

Guernsey poised to benefit from new LSE rules to boost growth and innovation

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The introduction of new listing rules to boost demand for listing activity in the UK is expected to directly benefit Guernsey as the leading domicile of choice for non-UK companies listing on the London Stock Exchange.

The UK's Financial Conduct Authority ("FCA") has announced new rules for listings on the London Stock Exchange ("LSE"), which come into effect from 29 July 2024. The new rules are the biggest change to the listing regime in over 30 years and aim to support a wider range of companies to issue their shares on a UK exchange, increasing opportunities for investors.

The key changes involve introducing a simplified listings regime and removing the distinction between "premium" and "standard" listings. Instead, there will be one category for all equity listings, which has been named "commercial companies". The UK Corporate Governance Code will apply to the new commercial companies category.

The new rules¹ remove the need for votes on significant or related party transactions and offer flexibility around enhanced voting rights. Shareholder approval for key events, like reverse takeovers and decisions to take the company's shares off an exchange, is still required.

Other changes:

- Adjustments to the timing and content of disclosures proposed in relation to significant transactions – giving more flexibility on the timing and content of the disclosures that will be required for acquisitions that are significant transactions.

- Allowing institutional investors to hold enhanced voting rights to ensure that they are not disincentivised from supporting pre-IPO funding rounds or bringing companies to listing in the UK.
- Retaining a requirement that companies must be independent from any controlling shareholder but seeking to support this through disclosures and requirements for directors to formally give opinions on any resolutions proposed by a controlling shareholder when a director considers the resolution is intended or appears to be intended to circumvent the proper application of the listing rules.
- Aligning the closed-ended investment funds category more closely with the commercial companies category, while focusing on protections for transactions relating to investment manager fees.

The overhaul of listing rules better aligns the UK's regime with international market standards and aims to reverse a recent decline in UK listings.²

Applications for the admission of securities which were submitted to the FCA before 4:00 pm on 11 July 2024 are expected to be treated as "in-flight applicants" and subject to transitional provisions under the relevant UK Listing Rules Instrument.

Guernsey poised to benefit from changes

Guernsey has for some time been the domicile of choice for non-UK companies listing on the Main Market of the LSE or being admitted to AIM. To the extent the listing rule changes boost growth for listing activity in the UK generally, Guernsey is especially poised to benefit from the same.

The table below shows statistics on domicile (top 15) as at 30 June 2024.

Rank	Country of incorporation	No. of LSE listed companies
1	United Kingdom	1309
2	Guernsey	91
3	Jersey	59
4	Ireland	36
5	British Virgin Islands	29
6	Australia	28
7	Bermuda	23
8	Isle of Man	22
9	Canada	19
10	United States	17
11	Cayman Islands	13
12	India	13
13	Egypt	8
14	China	8
15	Cyprus	8

More than half of all companies listed on the LSE's Specialist Fund Segment are Guernsey-incorporated investment funds.

There are several key advantages of using a Guernsey vehicle for a stock exchange listing:

Guernsey is a well-positioned and international offshore financial centre

Guernsey provides top-tier financial services in a well-regulated, robust and stable environment. The island has high-quality service providers, including administrators, registrars, auditors and legal advisors.

Guernsey is located in the same time zone as London and is easily accessible from both the UK and the major European centres.

Flexible corporate law

Guernsey company law offers a number of different corporate vehicles providing a flexible framework that enables capital structures to be tailored to the specific needs of investors. Furthermore, Guernsey company law omits aspects of company laws from other jurisdictions that sponsors and/or investors find problematic or restrictive. For example, financial assistance is allowed (provided that the company is solvent) and a company's ability to pay a dividend or other distribution (which can be paid out of share capital) is dependent on the company's solvency, rather than a need to have sufficient distributable profits.

The regulatory regime

For listed investment funds, Guernsey maintains a proportionate, flexible and competitive funds regulatory regime, adopting a risk-based approach to ensure that appropriate levels of investor protection are maintained, whilst at the same time avoiding unnecessarily complex or burdensome regulation (or granting waivers of certain regulatory requirements where appropriate).

Guernsey's financial services regulator, the Guernsey Financial Services Commission ("GFSC") works closely with the funds industry to ensure that the regulatory regime continues to evolve alongside developments in the financial services sector. There is ongoing engagement between the GFSC and industry experts to further the island's interests.

Guernsey's strong NED community

Unlike other jurisdictions, Guernsey has no director residency requirements for Guernsey companies. Fund promoters and trading companies are therefore able to involve Guernsey directors to the extent to which they choose.

Should a Guernsey company require greater involvement of Guernsey based directors, Guernsey's NED community is able to provide the necessary expertise for listed company governance standards and experience in a wide range of asset classes.

Guernsey directors are well versed with the highest standards of governance including the Association of Investment Companies' Code of Corporate Governance as well as the Financial Reporting Council's UK Corporate Governance Code.

The GFSC enjoys a long-standing professional dialogue with local fund industry bodies – including NEDs. This means that local NEDs understand Guernsey's regulatory and economic substance requirements. Separately, the GFSC is an experienced fund regulator and understands the role of NEDs in fund structures. Accordingly, the GFSC regulates the investment sector proportionately with minimal requirements for NEDs to be locally resident.

International cooperation

Guernsey adheres to the highest standards of international tax and regulatory principles and is committed to ensuring that this continues.

Guernsey has given its full support for the transparency principles central to the current G20, OECD and EU tax initiatives and is working as part of the wider international community in the development and effective implementation of internationally agreed standards, including those set by the Financial Action Task Force ("FATF") and the Organisation for Economic Co-operation and Development.

Guernsey has been assessed as being amongst the best quality financial centres in the world when measured against the rigorous international standards for tackling money laundering and terrorist financing set by the FATF.

1 PS24/6: Primary Markets Effectiveness Review: Feedback to CP23/31 and final UK Listing Rules (fca.org.uk)

2 According to the UK Listing Review, the number of listed companies in the UK has fallen by about 40% from a recent peak in 2008. Between 2015 and 2020, the UK accounted for only 5% of IPOs globally.

3 Corporate Advisers Rankings Guide. Published on a quarterly basis, CARG tracks and records details of institutional advisers and their clients listed on the LSE.

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Guernsey also participates fully in numerous international initiatives such as the OECD's base erosion and profit shifting project and developing the global "Common Reporting Standard" and the automatic exchange of information between tax authorities.

Ease of trading in shares/no stamp duty

Shares in Guernsey companies can be traded in uncertificated form through CREST without the need for depositary receipts (required for most non-UK shares in CREST). Unlike UK equities, shares in Guernsey companies can be traded through CREST without attracting UK stamp tax charges (as long as the company's share register is maintained outside the UK).

Tax neutrality

Guernsey holding companies typically pay income tax at 0% and are not subject to capital gains tax. Generally, collective investment vehicles can also benefit from income tax exemption. Guernsey does not levy withholding tax on dividends and other distributions paid to companies or non-Guernsey resident persons and does not levy withholding tax on interest.

Subject to the UK Takeover Code

Guernsey companies listed in the UK are subject to the UK Takeover Code, so that investors can be assured that they receive the same level of protection that would have been afforded to them if investing in a UK company listed in the UK.

Carey Olsen's capital markets practice

Carey Olsen is the leading offshore law firm for LSE-listed clients advising more than double the number of the next nearest offshore firm.³ Our LSE-listed clients include investment funds and trading companies.

We advise our clients on structuring, IPOs, convertible and exchangeable bonds issues, private placements, secondary offerings and other rights issues, as well as share buy-backs, scrip dividends, warrants and treasury share programmes and share option/employee benefit schemes and restructurings.

Notable recent listings on which Carey Olsen has advised include Cordiant Digital Infrastructure Limited's £370 million IPO, Taylor Maritime Investments Limited on its US\$253 million initial placing, Peel Hunt's £112 million IPO and Castelnau Group Limited's £178 million IPO, as well as the admission to trading of SPACs Fintech Asia Limited and Ikigai Ventures Limited.

We also have extensive experience of advising on public takeovers, whether by way of a general offer or scheme of arrangement. Notable recent transactions include the US\$1.61 billion takeover of Hipgnosis Songs Fund Limited (currently awaiting Court approval), the £156 million takeover of Shanta Gold Limited and the £511 million takeover of Industrials REIT Limited.



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