

Stock Exchanges

A stock exchange, also known as a securities exchange, is an organised, public marketplace for financial products.

In the marketplace, organisations (known as '[issuers](#)') can raise funding through the sale of their financial assets (known as '[securities](#)' – often these are shares in a company) to investors. These assets may then be traded – bought and sold – among the participants in the marketplace.

Jersey helps the successful circulation of money ('capital') globally by providing a base from which organisations can list on a variety of stock exchanges around the world.

In the rest of this document you can find out more about

- the six key elements of a stock exchange
- the reasons why stock exchanges are used
- the role Jersey plays, and
- The International Stock Exchange (TISE)

What's what in a stock exchange?

There are six key elements of a stock exchange.

1. Issuers

- As explained in the introduction, issuers are the organisations which issue financial assets ('securities') into the marketplace
- They are often commercial enterprises but can also be governments or other organisations
- Issuers are often limited companies, but they can be a [cell company](#), [limited liability company](#), a [trust](#) or a partnership (or equivalents depending on the jurisdiction)

2. Securities

- Securities are the financial assets of an issuer which are issued for sale as investments. These are often [equity securities](#) or [debt securities](#).

3. Equity securities

- Equity securities typically take the form of shares (or stock) but more recently have also been issued as digital assets e.g. coins or tokens (tokens are digital representation of the assets, like an electronic voucher).
- Equity securities represent an ownership interest in an issuer and usually include voting rights (the ability to vote at ownership meetings).
- Issuers of equity securities may include trading or operating companies that directly run businesses, or investment vehicles that channel funding into one or more underlying investments. For example, a private equity fund is an investment vehicle and it invests into and owns companies (which are the operating companies).
- Holders of equity securities are not automatically eligible for regular payments from the entity (usually a company) in which they own shares. Although issuers will often pay out dividends to them from their profits.
- Investors in equity securities can either make a capital profit or loss on their investment, depending on the performance of the issuer, and therefore the price they receive upon sale.
- In the case of bankruptcy, holders of equity securities only receive their share of the remaining funds available after all money owed has been made to [creditors](#).

4. Debt securities

- Debt securities represent the money the issuer is borrowing from, and must be repaid to, the lender. It is a formal 'IOU' with terms that stipulate the size of the loan, interest rate and [maturity](#) or renewal date.
- Debt securities may take the form of [bonds](#) or [loan notes](#).
- Issuers of debt securities may include government or commercial organisations.
- Holders of debt securities are typically entitled to the payment of the principal ('[face value](#)') and the interest ('[coupon](#)'), regardless of the issuer's performance.
- Investors in debt securities may also have other contractual rights (these are the set of rights guaranteed whenever people enter into a

level contract with one another), but these are not likely to include voting rights available to equity holders.

- Debt securities are typically issued for a fixed term. At the end of this term (known as the 'maturity date') the issuer or borrower can pay back the investor the original sum of money the investor invested ('[redemption](#)'). Once this issuer or borrower has paid back this original sum to the investor, then the debt security is considered 'expired'.
- Debt securities can be secured or unsecured. Secured means that the borrower or issuer backs the loan with collateral (usually a specific asset) that acts as security for the debt in case they go bankrupt or can no longer pay what they borrowed. Unsecured debt securities means there isn't any collateral to back up the borrower; instead the borrower is granted the loan based on other qualifying factors such as credit history, income or existing debt.
- [Creditors](#) can be a person or a company – for example a bank – to which an issuer owes money. If the issuer goes bankrupt, debt securities can be ranked so priority creditors are paid back first.

5. Listing sponsor or listing agent

- Stock exchanges often require a third party to represent an issuer's securities. These third parties are commonly known as a listing sponsor or listing agent.
- This means that the sponsor or listing agent acts as an intermediary between the issuer and the exchange, including providing the preparation and submission of documents for listing admission.
- The sponsor or listing agent often 'vouches' for the issuer. They assure that the issuer's securities are suitable for listing.
- The sponsor or listing agent is often responsible for ensuring the issuer meets all requirements for the ongoing listing of its securities. For example, they keep an eye on the market place for anything that might impact the price at which the securities are bought or sold.

6. [Broker or market maker](#)

- Stock exchanges often require that an issuer's securities are bought and sold on the market via a firm which has been approved as a trading member or broker.
- Some of these firms act as the dealer (known as 'market makers') or liquidity providers. They do this by buying or selling securities at specified prices at all times, either for their own accounts, (known as

[‘principal trades’](#)) or on behalf of customers (known as [‘agency trades’](#)).

Reasons why stock exchanges are used

Stock exchanges remain popular with both issuers and investors for many reasons.

To promote stock

A listing on a stock exchange makes the securities more visible to potential investors and particularly in the case of equities of trading companies, it adds to the positive reputation and profile of the owners and the business.

To provide a well-governed platform for investors

Issuers and their securities are ‘quality-checked’ before being approved for listing and trading on a stock exchange. They must follow the stock exchange rules both to list and to remain listed, including providing vital information. These high-quality standards make it easier for investors to have access to information about the issuer and see exactly who and what they are investing in before they invest. As a result, often investors can put more into listed companies than into unlisted companies.

To help make better, more informed decisions

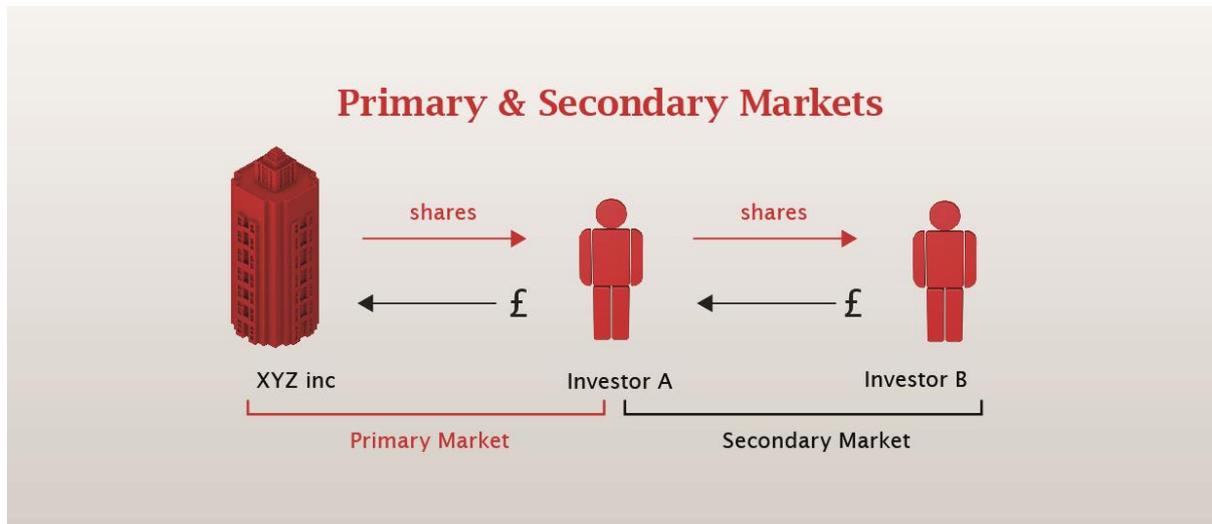
Securities listed on stock exchanges are transparent. A lot of vital information about them is collected before they are listed and must be kept up to date while listed. Existing and potential future holders of securities have access to this information, such as financial statements, transaction data and prices, which helps them make decisions on whether to buy or sell. Because this information is readily available, it may enhance ‘liquidity’ (i.e. the degree to which an asset can be bought or sold without affecting the asset’s price) in the securities.

To clearly show who owns stock

Particularly in the case of equities of trading companies, a listing on a stock exchange makes it clear who owns a company. It’s this transparency that makes it clear who owns what and when they are selling (‘exiting’) a company.

Often stock exchanges will require that at least a certain proportion – typically 25% – of shares are held in ‘public hands’ (i.e. the holders are not directors or related parties). However, the proportion can be lower than 25% for an [Initial Public Offering](#) or (IPO) – this is when an issuer first comes to the exchange and offers securities to investors. Any trading of the securities at this stage takes place in the

primary market. Ongoing trading of the securities is done in the secondary market, which is when the exchange often expects to see an increase in the number of shareholders.



To generate more wealth

A listing is also a way to raise additional capital, often by issuing further securities at a later date. This capital might be a way to help fund the ongoing needs of the business or to fund future growth and expansion, including [acquisitions](#).

Why Jersey?

Did you know Jersey has the greatest number of FTSE 100 and AIM companies registered outside of the UK?

Jersey provides a location from which issuers can be incorporated and their securities listed on stock exchanges around the world. Companies choose to list their company shares through Jersey for many reasons. Here are just a few reasons why:

- **A clear and transparent regulatory regime:** Because companies are able to list in London through Jersey, they gain access to our shared culture of strong regulation.
- **Bespoke products and services:** Jersey has a team of world-class lawyers, accountants, bankers, and other professionals, who all work together to create focussed and tailored services.

- **Forward-thinking company law:** New regulations in 2011 simplified the process of merging Jersey companies with overseas companies, which is appealing for corporate work.

Case studies

Channel Islands headquartered PraxisIFM Group Ltd, a global financial services business, was admitted to TISE's Official List on 12 April 2017. At the same time, it also entered TISE's market segment for trading companies operating from the Channel Islands.

The company listed as it wanted to: provide clarity over its ownership; attract and reward staff through equity-linked schemes; give shareholders a visible price and market for their holdings; widen the Group's visibility internationally and provide access to the capital markets as a way to help finance acquisitions.

Simon Thornton, CEO of PraxisIFM, has said that TISE was chosen because it was a market which suited a business of its scale and ambition, and it was highly cost effective.

Since listing, the Group has successfully raised more than £40m of capital which has been used to acquire businesses and develop its footprint in the BVI, Geneva, the Isle of Man, the Netherlands and the UK.

Jersey holding companies as listing vehicles: Green & Smart Holdings PLC

Date of incorporation: 12 May 2016

Exchange: London Stock Exchange (AIM)

Market Capitalisation at December 2016: £30.54m

Advised by: Collas Crill

Green & Smart Holdings is the Jersey holding company of the Green & Smart company group, which is engaged in the Malaysian renewable energy sector. Participating in the production of electricity through biogas power plants, which convert the waste produced by palm oil mills, Green & Smart is seeking to take advantage of Malaysian governmental policy towards increasing the production of electricity through renewable energy sources.

Visit [Jersey for Capital Markets](#) for more case studies

The International Stock Exchange (TISE)

The International Stock Exchange (TISE), has an office in Jersey. More than half of the new listings on TISE are introduced by Jersey-based law firms, banks, fund administrators or trust and corporate service providers.

Top 10 Listed Securities on TISE at the end of 2018

1	England & Wales	1,631
2	Jersey	294
3	Guernsey	217
4	Luxembourg	199
5	Ireland	140
6	Cayman Islands	137
7	Netherlands	60
8	USA	41
9	Scotland	37
10	British Virgin Islands	19

Behind the UK, Jersey is the second largest jurisdiction of incorporation for issuers with securities listed on TISE.

TISE is an innovative listing and trading facility for companies to raise capital from investors around the world. It's convenient and cost-effective. By the end of 2018, there were 2,857 listed securities worth more than £300 billion.

TISE is a fully regulated market which is home to debt securities from major global brands and equity securities of investment vehicles – including many Jersey

In partnership with:

TISE

incorporated open and closed funds and Real Estate Investment Trusts (REITs) – as well as a cluster of UK and Channel Islands trading companies. It has a Channel Islands market segment for trading companies which operate from either Guernsey or Jersey.

TISE GREEN: a positive impact on the environment

TISE GREEN is a new market segment. It focuses on investments which make a positive environmental impact. It is open to bonds, funds or trading companies from anywhere in the world. These listings are added to TISE's Official List and their 'green credentials' are checked and verified against globally recognised standards.

TISE GREEN aims to raise the visibility of and encourage investment into green and sustainable projects. It is anticipated that this will be accompanied by also an increased focus on wider social and impact investing. As that sector develops then TISE will either widen the existing segment or establish a complementary segment for social and impact investing. Using this forward-thinking approach, TISE – and Jersey – will play a vital role in supporting the flow of money around the world for projects which make a specific positive impact on the environment or society.

Ready to support future-focused investors

TISE also provides an exchange where digital assets can be listed, for example in the form of [Security Token Offerings](#) (STOs).

The Jersey Expert Fund known as GABI for short (Global Advisors Bitcoin Investment Fund) was the first regulated bitcoin fund to be listed on any exchange worldwide when it was approved for listing on TISE.

As a forward-thinking jurisdiction, Jersey is always keen to work with partners on initiatives that shape our future; virtual currencies and blockchain are key areas set to have a significant impact on the future business landscape.

In 2016 the Jersey Financial Services Commission (JFSC) introduced Jersey's virtual currency regulation, establishing a forward-thinking regime that creates a good business environment for virtual currency innovation, while also putting in place controls to help mitigate risks.

Find out more about Jersey and Fintech in [Jersey's A-Z of Fintech](#).