 - (i) the minimum subscription amount is at least €10,000 per individual investor with subsequent trading taking place only in multiples of €10,000 per individual investor. Where a person is subscribing for securities on behalf of third parties, the minimum amount shall apply to each underlying beneficial owner; **and**
 - (ii) the bond issue is directed to investors having the necessary expertise, experience and knowledge to be in a position to make their own investment decisions and to understand the risks involved.

In this regard the bond issue may only be subscribed to through the services of an Investment Services licence holder duly authorised in terms of the Investment Services Act (Cap.370) to provide investment advice, execute orders and/or send and transmit orders in relation to transferable instruments. The Investment Services licence holder shall carry out a suitability or appropriateness test in terms of Standard Licence Conditions 2.13 to 2.24 of the Investment Services Rules for Investment Services Providers with respect to prospective bondholders and shall be satisfied that investment in the bond issue is suitable and/or appropriate for his client prior to effecting the purchase of the bonds for such client. In the case of non-advisory clients, the Investment Services licence holder shall not accept any requests to purchase bonds in the relevant issue unless the licence holder is satisfied that the client has passed the appropriateness test.

The Authority received comments from fifteen members of Malta's financial services industry. A summary of the main comments received and the Authority's position in relation thereto, is provided in Section 2.0. The Authority's position has been determined after a careful and thorough consideration of all the feedback and recommendations received.

The Authority has noted that the feedback received also included feedback on the Listing Authority policies in general.

The Listing Authority would like to inform interested parties that it is considering the feedback received on the policies in general to determine whether any revisions to the Listing Policies are necessary. In this regard the Authority will shortly be issuing a consultation document on the Financial Soundness Report.

Section 2 of this Feedback Statement summarises the feedback received on the proposed amendments to the Listing Authority policies.

Section 3.0 of this Feedback Statement provides a copy of the revised Listing Authority policies, which are applicable as from the date of this Feedback Statement.

[2.0] Summary of Feedback received and the Authority's position

Some feedback received fully supported the proposed amendments to the Listing Authority policies and suggested that the Authority should not give in to pressure from interested parties to water down any further the said policies.

Other feedback suggested the following:

[2.1] Credit Rating

Comments received: It was suggested that where an issuer is proposing to issue a bond to the local retail market, there should be a requirement for such issuer to obtain a credit rating. The feedback received did not specify whether such requirement should be in addition to the present policies or should replace the present policies.

The feedback received suggested that most clients do not have time or skills to analyse the financial statements of the bond issuer and cannot understand all risks involved even though adequate warnings are disclosed. Also it was highlighted that the lack of credit ratings in the local market could also "*be abusive as high risk bonds may be disguised as lower risk because it is local*".

Some feedback stated that the introduction of €10,000 threshold would discourage new/small investors from entering the local market. It is suggested that such small investors would shift to foreign bonds which would have a credit rating.

Some feedback commented that a status update on the regulator's approach to the possible introduction of a rating mechanism for local issues is important.

Authority's position: The possibility to introduce a credit rating requirement was already considered by the Authority last year when the Authority was considering the present Listing Authority policies. The Listing Authority decided that it is not appropriate to introduce mandatory ratings at this point for a number of reasons including the added costs associated with ratings and the reluctance of the rating agencies to develop a national scale.

[2.2] Reference to “retail investors”

Comments received: Some of the feedback agreed that the set threshold of €50,000 per individual investor will effectively not be targeting the general public. However it was pointed out that the statement made by the Authority that “the Listing Authority feels that an investor affording a minimum investment and a subsequent trading threshold of €50,000 should not be considered as a retail investor” in the Consultation Document is confusing when one takes into account the definitions of the terms “retail client” and “professional client” in the Glossary to the Investment Services Rules for Investment Services Providers. Other respondents stated that classifying investors as retail and non-retail based on an investment value criteria is arbitrary and not necessarily correct.

The €50,000 threshold is not one of the criteria used in the Investment Services Rules. This means that for the purposes of the Investment Services Rules a person would be still deemed to be a retail client, even when making an investment of €50,000, unless the client satisfies one of the criteria mentioned in the definition of “Professional Client”.

From the feedback received it was suggested that either reference to “retail investor” mentioned in the Consultation Document is deleted or the criteria used in the Investment Services Rules is adopted.

Some feedback suggested that if the exemptions are intended to apply to a wholesale market and/or professional/knowledgeable investors, who require less protection, then this should be explicitly stated. It was agreed that the impositions of the €50,000 subscription threshold will eliminate the more numerous, smaller investors, but this does not equate to subscribers being institutions, professional or knowledgeable. Moreover, it was commented that “*It is quite usual for retail clients to subscribe to bond issues with such amounts.*” Some feedback argued that the imposition of a relatively high subscription threshold will not by itself provide any additional investor protection.

Some argued that a minimum subscription of €50,000 is too steep and effectively crowds out a large chunk of applicants to a bond issue. It was commented that given the typical profile and cross section of applicants to local bond issue, it emerges that issuers are highly unlikely to be successful to raise capital with a minimum subscription amount of €50,000. On the other hand, because of the Maltese market’s specific characteristics (no credit ratings, no market makers) institutional investors who may afford the €50,000 minimum threshold will not be willing to invest in the bonds. This may result in a situation where larger, institutional type of local investors are restricted from investing in local corporate bonds due to the regulatory restrictions place on their business whilst retail investors are being prohibited from investing due to the arbitrary demarcation line set by the Authority. Some feedback expressed their opinion that these policies will result in very small issues (which could only possibly reach approximately €5 million instead of the average issue of €20 million) which in themselves will create huge problems of liquidity.

Some of the feedback received also queried why the policies address ‘local’ retail clients.

Authority’s position: The Authority would like to point out that the criteria being established are purely to exclude these types of offers from the scope of the Listing Authority policies. The Authority is of the opinion that these policies and the Investment Services Rules can work together.

The Authority would also like to point out that referring to the criteria used in the Investment Services Rules instead of a definite threshold would raise again the issue of subjectivity.

Although the Authority understands that there may be instances that an investor affording €50,000 threshold may not automatically be a professional client within the definition of the Investment Services Rules, it is of the opinion that the threshold is high enough to exclude the general public.

The Authority is of the view that the scope of the policies should be applicable to bond issues targeted to local retail market. If reference to “local” is deleted than the scope would be extended also to bond issues targeted to foreign investors.

[2.3] Practicality issues

Comments received: Some feedback requested clarification as to what happens if at application stage the investors apply for larger amounts of €50,000 but due to the number of investors applying, and the allocation policy, some investors end up holding amounts less than €50,000. The same query applies to the minimum threshold of €10,000.

It was highlighted the fact that these policies are not addressing the possibility of having ‘retail’ investors participate indirectly through nominee private portfolio services offered by local stockbrokers and financial intermediaries that mimic regulated and licensed collective investment schemes. It was also pointed out that a regulated and licensed collective investment scheme open to ‘retail’ investors may still purchase bonds issued under such exemptions, with the result that the retail investor ends up nonetheless invested therein.

[2.4] Requirement for subsequent trading to be made in multiples of €50,000

Comments received: Some of the feedback commented that the additional requirement that proposes to limit secondary market trading to minimum blocks of €50,000 will effectively serve to detract from the funding and investment opportunities that are being created in the first place for issuers and investors respectively. It was pointed out that this would curtail liquidity in a market which is already illiquid. It was pointed out that high net worth and institutional investors would potentially view the opportunity in a much less favourable light than would have been the case had no such additional requirement been in place.

Moreover some highlighted some market operations issues as follows:

- The trading infrastructure can handle board lots of €50,000 [multiples as proposed] but should it be a minimum of €50,000 and then different board lots the trading engine will not stop amounts less than €50,000 from being accepted and traded;
- The trading infrastructure cannot limit trading to a “selected” group of investors

- The Malta Stock Exchange is unable to ascertain whether the underlying holders are adhering to the minimum threshold when third parties are holding the securities.

It was suggested that in order to safeguard the secondary market, it is recommended that as a minimum the minimum subsequent trading should be in multiples of €5,000.

Some suggested if the Authority is aiming to ensure suitability of the investors, it may achieve this objective by requesting that such investment is held by the licence holder in a nominee account. It was explained that a licence holder who undertakes this type of responsibility cannot then be allowed to allow clients to use its nominee service as an execution only client for the purchase of such bonds and some type of advice needs to be given. This advice can then be tied back to the suitability test. One Investment Services provider stated that this is common practise on international markets.

Authority's position: The Authority is of the opinion that if the requirement of a minimum threshold in the subsequent trading is removed, than the initial purpose to restrict investments to large investors would be defeated and small investors would be able to invest in companies without the safeguard of a Sinking Fund and Financial Soundness Report in the secondary trading. On the other hand the Authority can understand that the requirement for subsequent trading to be made in multiples of €50,000 would adversely affect liquidity. The Authority discussed this issue at length and agreed that a compromise would be to delete the requirement for subsequent trading to be made in multiples of €50,000 and instead to require an investor to maintain a minimum holding of €50,000 throughout his/her investment in the company.

[2.5] Requirement for subsequent trading to be made in multiples of €10,000

Comments received: Clarifications were requested in respect to the suitability and/or appropriateness test being proposed as follows:

- i. whether the suitability and/or appropriateness test were applicable also to secondary trading;
- ii. whether the suitability and/or appropriateness test would apply in the case of bonds with minimum subscription amounts of up to €49,999;
- iii. whether a customer who has failed the Appropriateness Test may insist on subscribing for an issue on an “execution only basis”.

Some commented that the concept of execution only orders goes against the whole basis of the exemption which is based on appropriateness of an investment for a particular client. It was also requested clarification as to the recommended procedures to be adopted by Licence Holders in this respect. Some requested clarification as to whether the objective of the Authority to undertake the suitability test for its client infers that the instruments are complex. Also it was added that this will create a huge administrative burden on licence holders. Some stated that if the concept of €10,000 is to be maintained then at any amount above this level, the investor has satisfied the test. Consequently above the minimum of €10,000 investors should be allowed to trade in minimum blocks of €1,000 rather than €10,000.

Some requested a clarification as to why the €10,000 threshold was adopted. It was also suggested that it is the satisfaction of an appropriateness test which appears to define whether the investor is in a position to make an informed decision or otherwise vis-à-vis the investment and not the amount of €10,000.

It was considered that the secondary market restriction to be unreasonable and unnecessary. Also they commented that liquidity problems will be created in the market.

Authority's Comments: It is the opinion of the Authority that the proposed amendments are clear in that the suitability and/or appropriateness test should also be applied in the secondary market. It is the understanding of the Authority that the suitability and/or appropriateness test is applicable to bonds up to €49,999.

The proposed amendment is clear that the licence holder “shall be satisfied that investment in the bond issue is suitable and/or appropriate for his client prior effecting the purchase of the bonds for such client. In the case of non-advisory clients, the Investment Services licence holder shall not accept any requests to purchase bonds in the relevant issue unless the licence holder is satisfied that the client has passed the appropriateness test.” Accordingly a customer who has failed the Appropriateness Test cannot subscribe for such issue.

The Authority agreed that instead of the requirement for subsequent trading to be made in multiples of €10,000, the proposed policies should be amended to require investors to maintain a minimum holding of €10,000 throughout his/her investment in the company.

[2.6] Applicability of Listing Authority policies

Some of the feedback required clarification as to whether the proposed amendments to the Listing Authority policies would apply to already listed issuers.

Authority's Comments: The Authority is of the opinion that the proposed amendments should apply only to prospective issuers of bond securities applying for admissibility to listing subsequent to the coming into force of the amended policies.

It was suggested that the Financial Soundness Report should be mandatory to all new entrants to the bond market and therefore there should be no exemption for bond issues targeted to a minimum of €10,000 or €50,000. It was suggested that existing bond issuers wishing to issue new bonds should be exempted from the Financial Soundness Report and should only be obliged to publish in their Prospectus relevant extracts from their financial statements and details of any audit qualifications in their audited financial statements. The feedback received did not specify what type of financial information should be included in the Prospectus.

Some queried the reasons for the proposed amendment to exempt investors investing a minimum of €10,000 from the requirement of the Financial Soundness Report but not from the Sinking Fund. It was also argued that if the Financial Soundness Report is meant to increase transparency by issuers regarding their financial status, it is not clear why investors investing a minimum of €10,000 should not be entitled to such transparency.

Some of the feedback suggested that the Sinking Fund should not apply to bond issues targeted to investors of a minimum initial subscription and subsequent trades of €10,000. It

was suggested that the setting up of a Sinking Fund in this case should be left at the discretion of the Issuer. The reasons for proposing such an exemption was not indicted in the feedback. It was suggested that where the minimum subscription and subsequent trading is less than €10,000, if at any given time until such bonds are fully repaid, the total of the bonds in issue is in excess of 50% of the issuer's net equity (as per the preceding year's annual audited financial statements), a sinking fund is to be set-up over the second half of the term of the bond to cover that excess over 50%.

Authority's Comments: The Authority would like to point out that the exemption from the Financial Soundness Report needs to be evaluated by taking into account all the conditions which need to be satisfied. One of the conditions is that the bond issue is directed to investors having the necessary expertise, experience and knowledge to be in a position to make their own investment decisions and to understand the risks involved. Also a Licence Holder needs to be satisfied that the investment in the bond issue is suitable and/or appropriate for the investor prior to effecting the purchase of the bonds for the investor. It is the opinion of the Authority that these added safeguards would put the investor in a position to make an informed decision without the need of specific reporting on the financial soundness of the issuer.

The Authority does not agree that existing issuers having already bonds listed on the market should be exempted from the Financial Soundness Report just because they have already listed bonds on the market.

Also the Authority notes that no valid reasons were given in the feedback as to why the Sinking Fund should not apply to bond issues targeted to investors of a minimum initial subscription of €10,000.

[3.0 Amended Listing Authority Policies]

Listing Authority Policies

Revised – 9th December 2011

[I] Sinking Fund

Definition: The assets which the Issuer intends to use for the purpose of the repayment of (part of the) capital due on maturity of debt.

Applicability: The Sinking Fund should generally be a requirement applicable to companies formed and registered in accordance with the Companies Act and where Malta is the Home Member State for the purposes of Chapter 5 of the Listing Rules and where the issuer is targeting local retail investors. A bond issue will be considered as being targeted at local retail investors where marketing, handled either directly or through the issue sponsor, is directed primarily to retail investors and/or the minimum investment amount is within a range which is within the reach of retail investors. The setup and operation of the sinking fund should be fully disclosed in the prospectus.

The following exemptions from the applicability of the policy shall apply:

[a] Government bond issues;

[b] where the issuer is subject to capital requirements as laid down in the EU Capital Requirements Directive or the EU Solvency II Directive;

[c] where the bond is secured by easily realisable assets;

[d] where the bond issue has a credit rating which: [i] has been issued by a credit rating agency, that is regulated in terms of the EU Regulation on Credit Rating Agencies; and [ii] is acceptable to the Authority; and

[e] where the minimum subscription amount is at least €50,000 (fifty thousand euros) per individual investor and where a subsequent minimum holding of €50,000 (fifty thousand euros) is maintained per individual investor throughout his/her investment. Where a person is subscribing for securities on behalf of third parties, these minimum amounts shall apply to each underlying beneficial owner. For this exemption to apply, an issuer cannot use any form of advertising or promotional activity to invite or induce the general public to subscribe for or otherwise acquire these types of debt securities.

Required Funding of Sinking Fund: The Issuer should make an annual instalment to the fund, which should be calculated as a percentage of the company's profits after tax but before preferred and ordinary dividends. Where the Company issuing the bond is a Special Purpose Vehicle (SPV) of a Group, the calculation must be extended to the profits of Group Companies financing the SPV. The required instalments should be made so as the value of the Sinking Fund at the time of maturity of the bonds is at least 50% of the bond originally issued. Where the issuer uses the sinking fund assets to purchase its own bonds, the required allocations to the sinking fund may be reduced by the said amount and the value of the sinking fund at the time of maturity of the bond should be at least 50% of the bonds originally issued, net of the bonds previously re-purchased by the Issuer and cancelled.

If due to lack of profits the Issuer cannot in one year transfer funds to the Sinking Fund, then the Issuer should make good for the shortfall in subsequent years when this is justified by profits.

Commencement Date: Issuers are to be required to commence funding the Sinking Fund by not later than 1 year from issue of the bonds if the term of the bond is 5 years or less and by not later than 2 years if the term of the bond is over 5 years.

Sinking Fund Custodian: The Sinking Fund Custodian must either be:

[i] a credit institution authorised by the MFSA;

[ii] an investment services licence holder having a Category 2, 3 or 4 licence issued by the MFSA;

[iii] a central securities depository authorised by the MFSA in terms of the Financial Markets Act, 1990; and

[iv] EU registered entities established outside Malta and which have been authorised as either [a] a credit institution; or [b] an investment firm that has been authorised to provide the ancillary service of safekeeping and administration of financial instruments for the account of clients, including custodianship and related services, such as cash/collateral management; and which have passported into Malta.

The Sinking Fund Custodian should undertake the following activities:-

[a] Take control of the assets of the Sinking Fund, which must be segregated from the other assets of the Issuer. In this regard, the term '*control*' shall be construed as referring to the holding of assets belonging to, or on behalf of the Issuer, for the purpose of establishing a sinking fund and where '*segregation*' means the separation of sinking fund assets from the assets of the Issuer by means of the holding of such assets in accounts which are in the name of the Sinking Fund Custodian i.e. a separate bank account if the sinking fund is made up of cash and/or separate securities account where the assets are financial instruments. The account would need to be held in the name of the Sinking Fund Custodian as a '*clients account*'.

[b] Monitor whether the Issuer actually fulfils the obligation to make a yearly payment to the Sinking Fund;

[c] Seek to ensure that at maturity date, the Sinking Fund will have accumulated at least 50% of the principal amount which will be paid to bond holders. If this is not possible, the Sinking Fund Custodian should ensure that the failure of the Issuer to fully achieve the Sinking Fund was due to justifiable reasons;

[d] In case where the Issuer had pledged assets to the Sinking Fund, the Sinking Fund Custodian should audit that the issuer has applied the funds in terms of these policies;

[e] Monitor that the portfolio of assets within the Sinking Fund is managed (by the Issuer or any other person appointed by the Issuer) within the parameters set in the investment allocation principles set by the Listing Authority as further detailed below;

[f] Authorise the use of the assets in the Sinking Fund where the Issuer is experiencing temporary liquidity problems;

[g] Draw up an annual report addressed to the Listing Authority, regarding the extent of compliance by the Issuer with the requirements relating to the Sinking Fund. A copy of such a report is to be included in the annual financial statements of the Issuer and shall be circulated to the market by way of a company announcement.

The Sinking Fund Custodian shall maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps designed to prevent conflicts of interest from adversely affecting the interest of bondholders.

Where the organisational or administrative arrangements made by the Sinking Fund Custodian to manage conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to bondholders' interests will be prevented, the Sinking Fund Custodian shall clearly disclose the nature and/or sources of conflicts of interest to the

bondholders.

This policy will not be applied retroactively and with respect to the already existing issues, Issuers will be allowed to retain their currently appointed Trustee.

Use of Sinking Fund Assets: The use of the monies allocated to the Sinking Fund should be restricted to: **[i]** the repurchase of the securities of the same issue; and **[ii]** investment in admissible assets as follows:

(a) at least 25 per cent of the total amount shall be maintained in an interest bearing bank account denominated in the same currency as the bonds and held with a bank established in the EEA or invested in Malta Treasury Bills; and

(b) not more than 75 per cent of the total amount shall be invested as follows:

(i) at least 50 per cent (in this case 37.5 per cent of the total Sinking Fund) shall be invested in Malta Government Stocks or in local SICAVs that invest principally in Malta Government Stock; and

(ii) the balance may be invested in debt instruments denominated in the same currency as the bonds, issued by local or international entities which are unrelated to the Issuer, have an investment grade of not lower than "A" by a reputable credit rating agency and which are quoted on an investment exchange.

Moreover, the Issuer should only be allowed to use the assets within the Sinking Fund to obtain further financing from a credit institution for business purposes where it is facing temporary liquidity problems. In this regard, the issuer may not create or permit to subsist security over the sinking fund except with respect to the creation of a general privilege or general hypothec with a credit institution. Before the assets within the Sinking Fund are utilised to address such problems, the permission of the Sinking Fund Custodian should be obtained. In this regard, a Board of Directors' resolution stating that the company needs the temporary use of assets of the sinking fund for liquidity purpose would need to be presented to the Sinking Fund Custodian to obtain the release of the assets. Furthermore, the Listing Authority should be informed.

This course of action can only be used by the Board of Directors in situations of temporary liquidity shortages and not where the Board is aware or should have been aware of a situation which could lead to the insolvency of the issuer. The Sinking Fund Custodian is responsible to monitor compliance with this policy.

Disclosure in Prospectus: The Issuer's prospectus should include proper disclosure regarding the nature of the Sinking Fund (including the fact that): **[i]** the Sinking Fund assets remain the assets of the Issuer, **[ii]** the identity, the role and the function of the Sinking Fund Custodian **[iii]** the manner in which the amount to be allocated to the Sinking Fund will be calculated; and **[iv]** the manner in which the regular disclosure to bond holders regarding the Sinking Fund will be carried out.

Disclosure in Directors' Report: A '*comply or explain*' policy should be adopted wherein the Directors of the Issuer are required to include a section regarding compliance with the requirements of the Sinking Fund in their report included in the interim and annual financial statements of the Issuer. The report should clearly outline the reasons for any breaches of the Sinking Fund requirements.

[II] Financial Soundness of Applicants for Admissibility to Listing

Applicants for admissibility to listing of corporate debt securities aimed at local retail investors are to be required to demonstrate their financial soundness and strength to the Listing Authority. The assessment of the financial soundness and strength of applicants is to be made by the Issuer's auditors or bankers or sponsoring stockbroker, or by a credit rating agency.

For this purpose, as part of the application to the Listing Authority for admissibility to listing, Issuers are to submit a report drawn up by their auditors or bankers or sponsoring stockbroker or by a credit rating agency which should include:

- a) The credit history of the Issuer, in particular the extent to which it has honoured its payment obligations to its bankers and other creditors over the past three years from the proposed date of the Issue;
- b) An opinion on the financial stability of the Issuer, based on its financial situation, and its track record; and
- c) Where the proceeds of the bonds are to be used to finance a specific project, an opinion as to whether in the worst case scenario, should the project not be successful, the Issuer will nonetheless have sufficient funds from its existing operations, to be able to honour its bond interest payments and repayment of capital upon maturity of its bonds.

The entity preparing the financial soundness report would *inter alia* be expected to carry out: **[a]** a detailed examination of the Issuer's financial statements of the last three years and its recent management accounts; and **[b]** checks regarding the creditworthiness of the Company.

Where the issuer is a special purpose vehicle of a group of companies, which has been established as the financing arm of the group, the financial soundness report should refer to the situation of the group and in particular the companies within the group which will be feeding the finance arm with income. In the case where the bond issue is guaranteed the report on financial soundness shall be extended to the guarantor.

The entity making the financial soundness report must declare its independence from the particular Issuer of debt financial instruments.

A copy of the financial soundness report shall be made part of the Issuer's prospectus.

The following exemptions from the applicability of the policy on the preparation of a financial soundness report shall apply:

[a] Government bond issues;

[b] where the issuer is subject to capital requirements as laid down in the EU Capital Requirements Directive or the EU Solvency II Directive;

[d] where the bond issue has a credit rating which: **[i]** has been issued by a credit rating agency, that is regulated in terms of the EU Regulation on Credit Rating Agencies; and **[ii]** is acceptable to the Authority;

[e] where: (i) the minimum subscription amount exceeds €10,000 (ten thousand euros) per individual investor and where a subsequent minimum holding of €10,000 (ten thousand euros) per individual investor is maintained throughout his/her investment. Where a person is subscribing for securities on behalf of third parties, such minimum amounts shall apply to each underlying beneficial owner; and

(ii) the bond issue is directed to investors having the necessary expertise, experience and knowledge to be in a position to make their own investment decisions and to understand the risks involved. In this regard the bond issue may only be subscribed to through the services of an Investment Services licence holder duly authorised in terms of the Investment Services Act (Cap.370) to provide investment advice, execute orders and/or send and transmit orders in relation to transferable instruments. The Investment Services licence holder shall carry out a suitability or appropriateness test in terms of Standard Licence Conditions 2.13 to 2.14 of the Investment Services Rules for Investment Services Providers with respect to prospective bondholders and shall be satisfied that investment in the bond issue is suitable and/or appropriate for his client prior to effecting the purchase of the bonds for such client. In the case of non-advisory clients, the Investment Services licence holder shall not accept any requests to purchase bonds in the relevant issue on an 'execution only' basis and shall only accept requests to purchase bonds if the licence holder is satisfied that the client has passed the appropriateness test.

[f] where the minimum subscription amount is at least €50,000 (fifty thousand euros) per individual investor and where a subsequent minimum holding of €50,000 (fifty thousand euros) is maintained per individual investor throughout his/her investment. Where a person is subscribing for securities on behalf of third parties, these minimum amounts shall apply to each underlying beneficial owner. For this exemption to apply, an issuer cannot use any form of advertising or promotional activity to invite or induce the general public to subscribe for or otherwise acquire these types of debt securities.

The Listing Authority may adopt further policies in the interests of retail investors which focus on requiring increased transparency by Issuers regarding their financial status, extent of aggregate borrowings and other matters.

[5.0 Contacts]

Any queries regarding the above are to be directed to:

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