

# Raising Finance for UK Listed Companies During COVID-19:

# Jersey Cash Box Structures



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Listed companies are currently dealing with the unprecedented and wide-ranging effects of the COVID-19 pandemic, from travel restrictions and lockdowns, to global instability in the financial markets and a slowdown of economic activity.

Understandably, there is a renewed interest in quick, economical and efficient ways to raise capital.

The use of a Jersey cash box structure is an attractive option for institutional investors interested in raising capital for a UK PLC, providing fast and secure access to funding sources.

Jersey is the ideal location for incorporating a cash box vehicle because it offers speed to market, flexibility and convenience in a familiar, tried-and-tested package. Recent UK industry guidance is expected to reinforce its appeal to UK-based investors.



## Benefits of using a cash box structure

A cash box placing is typically used by a company listed on the Main List of the London Stock Exchange or on AIM (a UK PLC) to quickly raise funds from institutional investors.

A cash box placing is not treated as a cash issue because its UK PLC shares are issued in exchange for preference shares in a special purpose subsidiary, often incorporated in a jurisdiction like Jersey. Since the UK PLC shares are being issued for a non-cash consideration, the main advantage for UK investors is that the statutory pre-emption provisions set out in the UK's Companies Act 2006 do not apply.

This has important practical implications. The share issue can happen without the delays and practical difficulties of seeking approval from shareholders to either stop applying pre-emption rights or conducting a rights issue.

Cash box structures are attractive to UK PLCs because they may also be able to create distributable reserves using the merger relief provisions of the Companies Act 2006. Because of this positive feature, the use of a cash box structure can give UK PLCs the ability to enhance the amount of cash raised via the structure without the need for a circular or shareholder meeting which can lead to delays, exposure to market risk and expense.

When conducted in accordance with the applicable UK legal and regulatory requirements, as well as market practice and industry guidance, cash box structures can provide a valuable additional tool for UK PLCs looking to raise funds quickly in a challenging environment.

With a successful track record of helping UK corporates raise finance in global markets, Jersey is well placed to assist with such structures.

## Using a Jersey company for cash box structures

Cash box structures can be set up by UK corporates by creating a new special purpose Jersey company (NewCo) as a subsidiary of the UK PLC to issue redeemable preference shares or bonds to an underwriting or placing bank.

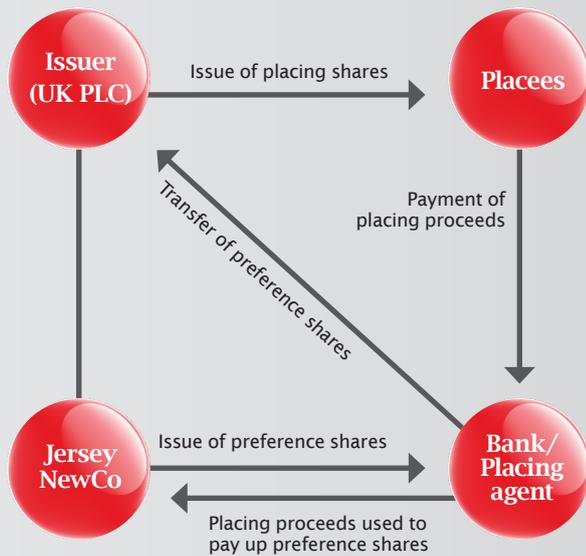
When establishing that NewCo, Jersey offers the required speed, flexibility and convenience to support time-critical transactions. For instance:

- A Jersey company can be incorporated on a bespoke basis within a short timescale, and even on a "same day" basis if necessary (subject to the completion of necessary KYC).
- Jersey companies law is similar to English companies law, but offers more flexibility on redeeming shares, making distributions and the contents of a company's memorandum and articles of association. A Jersey company can redeem shares from any source, including share capital, on the passing of a 12-month look-forward solvency statement.
- Jersey offers a simple and quick procedure for winding up a solvent Jersey company without the need to appoint a liquidator.
- As a jurisdiction of substance, Jersey offers a range of corporate service providers delivering world-class administration, accounting and governance services to support client transactions, while providing an appropriately flexible framework for directors based outside of Jersey to participate in the control and management of the NewCo.

Jersey is a world-leading international finance centre, with almost 60 years at the forefront of global finance. Our almost 14,000 strong expert financial and professional services workforce is ready to support global investors with the regulatory, technical and practical demands involved in setting up cash box structures.

## How Jersey cash box structures work to place shares

A basic cash box placing using a Jersey company typically looks like this:



This placing can be varied easily to accommodate the issuing of convertible bonds. If the bonds need to be listed, The International Stock Exchange (TISE) – based in the Channel Islands - is designated by HMRC as a recognised exchange.

With more than 2,000 listed debt securities, TISE is frequently used by companies from around the globe for listings of debt and professional advisors in Jersey can assist with all aspects of the listings process.

As one of the best regulated international finance centres, coupled with our highly-skilled and expert workforce, Jersey offers a tried and tested route for corporates looking to raise cash in uncertain times.

## Supporting UK PLCs during uncertain times

Recognising the difficulties faced by many UK PLCs, in April 2020 the Pre-Emption Group (PEG) of the UK's Financial Reporting Council issued revised guidance recommending that investors consider supporting non-pre-emptive issuances by companies of up to 20% of their issued share capital, on a case-by-case basis and for a limited period. For more information please visit the UK's Financial Reporting Council website: [frc.org.uk](http://frc.org.uk)

The Financial Conduct Authority (FCA) also issued a statement of policy on listed companies and recapitalisation issuances setting out measures to help listed companies during the COVID-19 crisis. The FCA urges market participants to review and consider carefully the new guidance set out in the PEG statement, including the conditions that should be applied where UK PLCs seek any additional flexibility. For more information please visit the FCA's website: [fca.org.uk](http://fca.org.uk)

UK PLCs considering a cashbox structure in the current context will need to take suitable advice in relation to the PEG and FCA positions. However, it is clear that because of this additional flexibility, a cash box structure is an attractive option for UK PLCs that urgently need to raise cash to fund their businesses. Jersey remains ideally placed to support such arrangements.



Disclaimer: This factsheet is only intended to provide a general overview of the subject matter. It does not constitute, and should not be treated as, legal advice.

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