



Ten Useful Facts About The Bermuda Stock Exchange (BSX)

By Marco Montarsolo, Managing Director

1. There are different types of instruments on the BSX that include 145 listed Insurance Linked Securities (**ILS**) vehicles in Bermuda with an aggregate value of 18.3 billion USD. Over 700 listed issuers, including more than 100 ILS listings representing close to 50% of the global ILS market share. The BSX is also a leader for the listing of investment funds, debt, as well as small to medium size enterprise companies.
2. Over the last few years the ILS market has made tremendous growth and seems to be the new and exciting area. The BSX entered the market just after 2008 when an opportunity to help accelerate substantive convergence presented itself. The BSX realised there was an opportunity to help facilitate the process of matching capital with risks and it has observed an acceptance of investors that are investing in insurance related products. Market conditions have supported the BSX for those interested in alternative investments.
3. ILS allows for the Capital Markets to become more comfortable with investing in risk transfer vehicles, most of the issues the BSX has seen are property catastrophe related out of the US. We are seeing an increase in collateralised reinsurance.
4. There are many different jurisdictions outside of the US that are using the risk transfer vehicles. The first China deal, in 2015, was significant as it is an indicator that the Chinese market is beginning to better understand the use of risk transfer vehicles. These vehicles can further support different regions insurance needs. There is a broadening globally of the applications of the BSX, including the use of ILS type vehicles for Middle Eastern Sharia Law type funds and actions.
5. Currently the types of people that invest in ILS structures tend to be institutional investors or high net worth individuals. The industry will grow and increasingly gravitate towards exploring new risks and risk mitigation in developing countries. Seven of the worlds' biggest cities are in Asia and the largest amount of exposure gap exists in that segment of the world.
6. Anyone wishing to trade on the BSX via electronic trading must use the settlement and depository platform licensed by NASDAQ OMX. This platform is specifically designed to support the secondary market trading and settlement of sophisticated listed securities.

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7. The BSX, through its trading and settlement platform, is specifically designed to accommodate the listing and trading of sophisticated debt instruments, including medium term and credit linked notes; asset backed securities, convertible and insurance securitised bonds, catastrophe bonds, Euro bonds and other special purpose debt securities.

In addition to being a full member of the World Federation of Exchanges, the BSX is also a designated UK HM Revenue and Customs 'Recognised Stock Exchange', thus providing qualifying debt products with an alternative commercial listing venue.

8. There are many advantages for investment fund vehicles, for example, the BSX lists institutional funds in a commercially sensible regulatory environment that meets international standards. The exchange does not impose minimum capital requirements or investment restrictions (with the exception in most instances of disallowing a fund to take control of its underlying investments, unless the fund restricts investment to Qualified Investors) and allows flexibility for hedge funds and the use of prime brokers. It also allows for the trading for closed-end funds, the dematerialisation of funds' shares and efficient settlement of trades.

9. There are different types of commercial benefits that can be realised by companies wishing to utilise the BSX platform which include:

- Young, innovative companies with high growth potential, such as E-commerce and Technology stocks, require stock markets geared to their specific needs - markets which are easily accessible, where equity finance is readily available, and which attract international as well as domestic, institutional as well as private investor interest. Such markets must be efficient and well-regulated, providing investor confidence through demonstrable fairness and transparency, and should be structured to maximize liquidity.
- Small and medium-sized companies with high growth potential aim to achieve the following objectives through a listing on a recognised exchange:
 - increase market recognition
 - expand market share
 - diversify their financing and shareholder base
 - raise the capital to develop their product, start production, increase sales and recruit personnel
 - expand abroad
 - realise a high market value based on future growth prospects

10. There are different ways that listings can be used to assist with raising capital for a new venture including:

- Increased market recognition

A listing on the BSX can create worldwide recognition for a company. All listed securities are added to Bloomberg, Reuters and, in the near future, the Bridge/Telerate information systems. In addition, the BSX web site at <http://www.bsx.com/> carries details on all listed securities. The BSX also formally announces all new listings and can tie this publicity in with a larger PR campaign organized by the Issuer.



➤ Diversification of financing and shareholder base

A listing on the Mezzanine Market can be associated with a private placement fundraising. Raising public capital can assist the company to diversify its financing options beyond bank debt and pure venture capital funds. However, marketing is restricted to institutional investors and high net worth individuals so that the company does not introduce a retail shareholder base.

A listing on the BSX can be utilised for companies wishing to raise capital to develop products, start production, increase sales and recruit personnel. A BSX listing is also beneficial as many institutional investors - especially in Europe and Asia, where venture capital firms are not so well established - prefer to invest in "listed" securities. In fact many institutions outside of the US will limit the amount of their assets that they may invest in unlisted securities to 10% or below. Thus, listing a company on a recognised stock exchange like the BSX ensures that the securities of the company are much more attractive and "marketable" to such institutions because they are listed securities. For this reason, many companies combine the Mezzanine Market listing on the BSX with a private placement fund raising round.

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