

# Investment Funds Sponsors

Eligibility Criteria, Application Process and Other Regulations

Release 2

14 April 2014

## 1 INTRODUCTION

- 1.1 This paper sets out the Irish Stock Exchange's requirements for applications from potential investment funds sponsors ("sponsors") under the Listing Rules and sets out certain rules with which sponsors must comply.

The requirements for applications from potential equity sponsors are set out in a separate publication: "Equity Sponsors – Eligibility Criteria, Application Process and Other Regulations".

- 1.2 The principals used by the ISE to establish the eligibility criteria for sponsors aim to:

- (a) promote high professional standards;
- (b) build the framework for sponsors around sponsoring entities and not individuals; and
- (c) seek a balance between experience and formal qualifications.

- 1.3 In April 2014, the business, assets, undertakings, rights and obligations of the Irish Stock Exchange Limited ('ISE Limited') transferred to the Irish Stock Exchange plc ('ISE plc'). As a consequence, in all respects, and in particular in all regulatory matters, the ISE plc has assumed all of the rights and obligations of the ISE Limited, such that any legal proceedings, investigation, disciplinary or enforcement action in respect of a right, privilege, obligation or liability acquired, accrued or incurred under, or a breach of, or act of misconduct under, the Investment Funds Sponsors – Eligibility Criteria, Application Process and Other Regulations of the ISE Limited in force at the time of the right, privilege, obligation or liability was acquired, accrued or incurred, or the breach or act of misconduct occurred, may be instituted, continued or enforced, and any penalty or sanction in respect of such breach or act of misconduct may be imposed and carried out by the ISE plc.

## 2 QUALIFICATIONS FOR APPROVAL

- 2.1 An applicant must satisfy the ISE that it is competent to discharge the responsibilities of a sponsor and undertake to the ISE to accept and discharge those responsibilities at all times to the satisfaction of the ISE.

The following minimum criteria must be met by an applicant in order to satisfy the ISE that it is competent to fulfil the role of sponsor.

### Adequacy of Experience

- 2.2 An applicant must:

- (a) be a body corporate or a partnership;
- (b) demonstrate to the ISE that it, and/or its senior executives, has been actively involved as a professional adviser in the investment funds industry over the three years immediately preceding the application, or such lesser period as the ISE may, in exceptional circumstances, deem appropriate; and
- (c) have executive staff who will handle these functions internally and can demonstrate personal experience of providing professional advice to listed entities over at least three years.

- 2.3 In complying with 2.2 (c), a sponsor must at all times satisfy points (a) to (c) below by having:

- (a) at least one executive who:
  - (i) has passed the SFA's Corporate Finance Representative exam or its equivalent; or
  - (ii) is a member of the Securities & Investment Institute; or
  - (iii) is an accountant or solicitor; and
- (b) at least one executive who has at least three years senior experience in advising clients on the interpretation and implementation of the Listing Rules<sup>1</sup> of the Irish Stock Exchange and/or the Listing Rules of the FSA (excluding those chapters relating to investment funds and debt securities<sup>2</sup>), and in liaising with the Irish Stock Exchange and/or the FSA on listing particulars, circulars and other such documents which comply with those rules and, from 1 July 2005, prospectuses which comply with the Prospectus Directive 2003/71/EC. It is expected that such experience will be recent; and
- (c) at least one executive who has demonstrable experience of sponsorship of investment funds on the ISE. This experience must be of at least three years duration. Compliance with this requirement will be demonstrated by showing, to the satisfaction of the ISE, extensive experience in advising clients on the interpretation and implementation of the Investment Funds – Listing Requirements and Procedures and the Guidelines for Closed-End Investment Funds<sup>3</sup>, and in liaising with the ISE on listing particulars, prospectuses, circulars and other such documents which comply with those rules. It is expected that such experience will be recent.

In determining an executive's extensive experience in advising clients and liaising with the ISE, the following matters will be considered by the ISE:

- (i) the seniority of the executive;
- (ii) the number, nature and complexity of the transactions undertaken by the executive;
- (iii) experience of the executive on each of these transactions;
- (iv) whether the executive acted as principal adviser in relation to each of the transactions; and
- (v) experience of the executive in managing and training other staff engaged in transactions.

2.4 A sponsor must demonstrate that corporate finance work is an ongoing part of its business.

#### Independence

2.5 A sponsor must be independent of any issuer to which it provides sponsor services. A sponsor must give an undertaking not to act as sponsor for any organisation from which it is not independent (except with the ISE's specific permission).

---

1 Prior to 1 July 2005, the Listing Rules of the FSA were those contained in the 'Purple Book' and the Listing Rules of the Irish Stock Exchange were those of the FSA, as modified by the ISE's publication 'Notes on the UKLA Listing Rules'. From 1 July 2005, the Irish Stock Exchange Listing Rules is a separate publication to the FSA Listing Rules.

2 Chapters 13, 15 and 16 of the Irish Stock Exchange Listing Rules and chapters 15, 16, 17 and 19 of the FSA Listing Rules are excluded for the purposes of rule 2.3(b).

3 The Guidelines for Closed-End Funds were published on 1 July 2005, and experience in relation to these Guidelines, as amended from time to time, will be considered by the ISE from that date.

- 2.6 A sponsor will be expected to comply with any independence rules or recommendations of their own professional body. Subject to this proviso, paragraphs 2.7 to 2.11 sets out examples of how the ISE judges independence.
- 2.7 A sponsor may not control, be controlled by, or be under the same control as the issuer. For this purpose, control means the holding, directly or indirectly, of shares carrying 30 per cent or more of the voting rights of the company, irrespective of whether the holding gives *de facto* control. If a sponsor is in any doubt it must consult the ISE.2.8 A normal business relationship between an issuer and another company which is part of the sponsor's group (e.g. banking) will not usually bar a potential sponsor from acting. There are, however, relationships that would give the sponsor's group a material interest in the success of the flotation, new issue or other relevant transactions. Such relationships may not be consistent with an independent undertaking and a sponsor should consult with the ISE in such cases.
- 2.9 A sponsor may be part of the same group as the auditor of the issuer, or tax advisor of the issuer.
- 2.10 A sponsor may be part of the same group as a reporting accountant to the issuer if the ISE is satisfied that this is acceptable in the circumstances.
- 2.11 Any material interest in the loan capital or the equity capital of the issuer held by the sponsor or an associate of the sponsor may not be consistent with an independent relationship. In the case of doubt, all relevant information should be disclosed to the ISE and a ruling sought.

### **3 ADEQUATE SUPERVISION OF STAFF**

- 3.1 All professional staff, not only senior staff managing the sponsor engagement is classed as executive staff.
- 3.2 Administrative, secretarial and support staff are excluded.
- 3.3 Sponsors must have appropriate controls and procedures to ensure that executive staff involved in sponsorship activities do not act beyond their proper authority.
- 3.4 Sponsors must have appropriate controls and procedures in place to ensure that all non-executive staff involved in sponsorship activities are supervised and managed by executive staff.
- 3.5 It is expected that any executive employee that satisfies 2.3(c) will be actively involved in the operations of the sponsor entity, including the training and supervision of new and less experienced executive employees.

### **4 SUFFICIENCY OF STAFF**

- 4.1 Arrangements must be in place for a sufficient number of staff to be available to ensure that the sponsor's responsibilities can be properly discharged at all times.
- 4.2 If the departure of one or more executive staff results in a sponsor no longer complying with these eligibility requirements, the sponsor should immediately contact the ISE and provide details of when it will be in a position to address the situation.

## 5 THE APPLICATION PROCESS

- 5.1 Applications to become a sponsor should be made to the Secretary of the Admissions Committee, Irish Stock Exchange, 28 Anglesea Street, Dublin 2 using the following relevant application forms:
- (a) Sponsor Application form: this is the application form that is to be completed by the body corporate or partnership that wishes to apply for approval by the ISE as a sponsor; and
  - (b) Sponsor Employee form: this is the application form an applicant should use when applying for a member of its staff to be registered as executive staff by the ISE. This form can also be used when a sponsor wishes to nominate further individuals as executive staff, for example, employees who join a sponsor following its approval as a sponsor.
- 5.2 All applicants will be required to nominate a person to act as the primary contact with the ISE concerning the application.
- 5.3 Applicants may be asked to attend for interview and/or to provide further information during the assessment of their application by the ISE. The ISE may take all steps and make all enquiries which it deems necessary to satisfy itself that the applicant meets the criteria set out above and can in its absolute discretion reject any application where it is of the opinion that such criteria are not met.
- 5.4 The decision will be made under this process by the Admissions Committee. If an application is to be refused, the applicant will be given written notice stating the reasons for rejection.
- 5.5 An applicant will be expected to have adequate working knowledge of the Listing Rules of the Irish Stock Exchange and/or the Listing Rules of the FSA; Investment Funds – Listing Requirements and Procedures and the Guidelines for Closed-End Investment Funds; and the Takeover Rules and Substantial Acquisitions Rules. In addition, an applicant will be expected to have adequate working knowledge of the Prospectus Directive (2003/71/EC), Market Abuse Directive (2003/6/EC) and Transparency Directive (2004/109/EC).

## 6 FEES

- 6.1 Fees are payable on application for approval as a sponsor and for continued inclusion on the register of sponsors. The fees for sponsors are as follows:
- (a) Application fee €20,000
  - (b) Annual fee €10,000
- The above fees are subject to VAT at the current rate.
- 6.2 In the year of application, both of the above fees are to be paid by an applicant sponsor and submitted with the relevant forms.
- 6.3 The application fee is not refundable. The annual subscription will be refunded if an application is unsuccessful.

## **7 REGISTER**

- 7.1 A register of Sponsors will be maintained by the ISE on the Investment Funds section of its website, [www.ise.ie](http://www.ise.ie). If a sponsor has not engaged in activities for a period of one year or more, the ISE reserves the right to require re-application to continue on the register.
- 7.2 A periodic review of suitability to act as sponsor will be undertaken by the ISE in which case recent experience of a sponsor and its executive employees will be taken into account.

## **8 DESIGNATIONS**

- 8.1 Sponsors will be entitled, but not required, to state on their business documentation that they are Sponsors registered with the Irish Stock Exchange.

## **9 NOTIFICATION REQUIREMENTS**

- 9.1 Sponsors are required to comply with the notification requirements set out in the ISE's publication 'Notification Requirements and Notice Periods'.
- 9.2 Sponsors are required no later than 20 working days after the start of each calendar year to provide to the ISE an annual confirmation of eligibility to act as sponsors.
- 9.3 Sponsors are also required to provide the ISE with such information relevant to their eligibility to act as sponsors as the ISE may from time to time require. The ISE may request meetings with a sponsor and/or its employees and/or access to a sponsor's documents and records (hard and electronic copies).

## **10 IMPOSITION OF SANCTIONS**

- 10.1 If it appears to the ISE that a sponsor has:
- (a) ceased to be eligible to act as sponsor; or
  - (b) failed to carry out its duties as sponsor with due skill and care; or
  - (c) failed to comply with any requirement set out in this document;
- it will refer the matter to the Disciplinary Committee, save in the case of (b) and (c) above where the sponsor agrees to a private censure by the ISE and the ISE considers that to be the appropriate sanction.
- 10.2 If, on any referral pursuant to 10.1 above, the Disciplinary Committee finds that a sponsor has ceased to be eligible to act as sponsor, or is not, in the opinion of the Disciplinary Committee, carrying out its duties as a sponsor with due skill and care or has failed to comply with any requirement set out in this document, it may do one or more of the following:
- (a) censure the sponsor, and in addition, it may at its discretion publish the censure; or
  - (b) remove the sponsor from the register maintained by the ISE and publish its action.
- 10.3 Where the Disciplinary Committee proposes to take any of the steps in 10.2(a) and (b), it will follow the disciplinary procedures as laid down by the ISE. The Disciplinary Committee shall state the reasons for its decision in writing.

## **11 APPEAL**

- 11.1 An appeal may be made to the Appeals Committee against any decision of the Disciplinary Committee. Such appeal will be heard in accordance with the appeal procedures as laid down by the ISE.

## **12 EFFECTIVE DATE**

- 12.1 This Eligibility Criteria, Application Process and Other Regulations document is dated 14 April 2014, and is effective for all sponsor applications and registered sponsors from that date.