



DIVISION OF
CORPORATION FINANCE

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

November 2, 2018

**Response of the Office of International Corporate Finance
Division of Corporation Finance**

Mr. Jonathan Richards
Director & Head of Risk, Regulation & Compliance
The International Stock Exchange Authority Limited
PO Box 623, Helvetia Court
Block B, 3rd Floor
Les Echelons, St Peter Port
Guernsey, GY1 1AR Channel Islands

**Re: The International Stock Exchange Authority Limited
Request under Rule 902(b)**

Dear Mr. Richards:

We are responding to your request dated October 30, 2018. Unless otherwise noted, capitalized terms in this letter have the same meaning as in your request.

Based on the facts presented, the Division of Corporation Finance, acting for the Commission pursuant to delegated authority, designates The International Stock Exchange Authority Limited, including the market it operates, The International Stock Exchange, as a “designated offshore securities market” within the meaning of Rule 902(b) of Regulation S under the Securities Act of 1933.

This designation is based on the representations made to the Division in your request. Any different facts or conditions might require the Division to reach a different conclusion. Further, this response does not express any legal conclusion on the question presented or any views on any other questions that the designation may raise.

For the Commission
by the Division of Corporation Finance
pursuant to delegated authority,

/s/ Michael Coco

Michael Coco
Chief, Office of International Corporate Finance
Division of Corporation Finance



Mr Michael Coco
Chief, Office of International Corporate Finance
Securities and Exchange Commission
100F Street NE
Washington, DC 20549
USA

30 October 2018

Re: Application for Designation of The International Stock Exchange Authority Limited ('TISEA'), and the investment exchange it operates known as The International Stock Exchange ('TISE'), as a Designated Offshore Securities Market

Dear Mr Coco

I am writing on behalf of The International Stock Exchange Authority Limited ('TISEA') to submit an application to the United States Securities and Exchange Commission for the designation of TISEA as a Designated Offshore Securities Market ('DOSM') within the meaning of Rule 902 (b) of Regulation S under the Securities Act of 1933, as amended. We are seeking this designation in order to assist market participants who are eligible for the safe harbour provided by Rule 904 of Regulation S in satisfying the requirements specified in that rule when reselling securities in, on or through the facilities of The International Stock Exchange ('TISE' or 'the Exchange').

TISEA is making this formal application to be granted DOSM status including for the investment exchange it operates known as TISE.

Background

This application is being made in light of the fact that the current exchange business was first established in 1998 with the formation of the Channel Islands Stock Exchange ('CISX'), which was granted DOSM status in September 2002.

The business of the exchange was then transferred following a restructure in 2013 ([see section 2 below](#)). The exchange then rebranded to TISE in 2017 and therefore it is felt that now is the most appropriate time to make an application for DOSM status for TISEA and TISE.

The restructure in 2013 created two separate legal entities (together, 'the Group'): a parent company, The Channel Islands Securities Exchange Limited ('CISEL'), with responsibility for 'head office' functions, including strategy and business development; and a wholly owned subsidiary, The Channel Islands Securities Exchange Authority Limited ('CISEA'), with responsibility for the operation and regulation of an investment exchange. CISEA was granted a license by the Guernsey Financial Services Commission ('GFSC'), the financial services regulatory authority, to operate an investment exchange.

This rightly separated the very different activities of promotion and regulation carried out by the Group so as to ensure that there is no real or perceived conflict of interest. It was these arrangements

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which allowed CISEA to determine – with the additional, independent assessment of a London law firm – an application from CISEL to list on the exchange in 2016.

CISEL was admitted to the Official List of the Exchange on 23 June 2016. This introduction of the existing share capital has allowed the business to demonstrate that it meets the transparency and corporate governance standards of a listed company, as is required of every issuer listed on the Exchange.

In March 2017, the Exchange was rebranded as TISE, with CISEL renamed The International Stock Exchange Group Limited ('TISEG') and CISEA changing its name to TISEA. This was in light of the parent company opening a branch office in the Isle of Man, which is not in the Channel Islands, unlike the other branch office that was established in Jersey in 2015. In addition, the rebrand reflected the fact that in 2016 the Membership Rules were amended to remove the restriction on Listing Members having to be companies based in the Channel Islands and, in particular, that the vast majority of issuers on the Exchange are global in nature.

This rebrand and the earlier restructure have not fundamentally changed the fact that, in essence, the current exchange is the same business operating with the same rules and same systems as CISX but with a substantially enhanced corporate and governance structure which, in particular, ensures TISEA is able to most effectively regulate the market and thereby uphold its duty in the protection of investors, ensuring that the market is fair, efficient and transparent and in the reduction of systemic risk.

In relation to the operation of the Exchange, TISEA itself has responsibility for the regulatory oversight of both Members of the Exchange, and the issuers listed on the Official List. This is done through a combination of robust screening measures for new entrants as well as subsequent market oversight through the use of monitoring, supervisory and disciplinary powers which is informed through the use of a range of market surveillance activities.

Introduction

Within the content of this application, the following sections correlate with the attributes which are considered when determining whether to designate an offshore securities market, as set out in Section 230.902(b)(2) of Regulation S.

1. Organization under foreign law

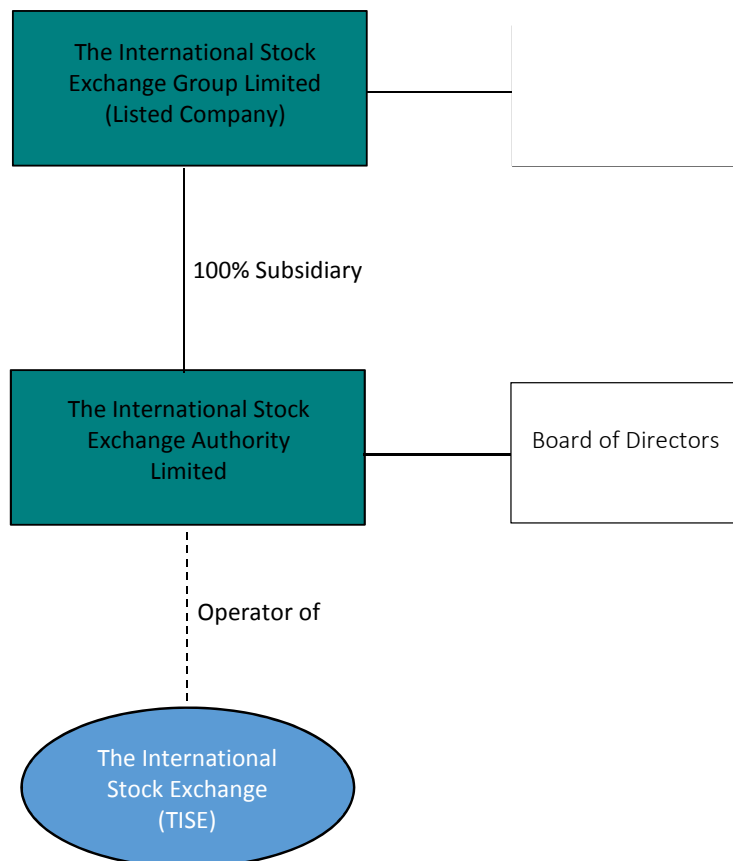
TISEG and TISEA are both established in Guernsey by virtue of [The Companies \(Guernsey\) Law, 2008 as amended \('the Companies Law'\)](#) and both are companies limited by shares each with their own Board of Directors.

TISEG (registered number 57524) is classified as a non-regulated company and TISEA (registered number 57527) is classified as a corporate body and regulated business entity.



TISEG is the parent company of the Group with responsibility for commercial and head office functions such as strategy, operations, finance, IT, marketing and business development. TISEA is its wholly owned subsidiary which operates and regulates the investment exchange known as The International Stock Exchange or TISE.

The Group Organization Chart:



As referenced earlier, the business of the Group was originally part of The Channel Islands Stock Exchange LBG, a company limited by guarantee, which had been established in 1998 to operate an investment exchange. CISX was granted DOSM status in September 2002.

The restructure of this business in 2013 followed the incorporation of both CISEL and CISEA on 14 November 2013 and was carried out by way of a scheme of arrangement under Part VIII of the Companies Law sanctioned by order of The Royal Court of Guernsey on 20 December 2013, where CISEL and its wholly owned subsidiary, CISEA, acquired the business of operating an investment exchange in the Channel Islands from CISX ([see Appendix 1](#)).

In accordance with that scheme, all securities that were listed on the Official List of CISX were transferred in accordance with the [Listing Rules](#) of CISX and were listed on the Official List of CISEA.



As such, the issuers of such securities became subject to the Listing Rules of CISEA together with any laws, rules, regulations or requirements applying to such issuers. All of the Listing and Trading Members of CISX agreed to become Listing and Trading Members of CISEA.

In March 2017 the Exchange was rebranded to TISE and accordingly, CISEL was renamed TISEG and CISEA was renamed TISEA.

2. Association with a generally recognized community of brokers, dealers, banks or other professional intermediaries with an established operating history

TISE's Membership consists of Trading Members and Listing Members. As at 30 October 2018 there were 44 Members of the Exchange of which 40 were Listing Members, 2 were Trading Members and 2 were Listing and Trading Members. The full list [current Members](#) is available on our website.

As stated earlier, there are two types of Members of TISE:

- **Listing Member** – a Member entitled to act as a sponsor for the purpose of obtaining and maintaining a listing of securities on TISE.
- **Trading Member** – a Member whose business is dealing in securities listed on TISE.

Members may also apply to be both a Listing Member and a Trading Member.

The criteria for qualification for Membership is set out in [Rule 2.1.1 of the Membership Rules](#):

A Member must:

- be duly incorporated or otherwise established according to the relevant laws of its place of incorporation or establishment; be either:
 - Supervised, as defined in Membership Rule 1.1.1; or
 - Unsupervised, as defined in Membership Rule 1.1.1.
- If Unsupervised, satisfy the Listing and Membership Committee that it has, and will continue to, adopt and apply the anti-money laundering and countering the financing of terrorism policies, procedures and controls of its licensed, regulated or supervised entity;
- satisfy the Listing and Membership Committee of TISEA that it is of good financial standing and integrity;
- satisfy the Listing and Membership Committee of TISEA that it is fit and proper to be a member;
- not carry on any other business inconsistent with its membership of TISEA; and



- comply with the Rules of TISEA and such other requirements for membership as the Listing and Membership Committee of TISEA may from time to time prescribe.

For the purposes of Rule 2.1.1 Supervised is defined as a firm directly licensed, regulated or supervised by a regulatory body recognized by the Authority and Unsupervised is defined as a firm that is not itself directly licensed, regulated or supervised but is either a wholly owned subsidiary of such a company or a member of a group containing an entity that is directly licensed, regulated or supervised by a regulatory body recognized by the Authority.

All Members are expected to comply with the Code of Conduct set out in [Chapter 4 of the Membership Rules](#) which imposes the requirement for Members to act with integrity, skill, care, diligence and to observe high standards of market conduct. Additional requirements are imposed on Unsupervised Members to ensure that they adopt and comply with the anti-money laundering and countering the financing of terrorism policies, procedures and controls of their licensed, regulated or supervised group entity, oversight of which is maintained by TISEA.

Listing Members

An issuer wishing to have its securities listed on TISE is required to engage the services of a Listing Member who will act as a sponsor. An issuer must have a sponsor appointed at all times while it is an applicant for listing or is listed.

Rules governing the eligibility of sponsors can be found under [Chapter 3 of the Membership Rules](#).

There are three categories of sponsor as set out below:

- Category 1 sponsors are Members who specialize in sponsoring the listing of debt securities. [Category 1 eligibility criteria](#).
- Category 2 sponsors are Members who specialize in sponsoring the listing of the securities of investment vehicles. [Category 2 eligibility criteria](#).
- Category 3 sponsors are Members who specialize in sponsoring the listing of the securities of commercial trading companies and trading companies within the extractive industries. [Category 3 eligibility criteria](#).

Applicants to become a sponsor under one of the eligibility categories will be required to submit career details of key staff and evidence in the form of a track record of transactions conducted on behalf of clients, which demonstrate that the applicant has sufficient experience in the relevant field.

There is no need for sponsors to indicate entities and securities for which they no longer act as sponsor however, as stated at the outset of this section, the Exchange maintains a publicly available list of [current Members](#) with a two-way link between them and the securities for which they act as sponsor.

The responsibilities of a sponsor are set out in Rule 4.7.1 of the [Listing Rules](#) and a sponsor is required to confirm to TISEA via [Appendix II Sponsor's Declaration](#), or [Appendix IIB for Chapter 8 listings](#), that



it has satisfied itself, to the best of its knowledge and belief, and having made due and careful enquiry of the issuer, that the issuer has satisfied all relevant conditions for listing, and other relevant requirements of the Listing Rules and is available to be listed.

Trading Members

In addition to compliance with the Code of Conduct under Chapter 4 of the Membership Rules, Trading Members must also comply with the Trading Rules under [Chapter 5 of the Membership Rules](#), which govern transactions undertaken by Trading Members in securities listed on TISE.

A Trading Member must ensure that at all times it has a sufficient number of suitably qualified staff and other resources available for the proper discharge of its responsibilities and that it exercises strict supervision over the activities and/or actions of its employees and other persons associated with the Trading Member.

A Trading Member may register as a Market Maker in any listed security and [Chapter 5 of the Membership Rules also governs specific Market Maker obligations](#). (For more information, see [section 6](#) of this document).

3. Oversight by a governmental or self-regulatory body

Guernsey's parliament, known as the 'States of Guernsey', has established a structure and environment to ensure the island has a suitable and effective legal and regulatory framework that meets international standards.

TISEA is regulated by the GFSC, Guernsey's financial services regulatory authority and is licensed by the GFSC to operate an investment exchange under [the Protection of Investors \(Bailiwick of Guernsey\) Law, 1987 as amended \('the POI Law'\)](#). (For more information, see [section 5](#) of this document).

While TISEA is a licensed financial services business in Guernsey, and therefore obliged to adhere to the relevant laws, rules and regulations applicable to it in its own right, it also holds its own regulatory role and responsibilities in relation to the conduct of its Listing Members and Trading Members and the operation of the market place.

As such, TISEA undertakes the following functions:

Regulatory functions

1. The admission of issuers to the official list by reference to the Listing Rules and TISEA's policy on issuer suitability.
2. The admission of members of TISE by reference to the Membership Rules and TISEA's policy on member suitability.
3. The suspension or cancellation of an issuer from the Official List in accordance with the Listing Rules.



4. The re-admission to the official list in accordance with the Listing Rules following suspension save where suspension was at the request of the issuer and TISEA concludes that the criteria for re-admission are not met.
5. The suspension or cancellation of membership of TISE in accordance with the Membership Rules.
6. The re-admission to membership of TISE in accordance with the Membership Rules following suspension save where suspension was at the request of the member and TISEA concludes that the criteria for re-admission are not met.
7. The enforcement against members of the Membership Rules and/or Listing Rules in accordance with the Discipline Chapters of those Rules.
8. Liaising with the GFSC and other regulatory authorities and organizations as applicable on all matters relating to the operation of the Official List and the membership of TISE.
9. The taking of positive steps to undertake market surveillance which obligations include:
 - a. weekly monitoring of trading activity;
 - b. daily review of movements in prices and transactions;
 - c. news alert monitoring;
 - d. the reporting to the GFSC within one trading day of:
 - i. price movements in excess of 30% of the starting price at opening; and
 - ii. transactions where market abuse, as defined in s41A of the POI Law, is capable of being reasonably suspected.
10. The taking of positive steps to monitor ongoing issuer compliance with the Listing Rules.
11. The taking of positive steps to monitor ongoing membership compliance with the Listing Rules and Membership Rules.

Market abuse, as defined in [s41A of the POI Law](#), can reasonably be summarized as insider dealing where an individual uses information that is not generally available to other participants but that would likely effect the terms on which a transaction would be effected.

The POI Law also covers behavior which would give a regular user of the market a false or misleading impression of the supply or demand or price or value of investments or behavior which would or would likely distort the market in the investments in question.

Supervisory Functions

- 3.1.** TISEA exercises discretion in good faith to allow derogations from the application of the Listing Rules in respect of new listings and ongoing obligations of Issuers;



- 3.2.** TISEA exercises discretion in good faith to allow derogations from the application of the Membership Rules in respect of new applications for membership and ongoing obligations of Listing Members and Trading Members;
- 3.3.** TISEA develops the Listing Rules and Membership Rules, and notifies the GFSC;
- 3.4.** TISEA develops operational procedures and policies to deal with the operation of the Official List and the membership of TISEA.

As of 20 January 2014, the States of Guernsey Legislation Committee, under [The Protection of Investors \(Limited Liability\) \(Bailiwick of Guernsey\) Ordinance, 2014](#), provided a limitation of liability to CISEA – [which has since been amended to refer to TISEA](#) (excluding actions that amount to criminal conduct or action taken in bad faith), in relation to its regulatory functions.

This includes the admission of Issuers to the Official List, admission of Listing Members, admission of Trading Members, the suspension or cancellation of an Issuer, Listing Member or Trading Member and the enforcement against Listing Members or Trading Members of the Membership Rules and/or Listing Rules in accordance with the discipline chapters of those Rules.

It further grants immunity to TISEA in the liaison with the GFSC and other regulatory authorities and organisations on all matters relating to the operation of the Official List and membership of TISEA and the taking of positive steps to carry out market surveillance.

The GFSC undertakes ongoing supervision of TISEA.

The GFSC was established as a statutory body by the States of Guernsey, under [the Financial Services Commission \(Bailiwick of Guernsey\) Law, 1987 \('the FSC Law'\)](#). The Commission came into being on 1 February 1988.

The Law established the Commission with both general and statutory functions. The Commission's general functions under the Law include:

- to take such steps as the GFSC considers necessary or expedient for the effective supervision of finance business in Guernsey;
- to take such steps as the GFSC considers necessary or expedient for;
 - maintaining confidence in the Bailiwick's financial services sector, and
 - the safety, soundness and integrity of that part of the Bailiwick's financial services sector for which it has supervisory responsibility; and
- the countering of financial crime and the financing of terrorism.

The statutory functions of the GFSC are governed by a number of laws including, but not limited to, the POI Law; the Protection of Depositors, Companies and Prevention of Fraud (Amendment) (Bailiwick of Guernsey) Law, 1977; the Banking Supervision (Bailiwick of Guernsey) (Amendment) Law,



2008 as amended; the Insurance Business (Bailiwick of Guernsey) Law, 2002, as amended; the Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002 as amended and the Regulation of Fiduciaries, Administration Businesses and Company Directors etc (Bailiwick of Guernsey) (Amendment) Law, 2008. [A full list of the laws can be found on the GFSC's website.](#)

In the exercise of its functions, the GFSC is required by the FSC Law to have particular regard to:

- the protection of the public against financial loss due to dishonesty, incompetence or malpractice by persons carrying on finance business;
- the protection and enhancement of the reputation of the Bailiwick as a financial center;
- ensuring that markets for controlled investments (defined in Schedule 1 of the POI Law as collective investment schemes, general securities and derivatives) are fair, efficient and transparent; and
- reducing risks to the financial system in the Bailiwick.

In order to effectively deliver these objectives the GFSC has supervisory and oversight responsibility for the Exchange and the securities market in general which includes the undertaking of inspection visits of financial services businesses which are carried out by the Commission using a risk based approach.

The Financial Service Commission (Site Visits) (Bailiwick of Guernsey) Ordinance 2008, as amended provides the legal basis for the Commission's officers, with a view to the performance of the GFSC's statutory functions, or if the GFSC considers it desirable to do so for the protection of the interests, of the public or any class thereof, or any particular persons, or the reputation of the Bailiwick as a finance center, to undertake site visits to the offices of a licensee or any associated party to ascertain whether or not the licensee or associated party is complying with the provisions of the regulatory laws, such as the POI law.

The GFSC maintains a relationship with, or is a member of, a number of international regulatory and supervisory bodies. These are set out below by sector:

Investment Business

- [International Organization of Securities Commissions \('IOSCO'\)](#)

Banking and Fiduciary

- [The Basel Committee on Banking Supervision \('BCBS'\)](#)
- [The Group of International Finance Centre Supervisors \('GIFCS'\)](#)

Insurance

- [The International Association of Insurance Supervisors \('IAIS'\)](#)



- [The Group of International Insurance Centre Supervisors \('GIICS'\)](#)

Guernsey has received several independent assessments from international organizations of its regulatory and supervisory environment and the standards to prevent money laundering and the financing of terrorism.

The latest report was published on 15 January 2016 when The Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism ("Moneyval") issued its report on [the Fourth Assessment on the Bailiwick of Guernsey's Anti-Money Laundering and Combating the Financing of Terrorism controls](#).

Guernsey was assessed to be compliant or largely compliant with 48 of the Financial Action Task Force ("FATF") 40+9 Recommendations for combating money laundering and terrorist financing, which is the highest level of compliance of any jurisdiction assessed.

Guernsey was recognized as a "Qualified Intermediary" jurisdiction by the US Internal Revenue Services in September 2000.

Guernsey's Financial Intelligence Unit (FIU) is a member of the Egmont Group of FIUs and contributes as part of the Training Working Group. It is also a participant in the Camden Asset Recovery Inter Agency Network (CARIN) which is an informal network of contacts and a co-operative group which aims to increase the effectiveness of member's efforts, individually and collectively, on a multi-agency basis, in depriving criminals of their illicit profits.

In 2017, in line with developing international standards in transparency and law enforcement, Guernsey introduced a centralized register of the beneficial ownership of Guernsey legal persons which is available to law enforcement, regulatory and tax authorities.

Guernsey is within an OECD jurisdiction (United Kingdom), OECD conventions apply and it was among the first jurisdictions to confirm formal agreement to a new global standard of automatic tax information exchange – the Common Reporting Standard.

Guernsey has also signed numerous tax exchange agreements: Inter Governmental Agreements (IGAs), including with the US, in respect of the Foreign Account Tax Compliance Act (FATCA); Tax Information Exchange Agreements (TIEAs), including with the US in 2002; and Double Taxation Agreements (DTAs).

4. Oversight standards set by an existing body of law

TISEA is regulated by the GFSC and is licensed by the GFSC to operate an investment exchange under the POI Law. The definition of operating an investment exchange in the POI Law is "*providing a facility, whether by electronic means or otherwise, for the orderly trading of securities, or for the listing of securities for the purposes of trading, by members of the investment exchange*".



The POI Law also provides the current legal basis upon which the GFSC considers applications for licences.

In general, when considering an application for a licence, the GFSC will consider:

- the general nature and specific attributes of the controlled investment business to which the application relates; and
- whether or not the applicant is a fit and proper person to carry on that business; and
- the manner in which it is proposed to organize the carrying on of the controlled investment business to which the application relates, the number of persons who will be responsible for carrying on each aspect of that business and the relationship between those persons; and
- what, if any, economic benefit the Bailiwick of Guernsey (“the Bailiwick”) is likely to derive from the carrying on of that business; and
- any other factors which the GFSC thinks it appropriate to consider.

Full details of the criteria for granting of a license can be found in [Schedule 4 of the POI Law](#).

TISEA is also subject to [The Investment Exchange \(Notification\) Rules 1998 \(‘the IEN Rules’\)](#). TISEA is currently working with the GFSC in relation to newly drafted Regulated Investment Exchange Rules (the “RIE Rules”) which will supersede the IEN Rules. The new RIE Rules seek to update and combine the old Investment Exchange Rules and the Conduct of Business Rules (see link below). The RIE Rules are expected to be circulated for consultation in 6 months.

The prudential rules, under the IEN Rules, include the provision of:

- financial, human and technical resources;
- safeguards for investors;
- administrative, accounting and internal controls; and
- promotion of high standards of business practice.

As a licensee under the POI Law, TISEA is subject to [The Licensees \(Conduct of Business\) Rules 2016 \(‘the Licensees Rules’\)](#).

They require TISEA to establish and maintain:

- adequate financial resources;
- accounting records and an audit trail;
- compliance arrangements;
- systems and procedures to ensure proper performance of its business activities; and
- conformity with the Principles set out in the Licensees Rules.



These Principles are set by the GFSC and TISEA must abide by them. The Principles comprise the following: Integrity; Skill, Care and Diligence; Conflicts of Interest; Information about Customers; Information for Customers; Customer Assets; Market Practice; Financial Resources; Internal Organization; and Relations with the GFSC.

Breach of a Principle will be taken into account by the GFSC for the purposes of discipline and intervention. The Principles are not exhaustive and conformity with them does not excuse a failure to observe other regulatory requirements including observance of high standards of integrity and fair dealing in the conduct of business.

With respect to the wider regulatory framework, such as the operation of [Anti-Money Laundering \(AML\)](#), [Countering the Financing of Terrorism \(CFT\)](#) and 'know your client' type rules, the Guernsey authorities, including the GFSC, are committed to meeting established international standards.

The GFSC, in carrying out its oversight responsibilities, requires TISEA to comply with the IOSCO Principles (33 to 37) in respect of the standards for the operation of the secondary market. TISEA's supervisory and enforcement framework are based upon the three core IOSCO Objectives of protecting investors, ensuring that markets are fair, efficient and transparent and reducing systemic risk.

The GFSC has a vast amount of information (consisting of Laws, Regulations, Instructions, Rules, Guidance and Consultations) relating to both AML and CFT which can be viewed on their website at www.gfsc.gg.

TISEA itself undertakes direct oversight of the market. TISEA's [Membership Rules](#) are set out in [section 3](#) and its regulatory and supervisory functions in [section 4](#) of this document.

TISEA's [Listing Rules](#) regulate the admission of entities to the Official List and impose ongoing obligations on listed entities. As at 30 October 2018, the total market value of all listed securities was £340 billion and there were 2,692 securities listed by companies from 33 different jurisdictions ([see Appendix 3](#)).

The qualification requirements (and ongoing requirements) for being admitted to trading can be found in Chapters 6 to 10 of the Listing Rules:

TISEA has the following set of rules and offers listing facilities for the following products:

- [Chapter 6 – Trading companies issuing equities](#). Primary and secondary listings of both domestic (i.e. Guernsey) companies and overseas companies from jurisdictions deemed acceptable by TISEA (see [Appendix 2](#)).
- [Chapter 7 – Investment vehicles](#). Open and closed ended investment vehicles, including funds and investment companies.
- [Chapter 8 – Specialist securities](#). Debt instruments, including convertible and high yield bonds.



- [Chapter 9 – Extractive industries](#). The equity or corporate debt of companies operating in extractive industries, including mining, oil and gas.
- [Chapter 10 – Special Purpose Acquisition Companies \(SPACs\)](#).

The admission requirements include that the entity issues a Listing Document (prospectus). The Prospectus requirements are such that the entity must be duly incorporated in accordance with the company laws in the jurisdiction of establishment.

An issuer must provide a Listing Undertaking as set out in [Appendix 3](#) of the Listing Rules. This includes an undertaking to comply with the post-listing continuing obligations.

These include continuous and periodic disclosure of pertinent information such as interim and annual reporting, as set out under 'continuing obligations' in the relevant chapter of the Listing Rules depending on the nature of the security.

Generally, the requirements are that the issuer, or its sponsor, advise TISEA of any developments in the Listed Security. A 'development' in this context means any material change from the initial application and/or corporate action, which the Exchange is required to investigate and ensure that the market is duly notified.

For example, the requirements under Chapter 7 regarding notifications includes those relating to capital, corporate governance, periodic financial information, substantial transactions, and related party transactions etc.

Where applicable, and as soon as practicable following publication of documents such as financial statements and reports, the issuer shall provide TISEA with such documents. There are certain disclosure requirements regarding any changes to rights, powers or privileges in relation to the listed debt security and any change in the rate of interest.

Equality of treatment of shareholders is the underlying principle in relation to the disclosure of information and there is a general duty to inform TISEA of notices and announcements sent out to shareholders.

5. Reporting of securities transactions on a regular basis to a governmental or self-regulatory body

TISEA is the self-regulatory body which has primary responsibility over the Exchange's market and its activity. In addition to this, the GFSC is the competent authority for TISEA and is the national regulatory authority in Guernsey responsible for the supervision and regulation of TISEA (see [section 4](#) above for a description of its role).

TISE has a screen-based market with no trading floor and the trading hours are 09:00 hours to 16:30 hours Guernsey time, Monday to Friday (excluding public holidays). Trading Members of TISE may also trade outside of these hours.



All securities transactions must be reported to TISEA within three minutes of the trade ([see section 7](#)). For trade reporting, TISEA requires the name of the financial instrument traded, trade price, trade volume, time and counterparties.

Trades reported will be distributed immediately by TISE via the Market Data Management System ('MDMS') which is TISE's trade reporting platform. Information published pursuant to a trade report includes, trade price, trade volume and time as above.

The Rules governing Trading also provide for, *inter alia*:

- the establishment of normal trading hours (see [Rule 5.2 of the Membership Rules](#));
- the entry of quotations and orders (see [Rule 5.3 of the Membership Rules](#));
- transaction reporting and trade publication (see [Rules 5.9 and 5.10 of the Membership Rules](#); and
- provision for price stabilization, short selling and stock borrowing and lending (see [Rules 5.15, 5.16 and 5.17 of the Membership Rules](#)).

Market Maker obligations are also set out in [Chapter 5 of the Membership Rules](#) of TISEA (headed 'Trading') and include the requirements to enter and maintain at all times two-sided quotations on the trading system and actively offer to buy from and sell to an enquiring Trading Member at the price, and in a size up to, that displayed by it.

Scrutiny and oversight applied to trade reports by TISEA is covered in [section 7](#) below under 'market surveillance'.

6. A system for exchange of price quotations through common communications media

The TISE website (www.tisegroup.com) provides a resource for all market news, including individual security announcements such as corporate actions or Net Asset Values (NAVs) for investment funds, as well as price data and recent trades which are reported via the bespoke trading system, MDMS. As referred to in [section 6](#) above, MDMS is TISE's screen-based trading system which was developed 'in-house' several years ago (during the CISX era).

While there are no restrictions on viewing the information contained in the trading system (via the Exchange's website), investors who wish to trade at a price displayed must do so through a Trading Member. Trading Members process client orders as promptly as possible at the best price available at the time and in accordance with The Trading Rules under [Chapter 5 of the Membership Rules](#).

A Trading Member may register as a market maker in any number of listed securities and if so, must enter and maintain two-sided quotations on the trading system.



Trading is typically conducted every weekday (excluding public holidays) and takes place on a continuous basis during normal trading hours of 09:00 hours to 16:30 hours. However, Trading Members of TISE may also trade outside of these hours.

Trading Members have access to the 'Trader App' which is a software solution, developed as part of MDMS, which allows Trading Members access to enter trade information.

The key features of the system are as follows:

- an electronic bulletin board on which Market Makers must input two-sided quotations (see [Rule 5.5.1 of the Membership Rules](#));
- trades can only be entered into the trading system by a Trading Member and, once entered, are displayed on the TISE website;
- trades are reported to the Exchange using the electronic bulletin board and Trading Members must report every transaction in a listed security within three minutes of execution (see [Rule 5.9.1 of the Membership Rules](#));
- news announcements concerning securities listed on TISE are uploaded and disseminated via the TISE website on a continuous basis; and
- information on all quotes and trades is retained by TISE, both to facilitate market surveillance and to provide a historical record.

Technical infrastructure

Since the restructuring in 2013, the Group has prioritised the updating, virtualising, and standardisation of its technical infrastructure. TISE maintains the data on virtualized servers within a secure data center and has a backup data center maintained at a separate location enabling full data recovery in the event of any failure of TISE's systems. Additional back-up data is maintained by TISE's information technology provider, meaning that permanent and secured data is always available in the event of an IT failure.

The Group has also created a remote office facility and introduced systems to enable senior staff to work remotely, if required. In August 2015 the Group moved offices, which provided an opportunity for realistic and rigorous testing of disaster recovery and business continuity procedures.

Pertinent features of the technical infrastructure are:

- Capacity planning - the volume of data held is monitored daily and can be easily increased due to the virtualized platform used to host servers.
- Backup - the MDMS database replicates in 'real time' to the Disaster Recovery site. Snapshots of the data are taken at regular intervals.



- Disaster Recovery ('DR') – DR and business continuity is tested annually and secure remote access to systems is provided for staff (with two factor authentication), should it be required.
- Periodic reviews - regular penetration testing is performed on the infrastructure, plus internal market surveillance and monitoring could also pick up anomalies in the systems.
- Rules for connectivity - access to the system is secured so Members can only see data relevant to them.

Market surveillance

Market surveillance is undertaken by TISEA's regulatory team in the Risk, Regulation & Compliance Department ('RRCD'). The TISEA "Market Surveillance Policies & Procedures Manual" documents policies and procedures in respect of:

- Market Abuse
- Market Surveillance
- Quote Price Movements
- Trading Volume Movements
- Market Surveillance Reporting
- Trade Reports
- Surveillance Events
- Late Trade Reports
- NAV price movements

Surveillance activities are underpinned by extensive reporting facilities within the Exchange's MDMS system (as described above) and a range of exception reports are run automatically on a daily basis to monitor matters such as unusual price movements or trading volumes.

Exception reports are triggered based upon certain thresholds that are set in MDMS which look at trade prices, quote prices, volumes and, where applicable, Net Asset Values ('NAVs'). The RRCD also analyses news announcements for anything that could be considered unusual.

Amongst these reports, the **NAV reports** are considered particularly important for market surveillance of investment funds. For example, one of the reports identifies significant variations in calculated NAVs versus supplied NAVs. If the NAV variation, or other tests, exceed a certain threshold (after passing basic data validation tests), it will be flagged into a 'not released' state. The NAV can then only be released by a member of TISEA staff, i.e. following investigation into the data. When this situation arises the Listing Member is automatically emailed to request validation of the data.



Price movement exception reports are generated in respect of both traded and quoted price movements, i.e. a report will be generated irrespective of whether a trade has actually taken place at the indicated price. This enables TISEA's regulatory team to be proactive in monitoring and detecting potential market abuse. Price movement exception reports are reviewed on a daily basis.

Exceptions are documented and enquiries will be made of the market maker(s) to obtain an explanation of the price movement. This will take into account relevant factors for the security in question including, normal market size, spread, trading history, news and announcements, other markets in which the security may be traded, whether the security has a sole market maker or multiple market makers, etc.

Trading volume exception reports are generated for a security when either the number of trades or the total volume traded in that security exceeds certain benchmarks. As with price movements, trading volume exception reports are reviewed on a daily basis. Exceptions are documented, news reports analysed and, if appropriate, enquiries will be made to the market maker(s) to verify the reason for the unusual trading activity in the security in question.

Market Surveillance Report

A further function of the RRCD is to produce a weekly written Market Surveillance Report ('MSR') for the Board and senior management, which covers trading activity, surveillance events and anything that the RRCD is investigating or monitoring.

MSRs are prepared on a weekly basis. MSRs will detail securities that have traded in the relevant period concerned and compare these trades with historic data to establish if the trade pattern is consistent or gives rise to any concerns.

7. An organized clearance and settlement system

Unless otherwise agreed by TISEA, Trading Members shall settle transactions through the clearance system designated by the Listing and Membership Committee for the security in question. Timing of settlement generally follows market practice for the type of security concerned.

Where Trading Members use one of the approved clearance systems to settle a transaction, the rules and regulations of the system concerned apply in lieu of the Exchange's Rules on the method of settlement and matters affecting custody of securities in the system. In those cases where the buyer and seller are members of different clearing systems that are interlinked, the terms and conditions governing such interlinking shall also apply, in lieu of the [Membership Rules](#) on such matters.

TISEA Rules relating to settlement of transactions are set out in [Chapter 6 of the Membership Rules](#) and deal with, *inter alia*:

- trade confirmation between Members and the form, content and issue of a contract note when trading with non-members. The contract note is a certificate confirming the terms of



the sale of securities between two parties. For details of the content of contract notes see [Rules 6.2.2](#) and [6.2.3 of the Membership Rules](#);

- the method and timing of settlement (see below and [Rules 6.3](#) and [6.4 of the Membership Rules](#));
- responsibility for settlement (see [Rule 6.5 of the Membership Rules](#));
- partial and late settlement (see [Rule 6.6](#) and [6.8 of the Membership Rules](#));
- buying in (see below and [Rule 6.9 of the Membership Rules](#)); and
- the appointment of settlement agents (see [Rule 6.11 of the Membership Rules](#) for definition and functions of a settlement agent).

Method of settlement

TISE does not have its own in-house settlement system at the present time but instead requires that trading in shares is settled via Euroclear (incorporating CREST and CREST Residual), Clearstream or an alternative settlement system approved by the Exchange before listing. See [Rule 6.3 of the Membership Rules](#) for further information on method of settlement.

Timing of settlement

Under the Rules of the Exchange, the LMC shall determine the standard settlement period for each listed security, which in general follows market practice for the type of security concerned. For example, current market practice in the United Kingdom capital markets (nearest geographical market) is for the settlement of domestic and foreign equities on a T+2 basis (trade date plus two business days). This standard settlement period was shortened in 2014 to align with the European Union's Central Securities Depository Regulation ('CSDR') which aims to harmonise EU securities settlement cycles.

However, a TISE Trading Member may request an amendment to the standard settlement period for a security but the Listing and Membership Committee of TISEA is not obliged to accede to such a request. A change to a settlement period would then be published in the Official List and by other such means as would be determined by the Listing and Membership Committee.

Buying in

In the securities market, 'buying in' refers to a process by which the buyer of securities, whose seller fails to deliver the securities contracted for, can 'buy in' the securities from a third party with the defaulting seller to make good the difference between the two prices, if the 'buy in' price is higher than the original contract price.

Further information on settlement can be found in [Chapter 6 of the Membership Rules](#).



8. Additional information

Listed Securities

As at 30 October 2018, the total market value of all listed securities was GBP 340 billion (approximately US\$ 435 billion) and there were 2,692 securities listed by companies from 33 different jurisdictions (see Appendix 3).

The Official List of The International Stock Exchange can be found on the TISE website at <http://www.tisegroup.com/market/securities/>

Memberships and recognitions

TISEA has secured the following international memberships for TISE:

- [IOSCO](#) – Affiliate Member;
- [World Federation of Exchanges \('WFE'\)](#) – Affiliate Member

TISEA has secured the following recognitions for TISE:

- [Australian Securities Exchange \('ASX'\)](#) – Official recognition by ASX;
- [United Kingdom taxation authority HM Revenue & Customs \('HMRC'\)](#) – A Recognized Stock Exchange under Section 1005 of the Income Tax Act 2007;
- [Bundesanstalt fur Finanzdienstleistungsaufsicht \(German regulator 'BaFin'\)](#) – An approved market under s193 of the Capital Investment Act, KAGB (Kapitalanlagegesetzbuch).

Future plans

The Exchange intends to implement a new electronic trading platform in due course although thoughts are at an early stage with regard to this project and a number of options are being considered e.g. using an existing third party provider or licensing a system from another stock exchange as is often industry practice.

Conclusion

TISEA has each of the attributes specified in Rule 902(b)(2) of Regulation S for designation as a "designated offshore securities market". We hereby request that TISEA, and TISE, be designated as a "designated offshore securities market" for the purposes of Regulation S.

Should you have any questions or require additional information regarding this application, please do not hesitate to contact me.



Additional information may also be obtained from the website maintained by TISE www.tisegroup.com and the Guernsey Financial Services Commission www.gfsc.gg. The laws of Guernsey are available at www.guernseylegalresources.com.

Yours sincerely

/s/ Jonathan Richards

Jonathan Richards
Director, for and on behalf of The International Stock Exchange Authority Limited

30 October 2018



Appendix 1 – Scheme of Arrangement approved by the Royal Court of Guernsey with effect from 20 December 2013

SEE SEPARATE ATTACHMENT ENCLOSED WITH THIS APPLICATION.

Appendix 2 – GFSC List of Equivalent Jurisdictions

The Exchange’s list of ‘approved jurisdictions’ are those set out in Appendix C of the GFSC’s Handbook for Financial Services Businesses on Countering Financial Crime and Terrorist Financing (see below). Approved jurisdictions are countries or territories whose regulated financial services businesses may be treated as if they were local financial services businesses and the list is reviewed periodically with countries or territories being added as appropriate.

The approved jurisdictions and territories have in place standards to combat money laundering and terrorist financing consistent with the FATF Recommendations and where such financial services businesses are supervised for compliance with those requirements.

Issuers from jurisdictions other than those on the approved list below will be considered on a case by case basis, taking into consideration criteria such as FATF reports, country sanction lists, etc.

THE GUERNSEY FINANCIAL SERVICES COMMISSION HANDBOOK FOR FINANCIAL SERVICES BUSINESSES ON COUNTERING FINANCIAL CRIME AND TERRORIST FINANCING - [APPENDIX C](#) (last updated June 2017)

COUNTRIES OR TERRITORIES WHOSE REGULATED FINANCIAL SERVICES BUSINESSES MAY BE TREATED AS IF THEY WERE LOCAL [GUERNSEY] FINANCIAL SERVICES BUSINESSES

Australia	Italy
Austria	Japan
Belgium	Jersey
Bermuda	Latvia
Bulgaria	Liechtenstein
Canada	Lithuania
Cayman Islands	Luxembourg
Cyprus	Malta
Denmark	Netherlands
Estonia	New Zealand
Finland	Norway
France	Portugal
Germany	Singapore
Gibraltar	Slovenia
Greece	South Africa
Hong Kong	Spain
Hungary	Sweden
Iceland	Switzerland
Ireland	United Kingdom
Isle of Man	United States of America



Appendix C to the Handbook was established to reflect those countries or territories which the GFSC considers require regulated financial services businesses to have in place standards to combat money laundering and terrorist financing consistent with the FATF Recommendations and where such financial services businesses are supervised for compliance with those requirements. It was also designed as a mechanism to recognise the geographic spread of the customers of the Guernsey finance sector and is reviewed periodically with countries or territories being added as appropriate.

The fact that a country or territory has requirements to combat money laundering and terrorist financing that are consistent with the FATF Recommendations means only that the necessary legislation and other means of ensuring compliance with the Recommendations is in force in that country or territory. It does not provide assurance that a particular overseas financial services business is subject to that legislation, or that it has implemented the necessary measures to ensure compliance with that legislation.

Guernsey financial services businesses are not obliged to deal with regulated financial services businesses in the jurisdictions listed above as if they were local, notwithstanding that they meet the requirements identified in this Appendix. Guernsey financial services businesses should use their commercial judgement in considering whether or not to deal with a regulated financial services business and may, if they wish, impose higher standards than the minimum standards identified in the Handbook.

In accordance with the definition provided for in the Regulations an **'Appendix C business'** means :-

- (a) a financial services business supervised by the GFSC; or
- (b) a business which is carried on from :-
 - (i) a country or territory listed in Appendix C to the Handbook and which would, if it were carried on in the Bailiwick, be a financial services business; or
 - (ii) the United Kingdom, the Bailiwick of Jersey, the Bailiwick of Guernsey or the Isle of Man by a lawyer or accountant;

and, in either case is a business :-

- (A) which may only be carried on in that country or territory by a person regulated for that purpose under the law of that country or territory;
- (B) the conduct of which is subject to requirements to forestall, prevent and detect money laundering and terrorist financing that are consistent with those in the Financial Action Task Force Recommendations on Money Laundering in respect of such a business; and
- (C) the conduct of which is supervised for compliance with the requirements referred to in subparagraph (B), by the or an overseas regulatory authority.

The absence of a country or territory from the above list does not prevent the application of section 4.10.1 of the Handbook (reliable introductions by an overseas branch or member of the same group, subject to satisfactory terms of business).

Appendix 3 – Domiciles of securities listed on TISE

The following list reflects the range of domiciles of securities listed on TISE.*

Australia
Bahamas
Belgium
Bermuda
British Virgin Islands
Canada
Cayman Islands
Cyprus
Czech Republic
Denmark
England & Wales
France
Germany
Gibraltar
Guernsey
Hong Kong
Ireland
Isle Of Man
Italy
Jersey
Luxembourg
Malta
Marshall Islands
Mauritius
Netherlands
Northern Ireland
Norway
Peru
Scotland
Singapore
South Africa
Sweden
United States Of America

* (Information correct as at 30 October 2018)

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. THIS DOCUMENT CONTAINS A PROPOSAL WHICH, IF IMPLEMENTED, WILL RESULT IN THE TRANSFER OF BUSINESS FROM CISX TO CISEL AND CISEA AND THE ISSUE OF CISEL SHARES TO THE ORDINARY MEMBERS OF CISX.

PART II OF THIS DOCUMENT COMPRISES AN EXPLANATORY STATEMENT IN COMPLIANCE WITH PART VIII OF THE COMPANIES (GUERNSEY) LAW, 2008 (AS AMENDED).

If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser.

If you have sold or otherwise transferred all of your Interests in CISX, please send this document at once to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. If you have sold or transferred only part of your holding of CISX Interest, please consult the bank, stockbroker or other agent through whom the sale or transfer was effected.

PROPOSAL FOR A SCHEME OF ARRANGEMENT

between

THE CHANNEL ISLANDS STOCK EXCHANGE, LBG

and

THE CHANNEL ISLANDS SECURITIES EXCHANGE LIMITED

and

THE CHANNEL ISLANDS SECURITIES EXCHANGE AUTHORITY LIMITED

and

ORDINARY MEMBERS

(as hereafter defined)

pursuant to Part VIII
of the Companies (Guernsey) Law, 2008 (as amended)

Members should read carefully the whole of this document and the accompanying Forms of Proxy. Your attention is drawn to the letter from the Directors in Part I of this document, which contains the unanimous recommendation of the Directors that the Ordinary Members vote in favour of the Scheme at the Court Meeting and the Trustee Member and Guarantee Members vote in favour of the resolutions at the EGMs.

ACTION TO BE TAKEN

Notice of the Court Meeting, which will be held at 09:00 on 17 December 2013, is included at the end of this document. Notice of Extraordinary General Meetings of each of the Guarantee Members and the Trustee Member as separate classes, which will be held at 09:30 and 10:00 respectively on 17 December 2013, is included at the end of this document.

Members will find enclosed with this document a Form of Proxy for use by holders of Ordinary Shares in connection with the Court Meeting, a Form of Proxy for use by Guarantee Members in connection with the Guarantee Member EGM and a Form of Proxy for use by the holder of the Trustee Share in connection with the Trustee Member EGM. Whether or not you intend to attend the Meetings in person, please complete and sign the enclosed Form of Proxy applying to you in accordance with the instructions printed on it and return it to the Company Secretary as soon as possible and, in any event, so as to be received at least 48 hours before the time appointed for the relevant Meeting. If a Form of Proxy is not returned by the above time, it may be handed to the Chairman of the relevant Meeting before the start of that Meeting. The completion and return of a Form of Proxy will not prevent you from attending and voting in person at a Meeting, or any adjournment thereof, if you so wish and are so entitled.

Further information on the action to be taken in respect of the Meetings is set out on page 3 of this document and also in paragraph 6 of the Directors' letter in Part I of this document.

The distribution of this document in jurisdictions other than the Channel Islands may be restricted by law and therefore persons into whose possession this document comes should inform themselves about, and observe, such restrictions. Any failure to comply with the restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, each of CISX, CISEL and CISEA disclaims any responsibility or liability for the violation of such restrictions by any person. This document is not intended to and does not constitute an offer or an invitation to purchase or subscribe for any securities or a solicitation of an offer to buy any securities or the solicitation of any vote or approval pursuant to the Restructure or otherwise in any jurisdiction in which such offer, invitation or solicitation is unlawful.

The statements contained herein are made as at the date of this document, unless some other time is specified in relation to them, and service of this document shall not give rise to any implication that there has been no change in the facts set forth herein since such date. Nothing contained herein shall be deemed to be a forecast, projection or estimate of the future financial performance of CISX, CISEL or CISEA except where otherwise stated. No person should construe the contents of this document as legal, financial or tax advice but should consult their own advisers in connection with the matters contained herein.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

<u>Event</u>	<u>Time and/or date</u>
Latest time for lodging Forms of Proxy for Court Meeting	9:00 a.m. on 15 December 2013
Voting Record Time	6:00 p.m. on 15 December 2013
Court Meeting.....	9:00 a.m. on 17 December 2013
Latest time for lodging Forms of Proxy for Guarantee Member EGM	9:30 a.m. on 15 December 2013
Extraordinary Meeting of Guarantee Members as a separate class.....	9:30 a.m. on 17 December 2013
Latest time for lodging Forms of Proxy for Guarantee Member EGM	10:00 a.m. on 15 December 2013
Extraordinary Meeting of the Trustee Member as a separate class.....	10:00 a.m. on 17 December 2013
The following dates are subject to change (see note 1)	
Closing Date for Share Applications under the Offer	16 December 2013
Court Hearing and Effective Date of the Scheme	20 December 2013
Despatch of shareholding notifications in respect of CISEL Shares	21 December 2013

Unless otherwise stated, all references in this document to times are to Guernsey time.

1. These times and dates are indicative only and will depend, among other things, on the dates upon which the Court sanctions the Scheme and the date on which the Conditions are satisfied or, if capable of waiver, waived.

ACTION TO BE TAKEN

Voting at the Meetings

The Scheme will require approval at a meeting of Ordinary Members convened by order of the Court to be held at Old Government House Hotel, St Ann's Place, St Peter Port, GY1 2NU at 9:00 a.m. on 17 December 2013. Guarantee Members and the Trustee Member will also be asked to approve the Scheme at the EGMs.

You will find enclosed with this document:

- Form of Proxy for use at the Court Meeting in respect of the holders of Ordinary Shares;
- Form of Proxy for use at the Guarantee Member EGM in respect of the Guarantee Members; and
- Form of Proxy for use at the Trustee Member EGM in respect of the holder of the Trustee Share.

Whether or not Members intend to attend the Meetings, they are requested to complete and sign the enclosed Form of Proxy applying to them and return them in accordance with the instructions printed thereon. Completed Forms of Proxy should be returned to the Company Secretary, at The Channel Islands Stock Exchange, LBG, 1 Lefebvre Street, St Peter Port, Guernsey, GY1 4PJ as soon as possible and, in any event, so as to be received at least 48 hours before the time appointed for the relevant Meeting.

If the Forms of Proxy for use at the Meetings are not lodged by the required time, they may be handed to the Chairman of the Meeting before the start of such Meeting and will still be valid. The completion and return of a Form of Proxy will not prevent Members from attending and voting in person at a Meeting, or at any adjournment thereof, if they so wish and are so entitled.

It is important, at the Court Meeting, that as many votes as possible are cast so that the Court may be satisfied that there is a fair and reasonable representation of Member opinion. Ordinary Members are therefore strongly urged to sign and return their Forms of Proxy as soon as possible and in any event so as to be received at least 48 hours before the time of the Court Meeting.

Appointment of multiple proxies and multiple proxy voting instructions

Members are entitled to appoint a proxy in respect of some or all of their Interests. Members are also entitled to appoint more than one proxy. A space has been included in the Forms of Proxy to allow you to specify the number Interests in respect of which that proxy is appointed. If you return a Form of Proxy duly executed but leave this space blank you will be deemed to have appointed the proxy in respect of all of your Interests.

If you wish to appoint more than one proxy in respect of your Interests you should contact the Company Secretary for further Forms of Proxy or photocopy the Form of Proxy as required.

You may appoint more than one proxy in relation to a Meeting, provided that each proxy is appointed to exercise the rights attached to a different Interest or Interests held by you.

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PART I**LETTER FROM THE DIRECTORS OF
CHANNEL ISLANDS STOCK EXCHANGE, LBG (CISX)***Directors:*

Jon Moulton
Stephen Lansdown
Robert Christensen
Paul Cutts
Tim Herbert
Marcus Stone

Registered office:

1 Lefebvre Street
St Peter Port
Guernsey GY1 4PJ
Channel Islands

27 November 2013

To Members

Dear Member,

**RECOMMENDED TRANSFER OF BUSINESS FROM THE CHANNEL ISLANDS STOCK
EXCHANGE, LBG TO THE CHANNEL ISLANDS SECURITIES EXCHANGE LIMITED AND
THE CHANNEL ISLANDS SECURITIES EXCHANGE AUTHORITY LIMITED****1. Introduction**

On 14 October 2013, the Board announced that an on-going investigation by the GFSC into certain historical activities of CISX had, amongst other things, highlighted certain weaknesses in CISX's structure and its regulatory and statutory position. That announcement also stated that the Board would seek to effect a restructure of the corporate vehicle and the way it is regulated.

This letter sets out details of the proposed Restructure which is to be implemented by means of a scheme of arrangement under Part VIII of the Companies (Guernsey) Law, 2008 (as amended) (the **Scheme**).

This letter forms part of the Explanatory Statement, the purpose of which is to help Members reach an informed decision on whether to vote in favour of the Scheme at a Court Meeting when the Scheme proposals will be formally submitted to Ordinary Members for approval and at the EGMs when the Scheme proposals will be formally submitted to the Guarantee Members and the Trustee Member. The Explanatory Statement:

- (a) provides Members with background information in relation to the Scheme;
- (b) explains the advantages and disadvantages of the Scheme; and
- (c) explains the effect of the Scheme.

Words and expressions defined in the Scheme shall have the same meanings throughout this document.

In order to approve the Scheme, Ordinary Members will need to vote in favour of the Scheme at the Court Meeting to be held on 17 December 2013. Guarantee Members and the Trustee Member will also be asked to approve the Scheme at the EGMs also to be held on 17 December 2013. Details of the actions you should take, and the recommendation of the Directors, are set out in paragraphs 6 and 8 respectively of this letter.

I would urge you to read the whole of this document very carefully and take appropriate professional advice.

2. Background to and reasons for the Scheme

As articulated in the Board announcement dated 14 October 2013, CISX is the subject of investigations by the GFSC in respect of certain historic activities. The Board is unable to speak about the detail of the regulatory investigations.

The on-going nature of these investigations has led to a number of difficulties in the continued effective operation of the CISX including hindering efforts to recruit staff. In addition, the existing structure contains a number of restrictions which the Board does not regard as relevant or necessary in order to operate the CISX in a modern environment. One of the concerns expressed in relation to the existing structure relates to the conflict of interest in the same entity undertaking both marketing and regulation activities. Whilst this conflict has been managed in the past, the Board is strongly of the view that a clearer delineation of those activities would be in the interests of all stakeholders.

The regulatory investigation and matters related thereto may expose CISX to future liabilities. The large majority of the issuers listed on the CISX are unaffected by the regulatory investigation. The Market Authority of the CISX has already acted to suspend or delist any issuers in respect of which it has concerns.

The Board is aware of certain contingent liabilities, including: (i) possible regulatory fines from the GFSC which may be levied against CISX and / or certain previous and current directors and employees; (ii) the indemnities given by CISX to certain previous and current directors and employees in respect of the regulatory investigation; and (iii) a claim by CISX's former chief executive officer. It is possible that there will be future claims brought against CISX which may threaten its on-going viability.

On this basis, the Board proposes that there be a reorganisation of the CISX. A new structure, explained further below, has been established and, subject to the Scheme being approved, will house the business of the CISX and its on-going operations after the Effective Date. It is the view of the Board that the new structure will facilitate the effective and unhindered operation of the CISX, the split of commercial and regulatory activities, the participation of existing Members and allow further capital raising for investment into the long term future of the CISX.

The costs associated with the Restructuring are expected to be in the region of £330,000. These costs will be incurred irrespective of whether the Scheme is approved by Members and sanctioned by the Court. However, if the Scheme is sanctioned by the Court, there will be an increase to the balance sheet of the Company of approximately £83,000, leaving net assets in the region of £1.6 million. This ensures that creditors, including contingent creditors, will not be prejudiced by the Scheme. On a winding up, Members will be entitled to receive a distribution of any excess of assets over liabilities.

If the Scheme is not approved, it is the Directors intention that the CISX will be placed into liquidation.

Summary of the Scheme

It is intended that the Restructure, which is subject to the Conditions set out in Part III of this document, will be implemented by means of the Scheme, details of which are set out in Parts II, III and VI of this document.

The purpose of the Scheme is to modernise the structure which operates the CISX, to modernise the way in which the CISX is regulated and to allow the operation of the CISX by a vehicle which is not the subject of regulatory or civil claims. It is intended that a new company, The Channel Islands Securities Exchange Limited (**CISEL**) will be the parent of an operating subsidiary, The Channel Islands Securities Exchange Authority Limited (**CISEA**). CISEA will be responsible for all regulatory operational matters of the investment exchange. A request has been submitted to the States of Guernsey Policy Council to place an ordinance before the States of Guernsey to grant a limited statutory immunity in respect of the regulatory activities of CISEA. If such ordinance is passed, this would be an important difference to the existing framework surrounding CISX.

CISEL will be responsible for marketing and commercial matters. CISEL will also be the company in which members will receive shares as part of the Scheme and in respect of which the Offer will be made.

Pursuant to the Offer, CISEL will seek to raise up to £2.5 million to purchase the Business from CISX, to invest in the diversification and modernisation of the CISX and for on-going operational costs.

Following implementation of the Scheme, it is intended that CISX will wind down any remaining business and be placed into liquidation.

The Scheme provides for:

- i. The transfer by CISX to CISEA of the operation of the Official List, the listing authority, applications for listings, on-going obligations and all related matters in respect of issuers;
- ii. The transfer by CISX to CISEL of all other assets of the Business;
- iii. In consideration for the transfer by CISX of the Business, CISEL will pay CISX cash of £152,000 and issue to CISX 8,000 shares in CISEL (the **Consideration Shares**);
- iv. CISEL will also provide CISX with an indemnity of up to £500,000 for no more than three (3) years (or until the liquidation of CISX whichever is earlier) in respect of the indemnities provided by CISX to certain current and former directors and employees (the **Secondary Indemnity**);
- v. CISEA will issue shares to CISEL in consideration for CISEL paying the consideration due on transfer of the Business from CISX; and
- vi. CISX will make an in specie distribution to the Ordinary Members of record as at the Scheme Record Time of the Consideration Shares.

In conjunction with the Scheme, CISEL will make an offer (the **Offer**) to Ordinary Members, Guarantee Members and additional applicants selected by the Placement Agent to subscribe for shares in CISEL subject to approval of the Scheme.

(a) Transfer of the Business from CISX to CISEL and CISEA

With effect from the Effective Date, CISEA shall acquire the Business from CISX and CISEL and CISEA shall acquire the Assets.

All contracts between CISX and the Issuers are assignable and will be assigned to CISEA by operation of the Scheme; such Issuers shall be subject to the CISEA Listing Rules. All securities, notes and units of the Issuers transferred to CISEA shall be deemed admitted to listing on the CISEA Official List.

All Guarantee Members will be invited to apply to become a listing and / or trading member of CISEA and may then act as sponsor to Issuers with securities, notes or units listed on or seeking to list on the CISEA Official List (a **Sponsor**). Sponsors shall be subject to the CISEA Membership Rules. Please see Part V for further information.

All other assets for the operation of the Business will be transferred from CISX to CISEL or CISEA with effect from the Effective Date.

(b) Consideration for transfer of the Business

The consideration for the transfer of the Business shall be £160,000 paid as to £152,000 in cash and as to the balance by the issue to CISX of the Consideration Shares. CISEL will also provide the Secondary Indemnity to CISX. The value of the Business has been identified by reference to a valuation report prepared by KPMG. See Part IV for a copy of the Valuation Report.

(c) Scheme becoming effective

It is expected that (subject to the satisfaction or, where capable of being waived, waiver of the Conditions) the Court Hearing to sanction the Scheme will be held on 20 December 2013, and that the Effective Date will also be 20 December 2013.

If the Scheme becomes effective, it will be binding on all Ordinary Members, irrespective of whether they attended or voted at the Court Meeting.

Immediately following Court sanction of the Scheme, the Interests of Members in CISX will be unchanged. The Trustee Member will be issued a non-participating share in CISEL and the Ordinary Members and Guarantee Members will have been offered shares in CISEL. The Offer Shares will be issued and allotted after the Effective Date.

(d) The Offer

2,502,500 CISEL Shares are being made available under the Offer on the following terms:

- i. Each Guarantee Member will be entitled to subscribe for 1,500 CISEL Shares, which if fully taken up by the 55 existing Guarantee Members will amount to 82,500 Shares. Any Shares not subscribed for by a Guarantee Member will not be issued;
- ii. A total of 2,020,000 CISEL Shares will be made available to Ordinary Members and each Ordinary Member will be entitled to subscribe for one CISEL Share for each Ordinary Share held by them. Ordinary Members may also apply for CISEL Shares in excess of their entitlement under the Placement. An Ordinary Member need not apply for their full entitlement

and any CISEL Shares not applied for shall be made available for placement by the Placement Agent pursuant to the Placement;

- iii. Under the Placement, 400,000 CISEL Shares, and any CISEL Shares not applied for by Ordinary Members in accordance with their entitlements, shall be placed with such person or persons selected by the Placement Agent who have agreed to subscribe for CISEL Shares. The allocation of CISEL Shares available under the Placement shall be at the absolute discretion of the Placement Agent in consultation with the Board; and
- iv. The Offer is underwritten by the Underwriter. Any CISEL Shares not taken up by Ordinary Members or placed by the Placement Agent will be subscribed for by the Underwriter. For further details of the Offer, please see Part V of this document.

3. Provision for Creditors

CISX will, prior to the Effective Date, pay all trade and other creditors (excluding contingent creditors).

The Board is aware of certain contingent liabilities, including possible regulatory fines from the GFSC which may be levied against CISX and/or certain previous and current directors and employees.

CISX has provided limited indemnities to certain former Directors and employees in respect of liabilities arising in their role at CISX (the **Indemnities**). These Indemnities represent contingent liabilities of CISX until an Indemnity is called upon. CISX has made an allowance in respect of such liabilities and costs related to the regulatory investigation. Pursuant to the Scheme, the Secondary Indemnity will be provided to CISX by CISEL.

The Board is also aware of a claim by CISX's former chief executive officer.

It is possible that claims might arise in the future against CISX. As CISX is receiving fair value for the transfer of the Business, future creditors will not be prejudiced by the Scheme.

4. Management and employees

Conditional on the Scheme becoming effective, all employees and officers will be offered, on the same terms as their current employment with CISX, a position in CISEL or CISEA (as the case may be), depending on their current role. Each employee will be asked to agree in writing to the assignment of their contract of employment to CISEL or CISEA (as the case may be).

5. Taxation

The tax treatment in Guernsey of CISEA will be the same as CISX. Members should take tax advice if they are not sure of their position.

6. Action to be taken

Details of the approvals being sought at the Court Meeting and the EGMs are set out in paragraph 6(b) of Part II of this document.

You will find enclosed with this document:

- Form of Proxy for use at the Court Meeting in respect of the holders of Ordinary Shares;
- Form of Proxy for use at the Guarantee Member EGM in respect of the Guarantee Members; and
- Form of Proxy for use at the Trustee Member EGM in respect of the holder of the Trustee Share.

Whether or not Members intend to attend the Meetings, they are requested to complete and sign the enclosed Form of Proxy applying to them and return it in accordance with the instructions printed thereon. Completed Forms of Proxy should be returned to the Company Secretary, at The Channel Islands Stock Exchange, LBG, 1 Lefebvre Street, St Peter Port, Guernsey, GY1 4PJ as soon as possible and, in any event, so as to be received at least 48 hours before the time appointed for the relevant Meeting.

If the Forms of Proxy for use at the Meetings are not lodged by the required time, they may be handed to the Chairman of the Meeting before the start of such Meeting and will still be valid. The completion and return of a Form of Proxy will not prevent Members from attending and voting in person at a Meeting, or at any adjournment thereof, if they so wish and are so entitled.

It is important, at the Court Meeting, that as many votes as possible are cast so that the Court may be satisfied that there is a fair and reasonable representation of Member opinion. Ordinary Members are therefore strongly urged to sign and return their Forms of Proxy as soon as possible and in any event so as to be received at least 48 hours before the time of the Court Meeting.

7. Further information

Your attention is drawn to Part II of this document (being the explanatory statement provided pursuant to Section 108 of Part VIII of the Companies Law).

8. Recommendation

The Directors consider the terms of the Scheme to be fair and reasonable to Members and the creditors of CISX. The Directors who hold Ordinary Shares will vote in favour of the Scheme.

Accordingly, the Directors unanimously recommend Ordinary Members to vote in favour of the Scheme at the Court Meeting and Guarantee Members and the Trustee Member to vote in favour of the Scheme at the EGMs.

Yours faithfully,

Jon Moulton
Chairman

PART II
EXPLANATORY STATEMENT

(in compliance with Section 108 of Part VIII of the Companies Law)

RECOMMENDED TRANSFER OF BUSINESS FROM THE CHANNEL ISLANDS STOCK EXCHANGE, LBG TO THE CHANNEL ISLANDS SECURITIES EXCHANGE LIMITED AND THE CHANNEL ISLANDS SECURITIES EXCHANGE AUTHORITY LIMITED

1. Introduction

On 14 October 2013, the Board announced that an on-going investigation by the GFSC into certain historical activities of CISX had, amongst other things, highlighted certain weaknesses in CISX's structure and its regulatory and statutory position. That announcement also stated that the Board would seek to effect a restructure of the corporate vehicle and the way it is regulated.

The proposed Restructure is to be implemented by means of a scheme of arrangement under Part VIII of the Companies (Guernsey) Law, 2008 (as amended) (the **Scheme**).

Your attention is drawn to the letter from the Directors, set out in Part I of this document, which forms part of this Explanatory Statement. That letter contains, amongst other things, (a) information on the Restructure, (b) the unanimous recommendation by the Directors to Ordinary Members to vote in favour of the Scheme at the Court Meeting, and (c) the background to and reasons for that recommendation.

The Scheme is set out in full in Part VI of this document. Your attention is also drawn to the additional information set out in Part V of this document.

The Directors consider the Scheme to be fair and reasonable.

2. Summary of the Restructure

It is intended that the Restructure, which is subject to the Conditions set out in Part III of this document, will be implemented by means of the Scheme, details of which are set out in Parts II, III and VI of this document.

The Scheme provides for:

- i. The transfer by CISX to CISEA of the Business and the transfer of the Assets to CISEA and CISEL;
- ii. In consideration for the transfer to CISEA of the Business and the transfer of the Assets to CISEA and CISEL, CISEL will pay CISX cash in the sum of £152,000 and issue to CISX 8,000 shares in CISEL (the **Consideration Shares**);
- iii. CISEA will issue shares to CISEL in consideration for CISEL paying the consideration due on transfer of the Business from CISX;
- iv. CISX will make an in specie distribution of the Consideration Shares to the Ordinary Members of record as at the Scheme Record Time;

- v. CISEL will provide CISX with an indemnity of up to £500,000 for up to three (3) years from the Effective Date or until the liquidation of CISX (whichever is earlier) in respect of the Indemnities provided by CISX to certain current and former directors and employees (the **Secondary Indemnity**);

In conjunction with the Scheme, CISEL will make the Offer to Members and other applicants selected by the Placement Agent to subscribe for shares in CISEL with the issue and allotment of the Offer Shares being subject to approval of the Scheme.

The Offer will be made in order to secure the transfer of the Business, pay the expenses associated with the establishment of CISEL and CISEA, and to provide sufficient capital to operate the Business as well as to invest in the diversification and modernisation of the CISX. CISEL will seek to raise approximately £2,500,000 of new capital by way of the Offer.

Shares which are not subscribed for by Ordinary Members or placed by the Placement Agent as part of the Offer will be subscribed for and issued to the Underwriter who may transfer such shares in accordance with the CISEL Articles.

Each Guarantee Member will be offered the opportunity to subscribe for 1,500 Offer Shares which, if fully subscribed by the 55 existing Guarantee Members would amount to 82,500 Shares. A total of 2,020,000 CISEL Shares will be made available to Ordinary Members and each Ordinary Member will be entitled to subscribe for one CISEL Share for each Ordinary Share held by them. 400,000 CISEL Shares, and any CISEL Shares not applied for by Ordinary Members in accordance with their entitlements, may be placed with such person or persons selected by the Placement Agent.

It is intended that, following the implementation of the Scheme, CISX will wind down any remaining business and be placed into liquidation. The Directors do not expect there to be any Issuers left with CISX after the Effective Date, but if there are, they will remain with CISX pending receipt of the relevant international recognition. Members will be entitled to receive a distribution from liquidators to the extent CISX's assets exceed its liabilities at the conclusion of the liquidation.

Where an international regulatory recognition has not been received by the Effective Date, certain Issuers which the Directors are aware rely on such recognition may not be transferred to CISEA.

(a) Transfer of the Business from CISX to CISEA

With effect from the Effective Date, CISEL and CISEA shall acquire the Business from CISX. All contracts between CISX and the Issuers are assignable and will be assigned to CISEA by operation of the Scheme; such Issuers shall be subject to the CISEA Listing Rules. All securities, notes and units of the Issuers transferred to CISEA shall be deemed admitted to listing on the Exchange Authority Official List.

All current listing and / or trading members of CISX will be invited to apply to become a listing and/or trading member of CISEA and may then act as sponsor to Issuers with securities, notes or units listed on or seeking to list on the CISEA Official List and, on acceptance, shall be subject to the CISEA Membership Rules and the CISEA Listing Rules. The contracts between the Guarantee Members and CISX will remain in place pending the winding up of CISX.

All other assets for the operation of the Business will be transferred from CISX to CISEL and CISEA with effect from the Effective Date.

The Directors do not expect there to be any Issuers left with CISX after the Effective Date, but if there are, they will remain with CISX pending receipt of the relevant international recognition.

(b) Consideration for the transfer of the Business

Pursuant to the Valuation Report, the value of the Business is in the range of £30,000 to £130,000. The Valuation Report is contained in Part IV of this document.

The Directors believe that, in all the circumstances, a fair and reasonable price for the transfer of the Business is £160,000 (the **Consideration**). CISEA is the wholly owned subsidiary of CISEL. The Business will be transferred by CISX to CISEA and the Assets of CISX will be transferred to CISEL and CISEA and the Consideration will be paid by CISEL to CISX. As between CISEA and CISEL, CISEL will subscribe for shares in order to capitalise CISEA. CISEA will operate the investment exchange.

The Consideration shall be paid by CISEL to CISX as follows:

- i. As to £152,000 in cash; and
- ii. As to £8,000 by the issue to CISX of the Consideration Shares.

CISEL will also provide the Secondary Indemnity to CISX.

Following payment of the Consideration, CISX will make an in specie distribution to the Ordinary Members (on the register at the Scheme Record Time) of the Consideration Shares pro rata to their existing holdings of Ordinary Shares. In registering the interests of the Ordinary Members as holders of the Consideration Shares, CISEL will round fractions of shares up to the nearest share.

(c) Conduct of Business

With effect from the Effective Date:

- (a) CISEA shall be deemed to have been carrying on and to be carrying on all business and activities of the Business; and
- (b) all income accruing to the Business or losses arising or incurred by the Business in relation to the Business for the period commencing on the Effective Date shall, for all purposes, be treated as the profits or losses, as the case may be, of CISEA.

CISX shall continue, up to the Effective Date, to conduct the Business in the ordinary course.

(d) Group Structure

With effect from the Effective Date, Ordinary Members will become shareholders in CISEL by way of the in specie distribution of the Consideration Shares and all Members may become shareholders in CISEL through the Offer. CISEL has been established to act as the parent of CISEA and to carry out the commercial functions, including marketing and promotion, of the investment exchange. CISEL assets will include all of the issued share capital of CISEA. At the Effective Date CISEL will have only the contingent liability of the Secondary Indemnity. The directors of CISEL will be Jon Moulton, Stephen Lansdown, Robert Christensen, Paul Cutts, Tim Herbert and Marcus Stone.

CISEA will operate, regulate and run the investment exchange. CISEA will be regulated by the GFSC under the Protection of Investors (Bailiwick of Guernsey) Law, 1987. CISEA's

assets will include the investment exchange and the contracts with the Issuers and Sponsors. At the Effective Date, CISEA will have no liabilities. The directors of CISEA will be Diana Thompson, Georgina Sines and Mark Tubby.

(e) Regulatory Overview

CISEA has applied for a licence under the POI Law to operate an investment exchange. It is intended to ask the GFSC to approve the licence application prior to the Effective Date and to grant the full licence once the Scheme has been sanctioned by the Court and CISEA has been capitalised. In order to replicate the international regulatory recognition afforded to CISX, the following have been applied for:

- designation by HM Revenue & Customs as a Recognised Stock Exchange under Section 1005 of the Income Tax Act, 2007;
- approval as an Affiliate Member of the International Organisation of Securities Commissions;
- designation by the US Securities and Exchange Commission as a Designated Offshore Securities Market, within the meaning of Rule 902(b) under Regulation S of the Securities Act of 1933;
- admission as an Associate Member of the International Capital Market Services Association; and
- official recognition by the Australian Securities Exchange.

The current approval for CISX from UK Financial Conduct Authority as a Designated Investment Exchange (**DIE**) within the meaning of the Financial Services and Markets Act 2000 will not be replicated as the FCA is discontinuing the DIE regime.

(f) Issue of Shares in CISEL

Upon approval of the Scheme, the Consideration Shares and Offer Shares will be issued at par (£1.00) and allotted pursuant to the Scheme and the subscription applications received.

The Consideration Shares will be distributed in specie to Ordinary Members pro rata to their holdings in CISX. The Consideration Shares will be issued fully paid in the proportion of 1 Consideration Share for 252.5 CISEL Shares, rounded to the nearest whole number of shares so as to reach 8,000 CISEL Shares in total.

(g) Scheme becoming effective

It is expected that (subject to the satisfaction or, where capable of being waived, waiver of the Conditions) the Court Hearing to sanction the Scheme will be held on 20 December 2013, and that the Effective Date will also be 20 December 2013.

If the Scheme becomes effective, it will be binding on all Ordinary Members, irrespective of whether they attended or voted at the Court Meeting.

(h) Employees

Conditional on the Scheme becoming effective, all current employees and officers will be offered, on the same terms as their current employment with CISX, a position in CISEL or CISEA as relevant, depending on their current role. Each employee will be asked to agree

in writing to the assignment of their contract of employment to CISEL or CISEA as relevant, such assignment to be effected outside of, but simultaneous with the Scheme.

(i) Interim Arrangements

The Directors have identified the assets of CISX which are to be transferred to CISEL and CISEA pursuant to the Scheme and do not anticipate any issues with practical assignment thereof. Where consent is known to be necessary for the transfer of any asset, the Directors will seek to obtain such consent prior to the Court Hearing to sanction the Scheme. In the event any asset, contract, liability or property, which is a part of the Business, is not transferred to CISEL or CISEA upon the Effective Date, CISX, CISEL and CISEA undertake to take all necessary steps, and execute all necessary documents, to ensure the transfer of such asset, contract, liability or property to CISEL or CISEA forthwith. CISX, CISEL and CISEA agree that pending such transfer of such assets, contract and property to CISEL or CISEA, CISX shall hold such assets and property in trust for CISEL or CISEA, and shall put in place necessary arrangements to ensure that the benefit of such assets, contract and properties goes to CISEL or CISEA until the same is transferred to CISEL or CISEA.

(j) Remaining Business

The Directors do not expect there to be any Issuers left with CISX after the Effective Date, but if there are, they will remain with CISX pending receipt of the relevant international recognition.

3. Financial effects of the Restructure

The costs associated with the Restructuring are expected to be in the region of £330,000. These costs will be incurred irrespective of whether the Scheme is approved by Members and sanctioned by the Court. However, if the Scheme is sanctioned by the Court, there will be an increase to the balance sheet of the Company of approximately £83,000 leaving net assets in the region of £1.6 million. This ensures that creditors, including contingent creditors, will not be prejudiced by the Scheme. On a winding up, Members will be entitled to receive a distribution of any excess of assets over liabilities.

4. Provision for Creditors

All known creditors of CISX will be paid prior to the Effective Date. Contingent Creditors will have recourse to the assets of CISX which will not be diminished as a result of the Scheme.

5. The Directors and the effect of the Scheme on their interests

Details of the interests of the Directors in the share capital of CISX are set out in paragraph 4 of Part V of this document. Ordinary Shares held by the Directors will be subject to the Scheme.

The effect of the Scheme on the interests of the Directors does not differ from its effect on the interests of any other Shareholder.

6. The Restructure

(a) *Introduction*

The Restructure is to be effected by means of a scheme of arrangement between CISX, CISEL, CISEA and the Ordinary Members under Part VIII of the Companies Law. The Scheme is set out in full in Part VI of this document. The purpose of the Scheme is to provide for the transfer of the Business from CISX to CISEA and the transfer of the Assets to CISEL and CISEA and for the Ordinary Members to be given the same proportional interest in the Consideration Shares as they hold in CISX. The Trustee Member will subscribe for the Non-Participating Share in CISEL, and under the Offer the Guarantee Members will each be entitled to subscribe for up to 1,500 CISEL shares. A total of 2,020,000 CISEL Shares will be made available to Ordinary Members and each Ordinary Member will be entitled to subscribe for one CISEL Share for each Ordinary Share held by them. 400,000 CISEL Shares, and any CISEL Shares not applied for by Ordinary Members in accordance with their entitlements, may be placed with such person or persons selected by the Placement Agent.

In consideration for the transfer of the Business from CISX to CISEA and the transfer of the Assets to CISEL and CISEA, CISEL will pay the Consideration to CISX.

The Scheme will require the approval of Ordinary Members at the Court Meeting. The Scheme will also require the sanction of the Court and the satisfaction or, if capable of being waived, waiver of the other Conditions set out in Part III of this document.

Upon the Scheme becoming effective, it will be binding on all Ordinary Members, irrespective of whether or not they attended or voted at the Court Meeting.

(b) *The Court Meeting*

Notice of the Court Meeting is set out in Part VIII of this document. Entitlement to attend and vote at this meeting and the number of votes which may be cast will be determined by reference to the register of Ordinary Members as at the Voting Record Time.

The Court Meeting, which has been convened for 17 December 2013, is being held at the direction of the Court to seek the approval of Ordinary Members for the Scheme.

At the Court Meeting, voting will be by way of poll and each holder of Ordinary Shares present in person or by proxy will be entitled to 0.001 votes for each Ordinary Share held.

The approval required at the Court Meeting is a majority in number of the Ordinary Members who are present and vote, either in person or by proxy, and who represent 75 per cent. or more in value of the Ordinary Members. **It is important that as many votes as possible are cast so that the Court may be satisfied that there is a fair and reasonable representation of Member opinion.**

Forms of Proxy for the Court Meeting should be returned to CISX Secretary as soon as possible and, in any event, so as to be received 48 hours before the time appointed for the Court Meeting. If the Forms of Proxy for use at the Meeting are not returned by the above time, they may be handed to the Chairman of the Meeting before the start of the Meeting. The completion and

return of a Form of Proxy will not prevent Ordinary Members from attending and voting in person at the Court Meeting, or at any adjournment thereof, if they so wish and are so entitled.

No Court Meeting will be held for the Guarantee Members or for the Trustee Member as, although the Scheme will effect a transfer of the Business, there is no compromise (within the meaning of the Companies Law) which affects them. Guarantee Members will be invited to apply to become a Sponsor of CISEA (whilst leaving in place their contract with CISX), to participate in the Offer and to indicate their support of the Directors' decision to implement the Restructure by voting at an extraordinary class meeting of the Guarantee Members as a separate class. The Trustee Member will subscribe for the Non-Participating Share in CISEL and will be invited to indicate its support of the Directors' decision to implement the Restructure by voting at an extraordinary class meeting.

(c) *Conditions to the Restructure*

The Conditions to the Restructure are summarised in paragraph 9 of this Part II below and set out in full in Part III of this document

(d) *The Court Hearing*

Under the Companies Law, the Scheme requires the sanction of the Court. The Court Hearing to sanction the Scheme is expected to be held on 20 December 2013 (subject to the satisfaction or waiver of the other Conditions).

The Scheme will become effective in accordance with its terms upon being sanctioned by the Court.

If the Scheme becomes effective, it will be binding on all Ordinary Members irrespective of whether they attended or voted in favour of the Scheme at the Court Meeting. If the Scheme does not become effective by 31 December 2013 (or such later date (if any) as CISX and CISEL may agree), the Scheme will not become effective and the Restructure will not proceed.

(e) *Modifications to the Scheme*

The Scheme contains a provision for CISX, CISEL and CISEA to consent jointly (on behalf of all persons affected) to any modification of, or addition to, the Scheme or to any condition approved or imposed by the Court. The Court would be unlikely to approve any modification of, or additions to, or impose a condition to the Scheme which would be material to the interests of Members unless Members were informed of any such modification, addition or condition. It would be a matter for the Court to decide, in its discretion, whether or not a further meeting of Members should be held in these circumstances. Similarly, if a modification, addition or condition is put forward which, in the opinion of the Directors, is of such a nature or importance that it requires the consent of Members, the Directors will not take the necessary steps to enable the Scheme to become effective unless and until such consent is obtained.

7. CISEL Shares

The CISEL Shares to be delivered as consideration under the Restructure and the subject of the Offer will be fully paid free from all liens, charges, equitable interests, encumbrances and other third party rights and interests of any nature whatsoever. A summary of the principal rights attaching to the CISEL Shares is set out in Part VI of this document.

8. Taxation

The tax treatment in Guernsey of CISEL and CISEA will be the same as CISX.

CISX has applied or will apply, on behalf of CISEA, for all Guernsey and international regulatory licences, recognitions and consents, which are currently in place for CISX except for the FCA's approval as a Designated Investment Exchange, which regime is being discontinued by the FCA.

Members who are in any doubt about their taxation position, or who are subject to taxation in a jurisdiction outside of Guernsey are strongly advised to contact an appropriate professional independent financial adviser immediately.

9. Conditions

The Scheme is subject to the Conditions set out in full in Part III of this document. In summary, implementation of the Scheme is conditional upon:

- (a) its approval by a majority in number representing not less than three-fourths in value of the Ordinary Members present and voting, either in person or by proxy, at the Court Meeting or at any adjournment of any such meeting;
- (b) the sanction of the Scheme with or without modification (but subject to any such modification being acceptable to CISX, CISEL and CISEA) by the Court;
- (c) CISEA obtaining the approvals, recognitions and memberships described in paragraph 2(c) of Part III; and
- (d) the other Conditions (set out in Part III of this document) which are not otherwise summarised above being satisfied or, if capable of being waived, waived.

10. Action to be taken

Your attention is drawn to paragraph 7 of the letter from the Directors set out in Part I of this document which explains the actions you should take in relation to the Scheme.

11. Further information

The Scheme is set out in full in Part VI of this document. Your attention is also drawn to the further information contained in this document and, in particular, to the Conditions to the implementation of the Scheme and Restructure in Part II, the financial information on CISX in Part IV, the information on CISEL Shares in Part V and the additional information set out in Part V of this document.

Yours faithfully

.....
 Jon Moulton
 Chairman of the board of directors,
 The Channel Island Stock Exchange, LBG

PART III

CONDITIONS TO THE IMPLEMENTATION OF

THE SCHEME AND THE RESTRUCTURE

- 1 The Restructure is conditional upon the Scheme becoming effective by no later than 31 December 2013, or such later date (if any) as CISX, CISEL and CISEA may agree and the Court may allow.
- 2 The Scheme is conditional upon:
 - (a) its approval by a majority in number representing not less than three-fourths in value of the Ordinary Members present and voting, either in person or by proxy, at the Court Meeting or at any adjournment of any such meeting; and
 - (b) the sanction of the Scheme with or without modification (but subject to any such modification being acceptable to CISX, CISEL and CISEA) by the Court.

In addition, CISX, CISEL and CISEA have agreed that the Scheme is conditional upon the following conditions and, accordingly, the necessary actions to make the Scheme effective will not be taken unless the following conditions (as amended if appropriate) have been satisfied or waived by CISX, CISEL and CISEA:

- (c) CISEA obtaining the following:
 - approval from the GFSC of the licence application to operate an investment exchange under The Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended (although the licence would not be issued until the Scheme is sanctioned);
 - designation by HM Revenue & Customs as a Recognised Stock Exchange under Section 1005 of the Income Tax Act, 2007;
 - approval as an Affiliate Member of the International Organisation of Securities Commissions;
 - designation by the US Securities and Exchange Commission as a Designated Offshore Securities Market, within the meaning of Rule 902(b) under Regulation S of the Securities Act of 1933;
 - admission as an Associate Member of the International Capital Market Services Association; and
 - official recognition by the Australian Securities Exchange.

The current approval for CISX from UK Financial Conduct Authority as a Designated Investment Exchange (**DIE**) within the meaning of the Financial Services and Markets Act 2000 will not be replicated as the FCA is discontinuing the DIE regime.

- (d) The enactment of an ordinance by the States of Guernsey pursuant to section 37 of the POI Law providing for an exclusion of liability for certain activities of CISEA in respect of anything done or omitted to be done after the commencement of the ordinance in the discharge or purported discharge of any of the functions conferred on CISEA under the POI Law.

- (e) The Secondary Indemnity being in place between CISEL and CISX.
- (f) The existing trade debts of CISX being paid.

The Scheme will be governed by the laws of the island of Guernsey and be subject to the jurisdiction of the Royal Court.

PART IV**FINANCIAL INFORMATION ON CHANNEL ISLANDS STOCK EXCHANGE, LBG**

The following financial information is appended to this Scheme Document at Appendix 1

- Section 1: Valuation of CISX prepared by KPMG Channel Islands Limited.**
- Section 2: Audited financial information for the financial year ended 31 December 2012.**
- Section 3: Interim Accounts for the period to 30 June 2013.**
- Section 4: Management Accounts for the period from 1 January 2013 to 31 October 2013.**

The financial information, and notes thereto, in section 3 of this Part IV have been extracted, without material adjustment, from the audited financial statements of CISX and accompanying notes for the year ended 2012.

The financial information in this Part IV has been prepared in accordance with UK GAAP.

PART V

ADDITIONAL INFORMATION

1. Responsibility statement

The Directors, whose names are set out in paragraph 2(a) below, accept responsibility for all the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are respectively responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. CISX

(a) Current (prior to restructure)

CISX is a company limited by guarantee with 55 Guarantee Members (there are 4 Guarantee Members which have resigned as CISX Sponsor Members or CISX Trading Members, which are included in this figure); 49 Ordinary Members with 2,020,000 Ordinary Shares in issue and One Trustee Member. CISX is licensed by the GFSC under the POI Law to operate an investment exchange. Other regulatory recognition:

- designation by HM Revenue & Customs as a Recognised Stock Exchange under Section 1005 of the Income Tax Act, 2007;
- approval from UK Financial Conduct Authority as a Designated Investment Exchange *within the meaning of the Financial Services and Markets Act 2000;
- approval as an Affiliate Member of the International Organisation of Securities Commissions;
- designation by the US Securities and Exchange Commission as a Designated Offshore Securities Market, within the meaning of Rule 902(b) under Regulation S of the Securities Act of 1933;
- admission as an Associate Member of the International Capital Market Services Association; and
- official recognition by the Australian Securities Exchange.

The board of directors is: Jon Moulton (Chairman), Stephen Lansdown, Robert Christensen, Paul Cutts, Tim Herbert, and Marcus Stone.

Post Restructure

After the Restructure, CISX will have the same number of Guarantee Members, Ordinary Members and Trustee Members, but will not have any assets other than cash.

Where an international regulatory recognition has not been received by the Effective Date, certain Issuers which the Directors are aware rely on such recognition may not be transferred to CISEA. The Directors do not expect there to be any such cases, but if there are, they will remain with CISX pending receipt of the relevant international recognition.

It is intended to ask the Members to vote on a resolution for a voluntary winding up as soon as possible after the Effective Date.

3. CISEL and CISEA

CISEL will be the holding company of CISEA. CISEL will be responsible for the day-to-day administration and marketing operations of the investment exchange operated by CISEA. CISEL will not hold any regulatory licence or recognitions. The board of directors of CISEL will comprise Jon Moulton, Stephen Lansdown, Robert Christensen, Paul Cutts, Tim Herbert and Marcus Stone. CISEL has no material contracts as at the date hereof.,

CISEA will be responsible for the regulated operations of the investment exchange, which will include:

- listings approvals and associated continuing obligations;
- member approvals and continuing obligations; and
- market surveillance functions, to include compliance, money laundering reporting and all regulatory risk

CISEA will be licensed by the GFSC under the POI Law to operate an investment exchange and has applied for the same regulatory recognitions as CISX holds (as listed above in paragraph 2 C/SX), save for the FCA's recognition as a Designated Investment Exchange which recognition regime has been discontinued. The board of directors of CISEA is Georgina Sines, Diana Thompson and Mark Tubby.

CISEA has no material contracts as at the date hereof.

4. Director Interests

Jon Moulton is a director of CISX and has a small shareholding in Ravenscroft Limited.

Paul Cutts is a director of CISX and managing director of Northern Trust International Fund Administration Services (Guernsey) Limited which is a Category 1 and 2 sponsor of CISX and is entitled to apply for Shares under the Offer.

Marcus Stone is a director of CISX and jointly holds 1,000 shares in CISX. Marcus is a partner of the firm Hatstone Lawyers in Jersey. Hatstone Listing Services Limited is a Category 1, 2 and 3 sponsor of CISX and is entitled to apply for Shares under the Offer.

Stephen Lansdown is a director of CISX. Stephen is a director of Pula Limited which is the parent company of Pula Investments Limited which holds approximately 3 per cent of the shares in CISX and 10 per cent of the issued shares in Ravenscroft Limited.

Tim Herbert is a director of CISX. Tim holds 10,000 shares in CISX.

Robert Christensen is a director of CISX. Robert is a director of Volaw Trust & Corporate Services Limited. Volaw Corporate Finance Limited is a Category 1 sponsor of CISX and is entitled to apply for Shares under the Offer.

A list of the directorships currently held and during the five years preceding the date of this document is available from the registered office of CISX. Further interests in relation to the Offer are disclosed in the Offer Document.

5. Sponsor Obligations, Membership Rules and Listing Rules

In order for CISEA to operate the exchange upon the Scheme becoming effective, it will need to implement the CISEA Membership Rules in respect of Sponsors and the CISEA Listing Rules which will govern Issuers and the listing of their securities, notes or units. It is intended that these will be based on the Membership and Listing Rules which are currently in existence and used by CISX with the following material differences:

- (a) Sponsors and Trading Members will not be Members of CISX but will instead be invited to become Ordinary Members of CISEA;
- (b) All references to the CISX Articles as they relate to obligations or requirements for Members will be removed;
- (c) References to the Market Authority will be replaced with references to the Membership and Listing Committee which will comprise a committee established by the directors of CISEA for the purposes of discharging the functions of the Market Authority;
- (d) Any amendments to the CISEA Membership Rules may be made by the directors of CISEA in contrast with the ordinary resolution of Members as required by the CISX Membership Rules;
- (e) In the case of a new applicant under Chapter 8 of the CISEA Listing Rules, a declaration and undertaking (in the form set out in Appendix IV, Appendix V or Appendix V(a) as applicable (**Directors' Declaration**)) duly signed by each director and proposed director or corporate equivalent, must be submitted as part of initial application documents. Directors' Declarations will also need to be accompanied by specified proof of identity documentation;
- (f) The definition of 'associate' will be amended to include the civil partner of a director or controlling shareholders;
- (g) A definition for a Listing Member will be added to the CISEA Listing Rules;
- (h) The definition of Appeals Committee will be added to the CISEA Listing Rules;
- (i) Appeals against a decision of the Listing and Membership Committee will be made to the Appeals Committee instead of the directors of CISEA;
- (j) The requirement to publish in a newspaper in Guernsey or Jersey a notice of a tender offer, the results of a rights issue, offer for subscription or offer for sale and a summary of a substantial, disclosable or connected transaction will be removed;
- (k) An issuer of debt securities under Chapter 8 will be required to provide audited accounts.

The Membership and Listing Committee will be able to delegate its functions to employees or sub-committees.

6. Placing Agent and Underwriter Interests

Ravenscroft Limited is Underwriter and Placement Agent under the Offer. The fees of Ravenscroft Limited for acting as Underwriter and Placement Agent are described in the Offer Document. The issued shares of Ravenscroft Limited are listed on CISX. Ravenscroft Limited is a Category 1, 2 and 3 sponsor of CISX, a trading member of CISX and is entitled to apply for Shares under the Offer.

7. GFSC MOU

The GFSC and CISEA will enter into a memorandum of understanding pursuant to which they will agree to co-operate together to promote high standards of regulation in order to maintain just, efficient and sound markets, exchange information in order to promote the development of domestic markets, co-operate to establish standards and an effective surveillance of international securities transactions, and provide mutual assistance to promote the integrity of the markets by effective application of standards and enforcement.

8. Offer

Under the Offer (which is underwritten), the Members of CISX and applicants selected by the Placement Agent are being given the opportunity to subscribe for ordinary shares in CISEL at a subscription price of £1.00 each.

2,502,500 CISEL Shares are being made available under the Offer on the following terms:

- i. Each Guarantee Member will be entitled to subscribe for 1,500 CISEL Shares. Any Shares not subscribed for by a Guarantee Member will not be issued;
- ii. A total of 2,020,000 CISEL Shares will be made available to Ordinary Members and each Ordinary Member will be entitled to subscribe for one CISEL Share for each Ordinary Share held by them. Ordinary Members may also apply for CISEL Shares in excess of their entitlement under the Placement. An Ordinary Member need not apply for their full entitlement and any CISEL Shares not applied for shall be made available for placement by the Placement Agent pursuant to the Placement;
- iii. Under the Placement, 400,000 CISEL Shares, and any CISEL Shares not applied for by Ordinary Members in accordance with their entitlements, shall be placed with such person or persons selected by the Placement Agent who have agreed to subscribe for CISEL Shares. The allocation of CISEL Shares available under the Placement shall be at the absolute discretion of the Placement Agent in consultation with the Board; and
- iv. The Offer is underwritten by the Underwriter. Any CISEL Shares not taken up by Ordinary Members or placed by the Placement Agent will be subscribed for by the Underwriter.

The number of Shares Ordinary Members and Guarantee Members are eligible to apply for will be included in the application form provided to them although Ordinary Members may apply for Shares in excess of their entitlement under the Placement. The maximum number of Offer Shares in aggregate available under the Offer is 2,502,500.

The Underwriter and Placement Agent has agreed, subject to the terms and conditions of the Underwriting and Placement Agreement, to subscribe for any Offer Shares not taken up by Ordinary Members or placed by the Placement Agent.

9. Information on CISEL

(1) CISEL

CISEL was incorporated with limited liability in Guernsey on 14 November 2013 under the Companies Law, with registered number 57524. The registered office of CISEL and address for the Directors and its secretary is 1 Lefebvre Street, St Peter Port, Guernsey, GY1 4PJ. Since its incorporation, CISEL has not commenced operations and no financial statements in respect of it have been made up.

On incorporation, CISEL was formed with the issue of one Share of £1.00 which was issued to an employee of CISX. A special resolution redesignating this share as the Non-Participating Share to be held by the States of Guernsey has been passed, conditional on the Scheme becoming effective.

(2) The Shares

The Shares are ordinary shares with a par value of £1.00 each. All Shareholders are entitled to the benefit of and are bound by the provisions of the Memorandum and Articles of Incorporation of CISEL which contain the following rights and restrictions in relation to the Shares:

- (i) the liability of each Shareholder will be limited to the amount, if any, for the time being unpaid on the Shares held by them;
- (ii) there are pre-emptive rights contained in the Articles which apply to the issue of shares but these have been dis-applied to permit the issue of the Offer Shares and also any Shares issued to CISX under the terms of the Scheme. In addition, the Board may, in any twelve (12) month period, issue up to twenty (20) per cent of the number of shares already in issue in CISEL and, in respect of which, the pre-emption rights in the Articles will not apply;
- (iii) Shareholders may transfer Shares by an instrument of transfer in writing in a form accepted by the Directors;
- (iv) Shareholders have no right to require CISEL to redeem or purchase any of their Shares prior to the winding up of CISEL;
- (v) Shareholders are entitled to receive notice, attend, count in the quorum and vote at general meetings, provided that all calls due from them have been paid. On a show of hands, Shareholders present in person or by proxy shall each have one vote and on a poll, Shareholders present in person or by proxy shall have one vote for each Share which they hold;
- (vi) Shareholders are entitled to receive dividends pro rata to the number of Shares which they hold, as and when they are declared by the Directors; and
- (vii) on the winding up of CISEL, assets available for distribution shall be distributed to Shareholders according to the number of Shares held by each Shareholder.

(3) Summary of the Memorandum and Articles of Incorporation

The Memorandum provides that CISEL's objects are unrestricted and it shall therefore have the full power and authority to carry out any object not prohibited by the Companies Law or any other applicable laws.

The Articles contain provisions, among others, to the following effect:

(a) Share Capital

The authorised share capital of CISEL is:

£5,000,000 divided into 5,000,000 Ordinary Shares of £1.00 each; and
£1.00 divided into 1 Non-Participating Share of £1.00.

The Non-Participating Share shall only be issued at par value and only to the Non-Participating Member or its nominee.

(b) Non-Participating Member Consent

The following actions shall only be undertaken by CISEL if approved in writing by the Non-Participating Member:

- (i) amendment, addition, change, modification or deletion of this paragraph;
- (ii) removal of CISEL or any subsidiary of CISEL from the register of companies in Guernsey for the purpose of becoming incorporated under the law of another district, territory or place;
- (iii) a change of location of the principal place of business of CISEL or any subsidiary of CISEL to a place other than within the Bailiwick of Guernsey;
- (iv) a sale or transfer of shares in any subsidiary of CISEL;
- (v) the passing of any resolution by the Members which would have the effect of allowing any subsidiary of CISEL to pass into new ownership, including, for the avoidance of doubt, any reconstruction, conversion to a different corporate structure, amalgamation or any resolution to wind up CISEL; or
- (vi) a change of name.

(c) Winding up

CISEL shall be wound up in any of the circumstances specified in the Companies Law and assets available for distribution to Members (excluding the Non-Participating Member) shall, subject to any special terms of issue, be distributed according to the number of shares held by each Member (excluding the Non-Participating Member).

If CISEL shall be wound up, whether voluntarily or otherwise, the Liquidator may, with the sanction of a special resolution, divide among the Members (excluding the Non-Participating Member) in specie any part of the assets of CISEL and may, with the like sanction, vest any part of the assets of CISEL in trustees upon such trusts for the benefit of the Members (excluding the Non-Participating Member) as the Liquidator, with the like sanction, shall think fit.

(d) Dividends

Subject to compliance with Section 304 of the Companies Law, the Board may at any time declare and pay such dividends as appear to be justified by the position of CISEL. The Board may also declare and pay any fixed dividend which is payable on any shares of CISEL half-yearly or otherwise on fixed dates whenever the position in the opinion of the Board so justifies.

The method of payment of dividends shall be at the discretion of the Board.

No dividend shall be paid in excess of the amounts permitted by the Companies Law or approved by the Board.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall be declared and paid pro rata according to the number of shares held by each Member (excluding the Non-Participating Member).

With the sanction of CISEL (excluding the Non-Participating Member) in general meeting, any dividend may be paid wholly or in part by the distribution of specific assets and, in particular, of paid-up shares of CISEL.

No dividend or other moneys payable on or in respect of a share shall bear interest against CISEL.

(e) Transfer

All transfers of shares by Members (except for the Non-Participating Member) may be effected by transfer in writing in any form as the Board may accept. Any instrument of transfer shall be signed by or on behalf of the transferor who shall be deemed to remain the holder until the name of the transferee is entered in the Register. A transfer in respect of shares which are not fully paid shall also be signed by the transferee.

The Board may, in their discretion and without assigning any reasons, refuse to register a transfer of any share to any person of whom they shall not approve as transferee. If the Board refuse to register a transfer of any share, they shall send to the transferee notice of refusal within a reasonable period.

The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine provided that such registration of transfers shall not be suspended for more than thirty (30) days in any year.

(f) Notice of General Meetings and Voting

- (1) A general meeting of CISEL (other than an adjourned meeting) must be called by notice of at least ten (10) clear days.
- (2) A general meeting may be called by shorter notice than otherwise required if all the Members entitled to attend and vote so agree.
- (3) Notices and other documents may be sent in electronic form or published on a website in accordance with Section 208 of the Companies Law.
- (4) Notice of a general meeting of CISEL must be sent to every Member entitled to attend and vote thereat and every Director.
- (5) In paragraph (4) above, the reference to Members includes only persons registered as a Member.

- (6) Notice of a general meeting of a company must state the time and date of the meeting, state the place of the meeting specify any special business to be put to the meeting (as defined in the Articles), contain the information required under Section 178(6)(a) of the Companies Law in respect of a resolution which is to be proposed as a special resolution at the meeting, contain the information required under Section 179(6)(a) of the Companies Law in respect of a resolution which is to be proposed as a waiver resolution at the meeting and contain the information required under Section 180(3)(a) of the Companies Law in respect of a resolution which is to be proposed as a unanimous resolution at the meeting.
- (7) Notice of a general meeting must state the general nature of the business to be dealt with at the meeting.
- (8) On a show of hands, every Member (excluding the Non-Participating Member) present in person or by proxy shall have one vote subject to any special voting powers or restrictions. On a poll, every Member (excluding the Non-Participating Member) present in person or by proxy shall have one vote for each share held by him subject to any special voting powers or restrictions.

(g) Conflict of Interests

A Director must, immediately after becoming aware of the fact that he is interested in a transaction or proposed transaction with CISEL, disclose such interest to the Board in accordance with Section 162 of the Companies Law, but may still vote on a matter relating to the transaction; attend a meeting of Directors at which a matter relating to the transaction arises and be included among the Directors present at the meeting for the purpose of a quorum; sign a document relating to the transaction on behalf of CISEL; and do any other thing in his capacity as a Director in relation to the transaction; as if the Director was not interested in the transaction.

(h) Remuneration and Disqualification of Directors

The ordinary remuneration of the Directors who do not hold executive office for their services (excluding amounts payable under any other provision in the Articles) shall not exceed in aggregate £200,000 per annum or such higher amount as CISEL may from time to time by ordinary resolution determine. Such remuneration shall be deemed to accrue from day to day.

The Directors shall also be entitled to be repaid all reasonable out of pocket expenses properly incurred by them in or with a view to the performance of their duties or in attending meetings of the Board or of committees or general meetings.

(i) Indemnity

The Directors, Secretary and officers for the time being of CISEL and their respective heirs and executors shall, to the extent permitted by Section 157 of the Companies Law, be fully indemnified out of the assets and profits of CISEL from and against all actions expenses and liabilities which they or their respective heirs or executors may incur by reason of any contract entered into or any act in or about the execution of their respective offices or trusts except such (if any) as they shall incur by or through their own negligence, default, breach of duty or breach of trust respectively and none of them shall be answerable for the acts receipts neglects or defaults of the others of them or for joining in any receipt for the sake of conformity or for any bankers or other person with whom any moneys or assets of CISEL may be lodged or deposited for safe custody or for any bankers or other

persons into whose hands any money or assets of CISEL may come or for any defects of title of CISEL to any property purchased or for insufficiency or deficiency of or defect in title of CISEL to any security upon which any moneys of CISEL shall be placed out or invested or for any loss misfortune or damage resulting from any such cause as aforesaid or which may happen in or about the execution of their respective offices or trusts except the same shall happen by or through their own negligence, default, breach of duty or breach of trust.

(j) Proceedings

- (1) The Board may meet for the dispatch of business adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes the chairman at the meeting shall have a second or casting vote.
- (2) All meetings of the Board shall be held in Guernsey or Jersey and any meeting held outside Guernsey or Jersey shall be invalid and of no effect.
- (3) The quorum necessary for the transaction of the business of the Board may be fixed by the Board and unless so fixed shall be two (2) except that where the minimum number of Directors has been fixed at one a sole Director shall be deemed to form a quorum. For the purposes of this Article an alternate appointed by a Director shall be counted in a quorum at a meeting at which the Director appointing him is not present.
- (4) The Board may delegate any of their powers to committees consisting of such one or more Directors as they think fit. Any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Board.

(k) Borrowing

The Board may exercise all the powers of CISEL to borrow money and to mortgage, hypothecate, pledge or charge all or part of its undertaking property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any liability or obligation of CISEL or of any third party.

10. Documents available for inspection

Copies of the following documents will be available for inspection at the offices of CISX, 1 Lefebvre Street St Peter Port Guernsey GY1 4PJ during usual business hours on any Business Day prior to the Effective Date:

- a. the memorandum and articles of incorporation of CISX;
- b. the memorandum and articles of incorporation of CISEL;
- c. the memorandum and articles of incorporation of CISEA;
- d. the audited accounts of CISX for the year ended 31 December 2012;
- e. the interim accounts of CISX for the period to 30 June 2013 and the management accounts of CISX for the period from 1 January 2013 to 31 October 2013;
- f. The Secondary Indemnity Agreement;

- g. The Offer Document;
- h. The Underwriting and Placement Agreement; and
- i. this document and the Forms of Proxy.

27 November 2013

PART VI**THE SCHEME OF ARRANGEMENT**

**THE ROYAL COURT OF GUERNSEY
(ORDINARY DIVISION)**

IN THE MATTER OF THE CHANNEL ISLANDS STOCK EXCHANGE, LBG

- and -

IN THE MATTER OF THE COMPANIES (GUERNSEY) LAW, 2008 (AS AMENDED)

SCHEME OF ARRANGEMENT

(under Part VIII of the Companies (Guernsey) Law, 2008 (as amended))

BETWEEN

THE CHANNEL ISLANDS STOCK EXCHANGE, LBG

and

THE CHANNEL ISLANDS SECURITIES EXCHANGE LIMITED

and

THE CHANNEL ISLANDS SECURITIES EXCHANGE AUTHORITY LIMITED

and

ORDINARY MEMBERS

(as hereinafter defined)

THE SCHEME**1. Transfer of the Business and the Assets**

1.1 With effect from the Effective Date, CISEA shall acquire with full title and with a view to carrying on the Business as a going concern and free from all encumbrances:

(a) the Business;

(b) the Records relevant to the Business;

(c) all (if any) of the other assets, property or rights of CISX relating to or connected with, or belonging to or required or intended for use in, the Business and which are not otherwise described herein but not the Excluded Assets;

(d) all of CISX's rights against third parties, including rights under any warranties, conditions, guarantees or indemnities relating to any of the Business.

1.2 With effect from the Effective Date, CISEL shall acquire with full title and free from all encumbrances:

(a) the Assets;

- (b) the Records relevant to the Assets;
 - (c) all (if any) of the other assets, property or rights of CISX relating to or connected with, or belonging to or required or intended for use by CISEL in its intended operations, but not the Excluded Assets;
 - (d) all of CISX's rights against third parties, including rights under any warranties, conditions, guarantees or indemnities relating to any of the Assets.
- 1.3 With effect from the Effective Date, the CISEA Listing Rules and the CISEA Membership Rules shall apply to CISEA together with any other laws, rules, regulations or requirements applying to CISEA.
- 1.4 With effect from the Effective Date, all contracts between CISX and the Issuers (the power to assign which is granted under the Listing Rules) will be assigned to CISEA.
- 1.5 With effect from the Effective Date, all the securities, notes and units of the Issuers transferred to CISEA pursuant to clause 1.3 above, shall be deemed admitted to listing on the CISEA Official List and such issuers shall be subject to the CISEA Listing Rules together with any other laws, rules, regulations or requirements applying to such Issuers.
- 1.6 With effect from the Effective Date and subject to the Scheme being sanctioned by the Court, all CISX Guarantee Members who have applied to CISEA for membership as a Sponsor shall be considered for membership as Sponsors in respect of CISEA and shall be subject to the CISEA Membership Rules together with any other laws, rules, regulations or requirements applying to sponsors of CISEA.
- 1.7 With effect from the Effective Date and subject to the Scheme being sanctioned by the Court, all CISX employees who have consented to the assignment to CISEA or CISEL of their contract of employment with CISX shall become employees of CISEA or CISEL as relevant
- 1.8 With effect from the Effective Date, and subject to the Scheme being sanctioned by the Court, all fixtures and fittings, documents and records owned by CISX shall be transferred to CISEL.
- 1.9 With effect from the Effective Date, and subject to the Scheme being sanctioned by the Court, all intellectual property owned by CISX shall be transferred to CISEL.
- 1.10 Guarantee Members will remain members of CISX until such time as it is wound up or their membership is otherwise terminated in accordance with the CISX Membership Rules and/or CISX's Articles.
- 1.11 There shall be excluded from the transfer pursuant to this Scheme:
- (a) any Tax for which CISX is liable, whether or not then due, relating to the Business;
 - (b) the Excluded Assets.

- 1.12 For such purposes, and to give effect to the transfer of the Business and the Assets pursuant to this Clause 1, any person may be appointed by CISEL and/or CISEA as agent and will be authorised as such agent on behalf of CISX, any Issuer or any CISX Sponsor Member to execute and deliver as transferor an instrument, document or instruction of transfer or to take such action so as to procure and effect the transfer of the Business and Assets and every instrument, document or instruction of transfer so executed, or any other action taken, will be effective as if it had been executed by CISX, the Issuer or the CISX Sponsor Member or CISX Trading Member as applicable.

2 Consideration for the transfer of the Business

2.1 The consideration for the transfer of the Business as provided in Clause 1 is:

- a. As to £152,000 in cash; and
- b. As to £8,000 by the issue to CISX of the Consideration Shares.

CISEL will also provide the Secondary Indemnity to CISX.

3 Issue of Shares in CISEL

3.1 On or as soon as reasonably practicable after the Effective Date and in any event no later than 14 days after the Effective Date (subject to the remaining provisions of this Scheme), CISEL shall allot and issue Shares as follows:

- (a) The Consideration Shares to the Ordinary Members pro rata (with fractions of shares rounded up to the nearest whole share);
- (b) The Non-Participating Share to the States of Guernsey acting by the Policy Council;
- (c) The Offer Shares to subscribers for shares pursuant to the Offer; and
- (d) Any shares not subscribed for by Ordinary Members or placed by the Placement Agent pursuant to the Offer to the Underwriter.

3.2 Each CISEL Share to be issued pursuant to this Clause shall have an issue price of £1.00 which shall be credited as fully paid up with full title and free from all Encumbrances and have the rights and entitlements set out in the CISEL Articles.

3.3 The subscriber share in CISEL was issued to a nominee on incorporation of CISEL. The subscriber share was redesignated and converted by a special resolution to the Non-Participating Share to be issued to the States of Guernsey conditional on the Scheme becoming effective.

4 Settlement

A person shall become a registered holder of a CISEL Share on entry into the members register of CISEL. No certificates of title will be issued except to the Non-Participating Member in accordance with the CISEL Articles.

5 Mandates and other instructions

All notices, correspondence, instructions or documents delivered to CISX in force at the Scheme Record Time relating to the Business transferred pursuant to Clause 1 shall,

unless and until otherwise revoked or amended, be deemed as from the Effective Date to be notices, correspondence, instructions or documents delivered to CISEL.

6 Effective Date

- 5.1 This Scheme shall become effective as soon as it is sanctioned by the Court pursuant to Part VIII of the Companies Law.
- 5.2 Unless this Scheme shall become effective on or before 31 December 2013, or such later date, if any, as CISX and CISEL may agree and the Court may allow, this Scheme shall never become effective.

7 Modification

CISX, CISEL and CISEA may jointly consent on behalf of all concerned to any modification of, or addition to, this Scheme or to any condition which the Court may approve or impose.

Dated 27 November 2013

PART VII

DEFINITIONS

In this document, the following words and expressions have the following meanings, unless the context requires otherwise:

Assets	the property, rights and assets of CISX necessary to conduct the Business (other than the Excluded Assets).
Business	the business of operating an investment exchange in the Channel Islands carried on by CISX at the Scheme Record Time.
Business Day	a day on which banks in the Channel Islands are open for the transaction of business.
Board	the board of directors of CISX.
Channel Islands	the Bailiwicks of Guernsey and Jersey.
CISEA	The Channel Islands Securities Exchange Authority Limited, a company incorporated in Guernsey on 14 November 2013 with registered number 57527.
CISEL	The Channel Islands Securities Exchange Limited, a company incorporated in Guernsey on 14 November 2013 with registered number 57524 and the parent company of The Channel Islands Securities Exchange Authority Limited.
CISEL Articles	the articles of incorporation of CISEL.
CISEL Shares	the ordinary shares of £1.00 par value in the capital of CISEL issued at £1.00 and having the rights and entitlements set out in the CISEL Articles.
CISX	The Channel Islands Stock Exchange, LBG, a company incorporated in Guernsey with registered number 33770.
CISX Articles	means the articles of incorporation of CISX.
CISX Membership Rules	The rules of CISX concerning, inter alia, its requirements for membership, code of conduct, trading, settlement of securities transactions, arbitration and discipline.
CISX Sponsor Member	a company, partnership or other legal entity which has been admitted to membership of CISX as a sponsor to issuers and whose

	membership has not been terminated.
CISX Trading Member	a company, partnership or other legal entity which has been admitted to membership of CISX as a trading member and whose membership has not been terminated.
Companies Law	the Companies (Guernsey) Law, 2008 (as amended).
Consideration	the consideration paid to CISX by CISEL for the Business being £152,000 cash and 8,000 CISEL Shares.
Consideration Shares	the 8,000 CISEL Shares issued to CISX as part of the Consideration.
Court	The Royal Court of Guernsey.
Court Hearing	the hearing at which the sanction of this Scheme will be sought under Part VIII of the Companies Law.
Court Meeting	the Court Meeting of the Ordinary Members convened by order of the Court pursuant to Part VIII of the Companies Law to consider and, if thought fit, approve this Scheme, including any adjournment thereof.
Directors	the directors of CISX, and "Director" means any one of them.
Effective Date	the date on which this Scheme becomes effective in accordance with Clause 6 of the Scheme of Arrangement set out in Part VI.
EGMs	the Trustee Member EGM and the Guarantee Member EGM.
Encumbrances	liens, equities, charges, encumbrances, options, rights of pre-emption and any other third party rights and interests of any nature.
CISEA Listing Rules	the listing rules of CISEA which will govern Issuers and the listing of securities, notes and units on the Official List of CISEA.
CISEA Membership Rules	the rules of CISEA concerning, inter alia, its requirements for Sponsors, code of conduct, trading, settlement of securities transactions, arbitration and discipline.
CISEA Official List	the list of securities or units admitted to listing by CISEA which will be published on a daily basis.

Excluded Assets	<p>the following assets and rights shall remain the property of CISX:</p> <ul style="list-style-type: none"> - Cash held in the CISX bank account - Accrued interest; - Prepayments in respect of licence fees and insurance; - Provisions.
Explanatory Statement	<p>the explanatory statement set out in Part II of this Scheme Document required to be furnished pursuant to Part VIII of the Companies (Guernsey) Law, 2008 (as amended).</p>
GFSC	<p>the Guernsey Financial Services Commission.</p>
Guarantee	<p>an undertaking given by a Guarantee Member pursuant to CISX's memorandum of incorporation to contribute the Guaranteed Amount (as defined by CISX's memorandum of incorporation).</p>
Guarantee Member	<p>a person who has given a Guarantee.</p>
Guarantee Member EGM	<p>the separate class meeting of the Guarantee Members.</p>
Indemnity Agreement	<p>the indemnity agreement between CISX and certain of the past and current directors and employees.</p>
Indemnities	<p>the indemnities provided by CISX to certain current and former Directors and employees in respect of liabilities arising in their role at CISX.</p>
Interest	<p>means the interest in CISX represented by Ordinary Shares, the Trustee Share and Guarantees or any one of them.</p>
Issuer	<p>any entity with securities or units listed on the Official List operated by CISX or CISEA (as the case may be).</p>
Listing Rules	<p>means the listing rules of CISX governing the listing of securities, notes and units as amended from time to time.</p>
Market Authority	<p>the committee established for the purposes of managing, operating and regulating the listing operations of CISX.</p>

Meeting	the Court Meeting, the Guarantee Member EGM and the Trustee Member EGM or any one of them.
Member	a holder of Ordinary Shares, the Trustee Member or a Guarantee Member or any one of them.
Non-Participating Share	means the non-participating share of £1.00 in CISEL to be held by the States of Guernsey.
Offer	the placing and offer to Members and applicants selected by the Placement Agent of the Offer Shares which is set out in detail in the Offer Doc .
Offer Document	the document dated 27 November 2013 setting out the terms of the Offer.
Offer Shares	the 2,502,500 ordinary shares in CISEL being offered to Members and applicants selected by the Placement Agent pursuant to the Offer.
Ordinary Member	a holder of one or more of the Ordinary Shares.
Ordinary Shares	means the ordinary shares of £0.10 each issued in the capital of CISX.
POI Law	the Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended, restated or replaced from time to time.
pounds or £	means the UK pounds sterling, the lawful currency of the United Kingdom.
Placement	means the placement of Offer Shares by the Placement Agent in accordance with the terms of the Offer.
Placement Agent	Ravenscroft Limited, which will act as the placement agent for the Offer Shares pursuant to the Underwriting and Placement Agreement.
Records	the books, accounts, contracts and all the other documents, papers and records relating to the Business or any of the Assets.
Restructure	the restructure of CISX to be effected by way of the Scheme.
Scheme	this proposed scheme of arrangement under Part VIII of the Companies Law between CISX, CISEL, CISEA and the Members, with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by the Company, CISEL and

	CISEA.
Scheme Court Order	the order of the Court sanctioning the Scheme under section Part VIII of the Companies Law.
Scheme Record Time	6.00 p.m. on the Business Day immediately preceding the Court Hearing.
Secondary Indemnity	the indemnity of up to £500,000 for up to three (3) years from the date of the Scheme becoming effective or liquidation of CISX (whichever is earlier) provided by CISEL to CISX in respect of the Indemnities.
Tax	all forms of taxation and statutory, governmental, state, federal, provincial, local, government or municipal charges, duties, imposts, contributions, levies, withholdings or liabilities wherever chargeable and whether of Guernsey or any other jurisdiction; and any penalty, fine, surcharge, interest, charges or costs relating thereto.
Trustee Member	The States of Guernsey acting by and through the Policy Council or such other Departmental Board designated by it from time to time, or its successor or assigns as Trustee Member.
Trustee Member EGM	the separate class meeting of the Trustee Member.
Trustee Share	means the non-participating share of £1.00 in CISX held by the States of Guernsey.
UK GAAP	UK Generally Accepted Accounting Practice.
Underwriter	the underwriter of the Offer, being Ravenscroft Limited.
Valuation Report	the valuation report in respect of the business and assets of the CISX prepared by KPMG and appended to this Scheme Document.
Voting Record Time	Voting Record Time 6.00 p.m. on the day which is two days before the date of the Court Meeting or, if the Court Meeting is adjourned, 6.00 p.m. on the day which is two days before the date of such adjourned meeting.

and references to Clauses are to Clauses of this Scheme.

Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

For the purpose of this document, "**subsidiary**" shall have the meaning given by the Companies Law.

PART VIII**NOTICE OF COURT MEETING****THE ROYAL COURT OF GUERNSEY
(ORDINARY DIVISION)****IN THE MATTER OF THE CHANNEL ISLANDS STOCK EXCHANGE, LBG****- and -****IN THE MATTER OF THE COMPANIES (GUERNSEY) LAW, 2008 (as amended)**

NOTICE IS HEREBY GIVEN that by an Order dated 26 November 2013 made under section 107 of the Companies (Guernsey) Law, 2008 (as amended) in the above matters the Royal Court of Guernsey has ordered a meeting to be convened of the holders of Ordinary Shares (as defined in the scheme of arrangement hereinafter mentioned) for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement proposed to be made between The Channel Islands Stock Exchange, LBG ("CISX") and CISX's members, and that such meeting will be held at Old Government House Hotel, St Ann's Place, St Peter Port, Guernsey, Channel Islands on 17 December 2013, at 9:00 a.m., at which place and time all holders of the said shares are requested to attend.

A copy of the said scheme of arrangement and a copy of the explanatory statement required to be furnished pursuant to Part VIII of the Companies (Guernsey) Law, 2008 (as amended) are incorporated in the document of which this notice forms part.

Holders of Ordinary Shares entitled to attend and vote at the meeting may vote in person at the said meeting or they may appoint another person, whether a member of CISX or not, as their proxy to attend and vote in their place. A form of proxy for use at the meeting is enclosed with this notice.

Completion of the form of proxy will not prevent a holder of Ordinary Shares from attending and voting at the meeting.

Holders of Ordinary Shares are entitled to appoint a proxy in respect of some or all of their Ordinary Shares.

Holders of Ordinary Shares are also entitled to appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such holder. A space has been included in the form of proxy to allow holders of Ordinary Shares to specify the number of shares in respect of which that proxy is appointed. Holders of Ordinary Shares who return the form of proxy duly executed but leave this space blank will be deemed to have appointed the proxy in respect of all of their Ordinary Shares.

Holders of Ordinary Shares who wish to appoint more than one proxy in respect of their shareholding should contact CISX for further forms of proxy or photocopy the form of proxy as required. Such shareholders should also read the "Multiple Proxy Voting Instructions" set out on the form of proxy, and note the principles that will be applied in relation to multiple proxies.

It is requested that forms of proxy be lodged with the Company Secretary at The Channel Islands Stock Exchange, LBG, 1 Lefebvre Street, St Peter Port, Guernsey, GY1 4PJ not less than 48 hours before the time appointed for the meeting, but if forms are not so lodged they may be handed to the Chairman at the meeting.

In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of CISX in respect of the joint holding.

Entitlement to attend and vote at the meeting or any adjournment thereof and the number of votes which may be cast thereat will be determined by reference to the register of members of CISX at 6:00 p.m. on the day which is two days before the date of the meeting or adjourned meeting (as the case may be). In each case, changes to the register of members of CISX after such time will be disregarded.

By the said Order, the Court has appointed • or, failing him, •, or failing him, • to act as Chairman of the said meeting and has directed the Chairman to report the result thereof to the Court.

The said scheme of arrangement will be subject to the subsequent sanction of the Court.

Dated • 2013

Advocate Diana Thompson
Company Secretary

Registered office
1 Lefebvre Street
St Peter Port
Guernsey GY1 4PJ
Channel Islands

FORM OF PROXY: COURT MEETING

**THE ROYAL COURT OF GUERNSEY
ORDINARY DIVISION**

THE CHANNEL ISLANDS STOCK EXCHANGE, LBG

FORM OF PROXY

For use by Ordinary Members (as defined in the notice convening this meeting) at the Court Meeting to be held at 9:00 a.m. on 17 December 2013 at Old Government House Hotel, St Ann's Place, St Peter Port, Guernsey

I/We (name(s) in
full)
(BLOCK LETTERS)

ofbeing (a)
holder(s) of Ordinary Shares (as defined in the notice convening this meeting) in The Channel
Islands Stock Exchange, LBG (the "Company" or "CISX") hereby appoint the Chairman of the
meeting (see note 5) or

.....
..as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the Court Meeting
of the Company to be held at 9:00 a.m. on 17 December 2013 and at any adjournment thereof.

Please also tick here if you are appointing more than one proxy.

I/We hereby direct my/our proxy to vote the securities represented by this proxy on the special
resolution set out in the notice convening the Extraordinary General Meeting as follows:

Special Resolution	FOR	AGAINST
1. To approve the Scheme of Arrangement as set out in the notice convening the meeting.		

Please indicate with an "X" in the spaces provided above how you wish your votes to be cast

Dated2013

Signature(s) or Common Seal

Notes:

1. Whether or not you plan to attend the Court Meeting, please complete, detach and return the Form of Proxy. Please indicate with an "X" in the spaces provided how you wish your votes to be cast. If you do not indicate with an "X" in one (and only one) of the boxes, the Form of Proxy will be invalid.
2. In order to be effective, this form of proxy should be lodged, together with any power of attorney or other written authority (if any) under which it is executed, or a notarially certified copy thereof, with the Company Secretary by post or (during normal business hours only) by hand so as to arrive not later than 48 hours before the Meeting.
3. If the appointor is a corporation this form must be executed under its common seal or under the hand of an officer or attorney duly authorised in that behalf, stating his or her capacity.
4. In the case of joint holders, any one registered holder may sign, but if more than one holder votes, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
5. A member may appoint one or more proxies of his own choice. Only one such appointed proxy shall be entitled to vote on their behalf at the Court Meeting. Where more than one proxy is appointed, the member should specify in the space provided which proxy has the right to do so.
6. If you wish to abstain on a particular resolution, please write "Abstain" across the boxes. However, it should be noted that an abstention is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.
7. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.
8. A proxy need not be a member of the Company, but must attend the meeting in person to represent the member.
9. Completion of a Form of Proxy will not prevent the shareholder from attending and voting at the meeting in person should they so wish.
10. If a member appoints a proxy or proxies and then decides to attend the Court Meeting in person and votes using his voting card, then the vote in person will override the proxy vote.
11. Any alterations to this form of proxy must be initialled by the person who signs it.
12. Terms defined in the Scheme document dated 27 November 2013 shall have the same meaning when used herein, unless the context otherwise requires.
13. The address details on this Form of Proxy are how they appear on the Register of Members of the Company. If this information is incorrect please contact the Company Secretary to request a change of address form.

If you have any queries about the completion of this form of proxy you should contact the Company Secretary.

PART IX NOTICE OF EXTRAORDINARY CLASS MEETING: GUARANTEE MEMBERS**Notice of Extraordinary Class Meeting****The Channel Islands Stock Exchange, LBG
(registered number 33770)**

Notice is hereby given that an Extraordinary Meeting of Guarantee Members of The Channel Island Stock Exchange, LBG (the "**Company**") as a separate class will be held at Old Government House Hotel, St Ann's Place, St Peter Port, Guernsey, Channel Islands at 9:30 a.m. on 17 December 2013 to consider and, if thought fit, pass the following resolution as a special resolution:-

SPECIAL RESOLUTION

1. To approve the terms of the Scheme (as such term is defined in this Circular of which this Notice is part) and to authorise the Directors of the Company to execute all documents and to do all things in order to implement and effect the Scheme.

By order of the Board
The Channel Islands Stock Exchange, LBG
Registered Office: 1 Lefebvre Street, St Peter Port, Guernsey GY1 4PJ

NOTES:

1. A member is entitled to attend, speak and vote and is entitled to appoint a proxy (or proxies) to attend, speak and vote instead of him. A proxy need not be a member of the Cell or the Company.
2. The special resolution is passed if a majority of at least 75% of entitled members present and voting at the Extraordinary General Meeting approve the special resolution.
3. A Form of Proxy is enclosed. The appointment of a proxy will not prevent a shareholder from subsequently attending, speaking and voting at the meeting in person.
4. To be effective the instrument appointing a proxy, and any power of attorney or other authority under which it is executed, (or a duly certified copy of such power of attorney or other authority), must be completed in accordance with the instructions thereon and received by The Channel Islands Stock Exchange, LBG, 1 Lefebvre Street, St Peter Port, Guernsey GY1 4PJ (for the attention of the Secretary of the Company) not less than 48 hours before the time appointed for the Meeting.
5. The Company's Memorandum and Articles of Incorporation are available for inspection at the above referred address on any day (except Saturdays, Sundays and Public Holidays in Guernsey) during normal business hours until the date of the meeting and at the place of the meeting for one hour prior thereto and until its conclusion.

Form of Proxy (Guarantee Members)

**The Channel Islands Stock Exchange, LBG
Class Meeting of the Guarantee Members
For use at the Extraordinary General Meeting to be held on
17 December 2013**

I /
We
..... (in Block Capitals)

of
.....

being a member/members of the above named Company HEREBY APPOINT the Chairman of the Extraordinary Class Meeting, or failing him the Company Secretary,

.....
....

as my/our proxy to vote for me/us and on my/our behalf at the Extraordinary Class Meeting of the Company to be held on 17 December 2013, and at any adjournment thereof and in respect of the resolutions set out in the Notice of the Extraordinary Class Meeting dated 27 November 2013 to vote as indicated below.

SPECIAL RESOLUTION	FOR	AGAINST
1. To approve the terms of the Scheme (as such term is defined in this Circular of which this Notice is part) and to authorise the Directors of the Company to execute all documents and to do all things in order to implement and effect the Scheme.		

Signed

Dated this day of2013

Notes:

1. Whether or not you plan to attend the Class Meeting, please complete, detach and return the Form of Proxy. Please indicate with an "X" in the spaces provided how you wish your votes to be cast. If you do not indicate with an "X" in one (and only one) of the boxes, the Form of Proxy will be invalid.
2. In order to be effective, this form of proxy should be lodged, together with any power of attorney or other written authority (if any) under which it is executed, or a notarially certified copy thereof, with the Company Secretary by post or (during normal business hours only) by hand so as to arrive not later than 48 hours before the Meeting.
3. If the appointor is a corporation this form must be executed under its common seal or under the hand of an officer or attorney duly authorised in that behalf, stating his or her capacity.
4. In the case of joint holders, any one registered holder may sign, but if more than one holder votes, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
5. A member may appoint one or more proxies of his own choice. Only one such appointed proxy shall be entitled to vote on their behalf at the Class Meeting. Where more than one proxy is appointed, the member should specify in the space provided which proxy has the right to do so.
6. If you wish to abstain on a particular resolution, please write "Abstain" across the boxes. However, it should be noted that an abstention is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.
7. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.
8. A proxy need not be a member of the Company, but must attend the meeting in person to represent the member.
9. Completion of a Form of Proxy will not prevent the shareholder from attending and voting at the meeting in person should they so wish.
10. If a member appoints a proxy or proxies and then decides to attend the Class Meeting in person and votes using his voting card, then the vote in person will override the proxy vote.
11. Any alterations to this form of proxy must be initialled by the person who signs it.
12. Terms defined in the Scheme document dated 27 November 2013 shall have the same meaning when used herein, unless the context otherwise requires.
13. The address details on this Form of Proxy are how they appear on the Register of Members of the Company. If this information is incorrect please contact the Company Secretary to request a change of address form.

If you have any queries about the completion of this form of proxy you should contact the Company Secretary.

PART X NOTICE OF EXTRAORDINARY CLASS MEETING: TRUSTEE MEMBER MEETING**Notice of Extraordinary Class Meeting****The Channel Islands Stock Exchange, LBG
(registered number 33770)**

Notice is hereby given that an Extraordinary Meeting of the Trustee Member of The Channel Island Stock Exchange, LBG (the "**Company**") as a separate class will be held at Old Government House Hotel, St Ann's Place, St Peter Port, Guernsey, Channel Islands at 10:00 a.m. on 17 December 2013 to consider and, if thought fit, pass the following resolution as a special resolution:-

SPECIAL RESOLUTION

1. To approve the terms of the Scheme (as such term is defined in this Circular of which this Notice is part) and to authorise the Directors of the Company to execute all documents and to do all things in order to implement and effect the Scheme.

By order of the Board
The Channel Islands Stock Exchange, LBG
Registered Office: 1 Lefebvre Street, St Peter Port, Guernsey GY1 4PJ

NOTES:

1. A member is entitled to attend, speak and vote and is entitled to appoint a proxy (or proxies) to attend, speak and vote instead of him. A proxy need not be a member of the Cell or the Company.
2. The special resolution is passed if a majority of at least 75% of entitled members present and voting at the Extraordinary General Meeting approve the special resolution.
3. A Form of Proxy is enclosed. The appointment of a proxy will not prevent a shareholder from subsequently attending, speaking and voting at the meeting in person.
4. To be effective the instrument appointing a proxy, and any power of attorney or other authority under which it is executed, (or a duly certified copy of such power of attorney or other authority), must be completed in accordance with the instructions thereon and received by The Channel Islands Stock Exchange, LBG, 1 Lefebvre Street, St Peter Port, Guernsey GY1 4PJ (for the attention of the Secretary of the Company) not less than 48 hours before the time appointed for the Meeting.
5. The Company's Memorandum and Articles of Incorporation are available for inspection at the above referred address on any day (except Saturdays, Sundays and Public Holidays in Guernsey) during normal business hours until the date of the meeting and at the place of the meeting for one hour prior thereto and until its conclusion.

Form of Proxy (Trustee Members)

**The Channel Islands Stock Exchange, LBG
 Class Meeting of the Trustee Member
 For use at the Extraordinary Class Meeting to be held on
 17 December 2013**

I /
 We
 (In Block Capitals)

of

being a member/members of the above named Company HEREBY APPOINT the Chairman of the Extraordinary Class Meeting, or failing him the Company Secretary,

.....
 as my/our proxy to vote for me/us and on my/our behalf at the Extraordinary Class Meeting of the Company to be held on 17 December 2013, and at any adjournment thereof and in respect of the resolutions set out in the Notice of the Extraordinary Class Meeting dated 27 November 2013 to vote as indicated below.

SPECIAL RESOLUTION	FOR	AGAINST
1. To approve the terms of the Scheme (as such term is defined in this Circular of which this Notice is part) and to authorise the Directors of the Company to execute all documents and to do all things in order to implement and effect the Scheme.		

Signed

Dated this day of2013

Notes:

1. Whether or not you plan to attend the Class Meeting, please complete, detach and return the Form of Proxy. Please indicate with an "X" in the spaces provided how you wish your votes to be cast. If you do not indicate with an "X" in one (and only one) of the boxes, the Form of Proxy will be invalid.
2. In order to be effective, this form of proxy should be lodged, together with any power of attorney or other written authority (if any) under which it is executed, or a notarially certified copy thereof, with the Company Secretary by post or (during normal business hours only) by hand so as to arrive not later than 48 hours before the Meeting.
3. If the appointor is a corporation this form must be executed under its common seal or under the hand of an officer or attorney duly authorised in that behalf, stating his or her capacity.
4. In the case of joint holders, any one registered holder may sign, but if more than one holder votes, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
5. A member may appoint one or more proxies of his own choice. Only one such appointed proxy shall be entitled to vote on their behalf at the Class Meeting. Where more than one proxy is appointed, the member should specify in the space provided which proxy has the right to do so.
6. If you wish to abstain on a particular resolution, please write "Abstain" across the boxes. However, it should be noted that an abstention is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.
7. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.
8. A proxy need not be a member of the Company, but must attend the meeting in person to represent the member.
9. Completion of a Form of Proxy will not prevent the shareholder from attending and voting at the meeting in person should they so wish.
10. If a member appoints a proxy or proxies and then decides to attend the Class Meeting in person and votes using his voting card, then the vote in person will override the proxy vote.
11. Any alterations to this form of proxy must be initialled by the person who signs it.
12. Terms defined in the Scheme document dated 27 November 2013 shall have the same meaning when used herein, unless the context otherwise requires.
13. The address details on this Form of Proxy are how they appear on the Register of Members of the Company. If this information is incorrect please contact the Company Secretary to request a change of address form.

If you have any queries about the completion of this form of proxy you should contact the
Company Secretary.

PART XI CISEL MEMORANDUM AND ARTICLES

APPENDIX 1 FINANCIAL INFORMATION ON CISX

- Section 1: Valuation of CISX prepared by KPMG Channel Islands Limited.**
- Section 2: Audited financial information for the financial year ended 31 December 2012.**
- Section 3: Interim Accounts for the period to 30 June 2013**
- Section 4: Management Accounts for the period from 1 January 2013 to 31 October 2013.**

Section 1: Valuation of CISX prepared by KPMG Channel Islands Limited.

Section 2: Audited financial information for the financial year ended 31 December 2012.

Section 3: Interim Accounts for the period to 30 June 2013

Section 4: Management Accounts for the period from 1 January 2013 to 31 October 2013.