

Investment
Funds Listing
on the Irish
Stock Exchange

DILLON  EUSTACE

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Contents

Investment Funds Listing on the Irish Stock Exchange

Why List?	Page 3
The Irish Stock Exchange	Page 4
Our Experience	Page 4
Listing Application Procedures	Page 5
- Drafting and approval of the listing particulars	
- Collation and filing of the 48 hour documents	
Conditions for Listing	Page 6
- Fund Domicile	Page 6
- Directors	Page 6
- Investment Manager	Page 6
- Custodian	Page 7
- Investment Restrictions	Page 7
- Feeder Funds	Page 7
- Dividend Policy	Page 8
- Transferability	Page 8
- Financial Information	Page 8
- NAV Calculation	Page 8
- Hedge Funds	Page 8
- Professional Investors	Page 8
- Super Sophisticated Investors	Page 9
- Prime Brokers/Approved Counterparties	Page 9
- Borrowing/Leverage Restrictions	Page 9
- Auditor Requirements	Page 10
- Application Timing	Page 10
- Subject to EU Directives	Page 10
- OECD Membership	Page 10
- International Recognition	Page 10
Irish Regulated Funds	Page 10
ISE Listing Fees	Page 11



Contents

Investment Funds Listing on the Irish Stock Exchange

Continuing Obligations

- Financial Reports
- Reporting Requirements
- Prior ISE Approval
- Prior Shareholder Approval
- Announcement of Changes without Prior Approval
- Market Abuse Directive

Page 12

Page 12

Page 12

Page 12

Page 13

Page 13

Page 14



Contact Us

Page 15

INVESTMENT FUNDS LISTING ON THE IRISH STOCK EXCHANGE

Why List?

A listing on the ISE offers a number of advantages:

-  Transparency. All NAVs, financial reports and announcements made by listed funds are disseminated through the Irish Stock Exchange data feed to information vendors.
-  Increases a funds distribution capacity. It allows promoters to market the fund;
 - a) to institutional investors who may require a listing on a recognised stock exchange in order to invest and
 - b) in countries where the relevant authorities require or provide exemptions for investment in listed securities.

For example:

- (i) an ISE listing reduces a fund's compliance load if its wants to be an eligible fund for French fund of fund purposes;
 - (ii) ISE listed open ended investment companies are eligible for inclusion in UK Self Invested Pensions Plans ("SIPPs");
 - (iii) Japanese tax rules provide more favorable tax treatment to Japanese individuals investing in listed investment funds;
 - (iv) the stocks or investment funds in which a Chinese Qualified Domestic Institutional Investor invest must be listed on a stock exchange such as the ISE or regulated by a financial regulator that has signed a Memorandum of Understanding with the China Securities Regulation Commission and China Banking Regulatory Commission.
-  Provides a "stamp of regulation" for funds which may be domiciled in unregulated jurisdictions. The level of scrutiny imposed by the ISE on an initial and ongoing basis provides the market with a significant level of transparency and investor protection.
 -  Carries with it's a significant element of prestige and visibility, particularly as Ireland is a member of both the OECD and the EU;
 -  Enables the security to be marked to market, i.e. to allow investors to refer to a quoted market price for their securities.

The Irish Stock Exchange

The Irish Stock Exchange ("ISE") is the leading international exchange for the listing of investment funds. It has developed a specific investment funds listing regime tailored to a wide variety of international fund structures including limited companies, unit trusts and segregated portfolio companies from all domiciles.

Combining a comprehensive set of listing rules, a commitment to aggressive timings on processing listing applications and a flexible, proactive listing process, the listing regime is highly transparent and user friendly, contributing to and supporting the funds industry both domestically and internationally.

The ISE has delivered on its commitment to turnaround times of a maximum of 5 working days on the initial draft followed by a 2 day turnaround on subsequent drafts. The ISE has an experienced team which handles the particular requirements of the funds market. This, combined with its aggressive turnaround times, has and will continue to enhance the ISE's international reputation.

Our Experience

Dillon Eustace has the largest investment funds legal team in Ireland both in terms of number of funds for which we act (*Lipper 2008*) and number of lawyers working in the asset management/investment funds area. Clients include Lyxor Asset Management, GAM, Mediolanum, PIMCO, Fidelity, J.P. Morgan, Marshal Wace, SGAM, Thames River, Monte Paschi, Vanguard, Nomura, Putnam, Iveagh, Barings and many more.

Our listing team is experienced in advising all types of fund structures and commits to a comprehensive and proactive approach. As the largest fund sponsor, representing 35% of new listing business in 2009, we have the opportunity to bring new products and structures to the ISE and develop requirements where necessary. We are one of only three sponsors represented on the ISE Investment Funds Listing Committee, the body charged with approving all listing policy and rule changes. We currently sponsor over 200 funds and a further 400 subfunds.

Listing Application Procedures

There are two main aspects to the listing application process:

Drafting and Approval of the Listing Particulars

The ISE requires the preparation of a listing particulars document (“Listing Particulars”) with the disclosure requirements of the ISE being addressed therein. The Fund’s offering document normally serves as the basis for these Listing Particulars. The Listing Particulars can be drafted by Dillon Eustace.

Dillon Eustace will ensure that the draft Listing Particulars comply with ISE listing requirements and will advise on the Fund’s suitability to list in the first instance, and more specifically will advise on specific issues and disclosures that will be required by the ISE. The document is then amended to reflect the requirements of the ISE.

The ISE will review and comment on various drafts of the Listing Particulars until all of its comments have been addressed or cleared through discussion with Dillon Eustace and the various involved parties have no further amendments to make. The document is then finalised, dated and approved.

Collation and Filing of the 48 Hour Documents

The ISE requires that a number of application forms and letters of comfort and responsibility be filed with it prior to the listing becoming effective.

These documents include, inter alia:

- ▣ a sponsor application form;
- ▣ a client application form;
- ▣ responsibility letters signed by each Director;
- ▣ powers of attorney;
- ▣ a copy of the final Prospectus/Listing Particulars signed by or on behalf of each Director;
- ▣ a copy of each executed material contract;
- ▣ details of all directorships and partnerships held by each Director in the past five years;
- ▣ a copy of the constitutive documents for the fund.

These documents are filed with the ISE following approval of the Listing Particulars. The ISE takes two business days to review these ancillary documents following which listing is effected on receipt of a confirmation that the relevant shares have been issued.

Conditions for Listing

Fund Domicile	<ul style="list-style-type: none"> - No restriction. - No minimum subscription for funds regulated in EU member states, Hong Kong, Jersey, Guernsey, the Isle of Man or Bermuda. - Funds domiciled in other jurisdictions subject to a minimum subscription of US\$100,000.
Directors	<ul style="list-style-type: none"> - No minimum number of directors. - Minimum of two independent directors for non-Irish funds. - Directors must be non-executive.
Investment Manager	<ul style="list-style-type: none"> - Must have adequate and appropriate expertise and experience in the management of investments. - Must satisfy one of the following suitability tests: <ul style="list-style-type: none"> ▪ Minimum \$100 million in third party funds under management. ▪ Regulated in the conduct of investment business in the EU, Australia, Canada, Hong Kong, Japan, Singapore, Switzerland and/or the US. ▪ Minimum subscription of at least \$1 million. Each investor is a “Professional Investor”. ▪ A major international securities or investment house promotes the fund under its own name. ▪ A major international securities or investment house promotes the fund under its own name. ▪ There is a slight variation on the rules for Super Sophisticated Investor Funds: <ul style="list-style-type: none"> ▪ The Investment Manager must be regulated or registered with a suitable authority. This can be any regulatory authority in the EEA, Australia, Canada, Hong Kong, Japan, Singapore, Switzerland and/or the US. ▪ Registration with Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC) is also acceptable. - The ISE is willing to consider derogations from this requirement on a case by case basis.

<p>Custodian</p>	<ul style="list-style-type: none"> - Must have adequate and appropriate expertise and experience. - Sub-custodians permitted, subject to Custodian exercising due skill care and diligence in their selection and maintaining an appropriate level of ongoing supervision. - Hedge funds may hold certain derivative securities outside of the normal custody network. In such cases the directors have additional responsibilities of oversight in relation to the manner in which such securities are held, valued and reconciled.
<p>Investment Restrictions</p>	<ul style="list-style-type: none"> - Maximum 20% in a single issuer, which may be increased to 100% for EU/OECD government issuers. - Maximum 20% exposed to a single counterparty, which may be increased to 100% for certain approved counterparties. - Maximum 10% in physical commodities or real property funds (except property funds). - Prohibition on taking legal or management control of investee companies. - Maximum 40% in any other fund (except feeder funds). - Maximum 20% in aggregate in other funds of funds. - Underlying funds of feeder funds subject to the same limitations. - Most diversification requirements disapplied for Irish domiciled funds. - Many investment restrictions are disapplied for Super Sophisticated Investor Funds.
<p>Feeder Funds</p>	<ul style="list-style-type: none"> - Must control the underlying fund by entering a written control agreement with the underlying fund, which must undertake to comply with the listing requirements for so long as the fund is listed. - The underlying fund must also comply with many of the suitability, operational requirements and investment restrictions referred to herein, as if that underlying fund were itself applying to list.

<p>Dividend Policy</p>	<ul style="list-style-type: none"> - Dividends may only be paid to the extent that they are covered by income and the net of realised and unrealised capital gains and losses. - Conditions in relation to dividends do not apply to Super Sophisticated Investor Funds.
<p>Transferability</p>	<ul style="list-style-type: none"> - Shares/units must be freely transferable. - Restrictions on transfer only permitted where the transfer would result in legal, regulatory, taxation, fiscal, pecuniary or material administrative disadvantage to the fund or its shareholders as a whole. This restriction does not apply to Super Sophisticated Investor Funds.
<p>Financial Information</p>	<ul style="list-style-type: none"> - Newly incorporated funds – a statement that the fund has not commenced to trade. - Funds trading where no audited statements are yet available – unaudited portfolio and per share information as at a date within one month of the document date. - Funds trading after publication of audited financial statements – the most recent audited accounts and unaudited portfolio and per share information as at a date within one month of the document date.
<p>NAV Calculation</p>	<p>At least quarterly.</p>
<p>Hedge Funds</p>	<p>Permitted subject to investors being “Professional Investors” or “Super Sophisticated Investors” and prime brokers/counterparties meeting specified suitability criteria.</p>
<p>Professional Investors</p>	<p>Minimum subscription \$100,000. Investor warrants:</p> <ul style="list-style-type: none"> (a) its ordinary business or professional activity includes the buying or selling of investments, whether as principal or agent; or (b) in the case of a natural person, their individual net worth, or joint net worth with their spouse, exceeds \$1 million; or (c) it is an institution with a minimum amount of assets under discretionary management of \$5 million; and that they <ul style="list-style-type: none"> (i) have the knowledge, expertise and experience in financial matters to evaluate the risks of investing in the fund; (ii) are aware of the risks inherent in investing in the securities and the method by which the assets of the

	<p>fund are held and/or traded; and</p> <p>(iii) can bear the risk of loss of their entire investment.</p>
<p>Super Sophisticated Investor Funds</p>	<p>Minimum Subscription \$250,000</p> <p>Disapplication of prescriptive investment restrictions, prohibition on passivity and distribution requirements where:</p> <p>Investment Manager is registered/regulated in EEA; Australia, Canada, Hong Kong, Japan, Singapore, Switzerland, US.</p> <p>Investor warrants:</p> <p>(a) at the time of making the investment that:</p> <ul style="list-style-type: none"> (i) its ordinary business or professional activity includes the buying and selling of investments, whether as principal or agent; or (ii) in the case of a natural person, their individual net worth, or joint net worth with that person's spouse, exceeds US\$2.5 million; or (iii) it is an institution with a minimum amount of assets under discretionary management of US\$5 million; and <p>(b) that they:</p> <ul style="list-style-type: none"> (i) have the knowledge, expertise and experience in financial matters to evaluate the risks of investing in the fund; (ii) are aware of the risks inherent in investing in the securities and the method by which the assets of the fund are held/or traded, and (iii) can bear the risk of loss of their entire investment. <p>Many of the conditions for listing are removed for Super Sophisticated Investor Funds, which allows for greater flexibility to list innovative and more sophisticated products.</p>
<p>Prime Broker/Approved Counterparties</p>	<ul style="list-style-type: none"> - A prime broker, or significant counterparty, must have a specified credit rating, meet a financial resources requirement and must itself be regulated as a broker by a recognised regulatory authority. - The specified credit rating is "A2" or A for long term debt and "P-1", "A-1" or F1 for short term debt as rated by Moody's or Standard & Poor's. - Financial resources of \$200 million or has all of its obligations to the fund irrevocably and unconditionally guaranteed by, or is an unlimited liability subsidiary of, an entity that has \$200 million in financial resources - Recognised regulatory authority is the regulatory authority that is charged with the regulation and supervision of financial services in an EU member state, Australia, Canada, Hong Kong, Japan, Singapore, Switzerland, US, and any other jurisdiction specified by the ISE
<p>Borrowing/Leverage Restrictions</p>	<p>None</p>

Auditor Requirements	Must be internationally reputable firm.
Application Timing	Three to six weeks.
Subject to EU listing, market abuse and tax harmonisation directives	Yes
OECD Membership	Yes
International Recognition	US: Designated offshore securities market. UK: Designated investment exchange. Japan: Designated offshore exchange. Taiwan: Recognised exchange.

Irish Regulated Funds

Due to the close working relationship between the ISE and the Irish Central Bank, the ISE automatically accept the suitability of the service providers to a fund authorised by the Central Bank. Likewise the dividend policy is deemed to be acceptable. The ISE will disapply the control requirement for feeder funds that are authorised by the Central Bank. Funds that have been authorised as Qualifying Investor Funds may derogate from all ISE investment restrictions, save for legal and management control and limits on investment in commodities and real property.

The main difference in approach taken by the Central Bank and the ISE is apparent in the lack of uniformity in their position on financial information and free transferability. This is explained by the ISE remit for investor protection, which considers that once a fund has commenced to trade, financial information becomes a material element of the decision to invest, and that a listed security must provide opportunity for investors to transfer their shares.

Irish Stock Exchange Listing Fees

The ISE listing fees are as follows:

OPEN ENDED FUNDS			
		EU Funds	Non-EU Funds
Application Fee		€2,000	€2,180
Administration Fee		€300	€300
Formal Notice Fee**		€50	€50
Annual Fee*	<u>Single Fund</u>	€2,000	€2,180
	<u>Umbrella</u>		
	Subfunds 1-5	€2,000	€2,180
	Subfunds 6-10	€1,210	€1,320
	Subfunds 11+	€800	€880

*annual fee is payable on listing and on each anniversary thereof

** VAT of 21%

Continuing Obligations

The ISE listing rules and various EU Directives impose a substantial number of ongoing reporting obligations on listed funds. The obligations are imposed in order to maintain an orderly and transparent market in the units of listed funds, to ensure the ongoing suitability of the funds for listing, to protect shareholders interests and to ensure that all relevant information is disseminated without delay. A listed fund must ensure equality of treatment for all shareholders in the same position.

Financial Reports

The following reports must be filed with the ISE and sent to shareholders:

- ▣ audited annual report within six months from the financial year end
- ▣ unaudited interim report within four months of the interim accounting date*

Irish regulated funds must publish the annual and interim reports within four and two months respectively.

*The requirement to publish interim reports is disapplied for Irish open ended Qualifying Investor Funds established as investment companies and for Super Sophisticated Funds.

Reporting Requirements

Any material changes to the operations of a listed fund will require an announcement, and in some cases, may also require prior ISE or shareholder approval.

Prior ISE Approval

ISE approval is required in advance of any of the following proposed changes being implemented:

- ▣ a variation in class rights;
- ▣ a change in the general character or nature of the fund;
- ▣ a material change in the investment objective, policy or strategy of the fund within three years of commencement to trade;
- ▣ a proposal to terminate, renew or extend the life of the fund;
- ▣ a change in the minimum subscription to below USD100,000 for an unregulated fund;
- ▣ a change in the investment manager, custodian or prime broker;
- ▣ a related party transaction;

- ▣ a reverse take-over or other substantial transaction;
- ▣ a material amendment to the constitutive documents; or
- ▣ a change from open or closed status (except where provided for in the listing particulars).

Prior Shareholder Approval

Prior shareholder and ISE approval is required for any circular relating to:

- ▣ a material change in the investment objective, policy or strategy within three years of commencement to trade;
- ▣ a reverse transaction;
- ▣ a related party transaction;
- ▣ a change from open to closed ended status (except where provided for in the listing particulars);
- ▣ a change which is relevant to the continuation of the listing, or may materially affect the interests of shareholders; or
- ▣ a proposal to issue units at less than net asset value (except where such offer is first made on a pro-rata basis to shareholders).

Circulars must be circulated to shareholders at least 10 business days (or such shorter period as is permissible under the constitutive documents) in advance of the voting date. The results of any shareholder vote must also be announced without delay.

Announcement of Changes Without Prior Approval

The following announcements may be made by a fund without prior approval:

- ▣ the net asset value per unit upon calculation and any change in the frequency of its calculation;
- ▣ changes in share capital or proposed changes in capital structure;
- ▣ details of any shareholding by the Directors, persons closely associated with them or the investment manager;
- ▣ the identity of any controlling shareholder (able to control 30% or more of the voting rights);
- ▣ a change or proposed change in investment, borrowing or leverage restrictions;
- ▣ any material change in the tax status of the fund;
- ▣ any suspension of dealings, redemptions, transfers or valuations;
- ▣ any change in Administrator, Registrar or Transfer Agent or Sponsor;
- ▣ any change in directors or material change in any directors function;
- ▣ any change in dividend or valuation policy;

- ▣ any dividend paid, including details of the record date, the period covered, the payment date and the amount of the dividend;
- ▣ notice of any AGM or EGM;
- ▣ any change in the financial year end;
- ▣ any material change to the fees paid by the fund, or material change in its material contracts;
- ▣ any downgrade in the credit rating of a prime broker or significant counterparty;
- ▣ any change in the name of a fund, subfund or class;
- ▣ any issuance and listing, or cancellation and delisting of series within a listed class;
- ▣ any proposal to delist the fund, subfund, class or series.

Market Abuse Directive

The Market Abuse Directive has imposed requirements to ensure that:

- ▣ Interested Persons (Directors, persons closely associated with them, persons with managerial responsibility) are precluded from dealing at a time when they are in possession of inside information;
- ▣ the fund adopts by board resolution, rules governing inside dealings and market manipulation;
- ▣ any transactions by Interested Persons are promptly reported to the ISE (Schedule 11 forms); and
- ▣ lists of any persons who may have access to inside information either at the fund or at any of its service providers are maintained.

Please see our separate client memorandum on Market Abuse Requirements.

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This document is for information purposes only and does not purport to represent legal advice. If you have any queries or would like further information relating to any of the above matters, please refer to the contacts above or your usual contact in Dillon Eustace.

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