Malta Stock Exchange: From IPO to Productive Investment

Malta has proved successful in a wide range of financial services sectors and is now focused on developing its capital markets landscape by broadening the scope of exchange services. With a robust yet flexible infrastructure already in place, Malta is well-positioned for the continued expansion of its finance centre and capital markets offering.

Malta's boutique stock exchange is set to go global with the introduction of a multi-asset trading platform and an international clearing and settlement system connecting brokers, traders and investors worldwide. The Malta Stock Exchange (MSE) has strengthened the offering of specialised, cost-effective services and products, and all the hard work has not gone unnoticed with it being awarded the title ‘Most Innovative Stock Exchange of 2014’ in the prestigious Acquisition International Finance Awards. With 2014 being another record year surpassing the €900 million mark in trade turnover, the domicile is focusing its efforts on becoming a gateway to the EU capital market for small cap and non-European issuers and the 'go-to' option for investment and business.

In order to support sustainable growth, the Exchange is committed to widening its horizons to attract more international business. A key focus of its international strategy has been to achieve connectivity with other markets. In this context, the MSE set up a link between its own Central Securities Depository (CSD) and Clearstream Banking, which has led to the successful launch of the MSE's custody business. In addition, the MSE has launched a number of major initiatives designed to bolster its strategy, such as the adoption of the Xetra trading platform supplied by Deutsche Börse, the launch of the Market Making rules and the designation of the Exchange as a Designated Offshore Securities Centre by the US Securities and Exchange Commission. The Xetra platform is used extensively by exchanges in over 18 countries throughout the world and allows connectivity with over 4,500 members internationally. The use of the platform and the close relationship with Deutsche Börse in Frankfurt have helped raise the MSE's profile overseas, as it enters into new areas of operation such as facilitating and processing EMIR-related reporting of derivative trades.

The continued innovation the Exchange has shown is transforming Malta into an attractive capital market domicile for companies seeking new sources of capital.

Eileen V. Muscat
Chief Executive
Malta Stock Exchange
Listing Process

Thanks to its smaller size, the MSE takes a fast, efficient and personalised approach to listing and encourages preliminary meetings before the formal application is made to ensure a smooth and successful process.

Appointing a Sponsor

To apply, a Sponsor must be appointed, who as a minimum must be in possession of a Category II licence in terms of the Investment Services Act. The role of the Sponsor is to guide the prospective Issuer through the entire admission and listing process and to act as liaison with the MFSA and the Exchange. The sponsor is also expected to advise the prospective Issuer on all relevant matters, including issues related to the secondary market. The sponsor also assumes responsibility for signing and submitting the application and supporting documents with the MSE.

Basic Conditions

A number of conditions need to be met by prospective Issuers of financial instruments, as outlined in the Listing Rules issued by the listing authority, but the basic conditions are:

- Financial instruments for which admission is sought must be freely transferable
- The application must relate to, and apply for, the financial instruments for which admission is being sought

An Issuer may seek admission to:

- The Main (Official) List: designed to cater for issuers with a proven three-year track record
- The Alternative Companies List (ACL): no track record is required and entry requirements are less burdensome

Application for admission must be submitted at the same time as application for admissibility is made to the MFSA, and the Exchange may require the applicant to enter into an Admission Agreement.
Conditions for open-ended schemes seeking a primary listing include:

• Units must be freely transferable
• There must be at least one director, and corporate directors are not eligible unless the corporate director is the manager of the scheme
• The scheme must adopt rules governing dealings by directors
• At the time of the AGM, copies of the Directors’ service contracts must be made available for inspection by the public
• Directors and proposed Director, and in the case of a Unit Trust, the Directors of the Manager, shall be personally responsible for the information contained in the Prospectus

Conditions for open-ended schemes seeking a secondary listing include:

• The scheme must have the appropriate licence granted by the MFSA and, in the case of UCITS or an AIF, must be licensed by a regulatory authority of a Member State or EEA State

Conditions for close-ended schemes seeking a primary listing include:

• Application must be duly signed by an authorised representative of the Sponsor
• Must be licensed by the MFSA under the Investment Services Act
• Must comply at all times with MFSA regulations particularly those concerning investment restrictions
• The Prospectus must be drawn up in compliance with the provisions of the Investment Services Act

Every scheme applying for authorisation for admissibility to listing is required to comply with the continuing obligations and disclosure requirements, whether in respect of investors, the competent authority or the regulated market on which they are admitted, as set out in the Listing Rules.
Disclosed Requirements
Once a financial instrument is granted admission, the Issuer must ensure compliance with the continuing obligations and disclosure standards as laid down in the Listing Rules and other relevant rules. The Issuer must also appoint a Compliance Officer to ensure full compliance with all relevant rules.

Company Announcements:

- May be issued in English in accordance with the Listing Rules and Prevention of Financial Markets Abuse (Disclosure and Notification) Regulations, 2005
- Are disseminated through the Exchange’s Dissemination System and may be issued at any time during the Exchange’s business hours

The Exchange does not have responsibility for the contents of any Company Announced forwarded to it for dissemination, and the Exchange will report non-compliance with disclosure requirements to the relevant competent authority.

Disclosure requirements for all Schemes include information regarding:

- Capital and management including NAVs, any suspension of calculation of NAVs, any change in the status of the Scheme for tax and other purposes
- Rights of holders and rights between holders
- Dividend distributions as applicable
- Financial Information
- Information regarding Directors
- Related party transaction
- Any Price Sensitive information

The detail of information required, and whether this needs to be made public or not or merely notified to the MFSA and/or the MSE, depends on the structure of the scheme, whether this is a primary or secondary listing and on the nature of the information as outlined in the Listing Rules.

Equities / Fixed income securities

<table>
<thead>
<tr>
<th>Market Capitalisation</th>
<th>Annual Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>On the first €11,000,000</td>
<td>€450 per €1,000,000 – minimum €2,250*</td>
</tr>
<tr>
<td>On the next €11,000,000</td>
<td>€650 per €1,000,000*</td>
</tr>
<tr>
<td>On the next €20,000,000</td>
<td>€1,000 per €2,000,000*</td>
</tr>
<tr>
<td>On the next €70,000,000</td>
<td>€2,500 per €7,000,000</td>
</tr>
<tr>
<td>On the excess of €112,000,000</td>
<td>€5,500 per €11,000,000 up to an aggregate maximum fee of €116,000</td>
</tr>
</tbody>
</table>

*or parts thereof

Annual Admission Fees of CIS

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>The scheme</td>
<td>€1,160</td>
</tr>
<tr>
<td>On the first five sub-funds</td>
<td>€1,160 per sub-fund</td>
</tr>
<tr>
<td>On the 6th to 10th sub-funds</td>
<td>€930 per sub-fund</td>
</tr>
<tr>
<td>On the 11th to 15th sub-funds</td>
<td>€695 per sub-fund</td>
</tr>
<tr>
<td>Thereafter</td>
<td>€465 per sub-fund</td>
</tr>
</tbody>
</table>

The above fees are subject to 18% VAT. If any of the above securities already have a primary listing in another recognised jurisdiction, the annual fee will be at 50% of the annual rate.
Trading on the Secondary Market

The Malta Stock Exchange (MSE) strives to ensure adequate investor protection and that the highest standards of market integrity are applied to all the activities conducted on its markets. The MSE is licensed to operate a regulated market by providing the necessary infrastructure and regulations in respect of secondary market operations. All listed financial instruments may be traded on the regulated market by MSE-authorised Members (stockbrokers) acting on behalf of, and in accordance with, the instructions of their clients.

The Trading arm of the Exchange ensures:
- Clear and transparent rules for the admission of financial instruments to trade on its markets in line with European law
- Pre- and post-trading transparency
- Membership rules approved by the Competent Authority
- Continuous monitoring of trading activity and Members’ compliance with trading rules and other applicable regulations
- Regulatory reporting to the Competent Authority
- Trading on a regulated market that ensures the best-execution transparent pricing based on supply and demand
- The opportunity to broaden investor base while gaining access to a transparent and well-regulated market
- Providing clear and transparent information to potential investors through dissemination of market data, price and announcements

Trading system
The trading system is order-driven, and the exchange uses the Xetra trading platform provided by Deutsche Börse AG. This platform operates remotely from the Deutsche Börse hub in Frankfurt, with secure access by the MSE and its brokers. The platform is used extensively by exchanges in over 18 countries, allowing connectivity with over 4,500 members internationally. Over The Counter (OTC) trades are reported through the MSE’s trading infrastructure for dissemination to the market.

Market Making
The Exchange has created a framework for Market Making, which is a process whereby a Member (stockbroker) with a Category III licence or equivalent and approved by the Exchange, places regular bid and offer prices on the trading platform in respect of the security for which they offer market making services. The objective is to improve the level of liquidity in these instruments, so that investors will be able to transact at almost any time during trading hours.

Trading Calendar and Hours
The Trading and Settlement Calendar and the Trading Time-Table are issued annually and are available on the MSE website. Regular Market Trading commences with an Opening Auction and ends with a Closing Auction.

- **Regular Market**
  - Pre Trading: 09:00 - 09:30
  - Continuous: 09:30 - 12:30

- **Treasury Bills Market**
  - Pre Trading: 09:00 - 09:30
  - Continuous: 09:30 - 10:30

Fees
- **Transaction charges**: €2.50/transaction irrespective of volume that applies to both buyer and seller.
- **Turnover fees**: Members shall pay a fee equivalent to 0.03 per cent of turnover.

---

Malta Stock Exchange

* FinanceMalta
  Effective | Secure | Skilled

FACT SHEET: 2015-2016
The Central Securities Depository (CSD)

All financial instruments traded on the Malta Stock Exchange (MSE) are dematerialised, meaning share and bond registers are held in electronic format and no certificates are issued as confirmation of holdings. All market transactions, off-market transfers and other amendments related to registers of listed companies are reflected in the relevant registers held within the Central Securities Depository (CSD). An investor intending to acquire listed financial instruments traded on, or to hold securities in the custody of the MSE, is assigned a unique Malta Stock Exchange Account Number within the Central Securities Depository.

CSD Services
The depository provides a number of specialised securities administration and related corporate services, such as:

- New Issues Registration Services: This includes the collection, data input and all other processes related to the applications made by prospective investors in respect to an initial public offering of instruments and assets. Since the CSD will also be acting on the instructions of the issuer in respect to the allocation of investments in the name of investors, the provision of registrar services is a naturally integrated extension of securities issuance services.

- Securities Administration: The CSD provides a securities holders’ register administration service in respect to issues of dematerialised securities by corporate (private and public companies or corporations) and non-corporate (other entities, unit trusts and mutual schemes) issuers. The service includes the notarial function and the maintenance of records. This service is available to listed and unlisted organisations and includes the processing of all corporate actions planned by an issuer, such as the dividend/interest payments processing, power-of-attorney mandates and fixed term securities maturities and redemptions, new issues and rights and bonus issues, regulatory or other ad hoc reporting and updating of registered holdings’ details.

- Clearing and Settlement: Transfer verification of financial instruments or other assets in accordance with due instructions, typically consisting of delivery versus payment (DvP) in respect to the transfer of assets against payment, or free of payment (FoP) in respect to the delivery of assets free of payment. Conventionally, securities settlement on the Maltese regulated market takes place on T+2 (T: the day of transaction) for all financial instruments. Clearing and settlement is performed by MaltaClear, the authorised securities settlement system operated by the MSE and forming part of the operations of the Central Securities Depository.

Custodial Services
The CSD offers professional, customised and cost-efficient custody and depository services to retail, institutional or sophisticated investors seeking to benefit from MSE’s custodial holding services, clearing and settlement of assets and the effective exercise of rights arising there from on their behalf. Custodial services may extend to securities issued in Malta and overseas. The fund industry is one of Malta’s key growth areas, and the MSE has extended its custodial services by offering cost-effective custody services also to professional investor funds (PIFs).
### CSD links with Global Depository
The CSD’s relationship with global depository Clearstream Banking facilitates the participation of MSE customers on international markets and provides international investors easy access to include Malta-issued securities within their portfolios. MSE customers without a Clearstream or other CSD account abroad may still hold internationally issued securities and assets over a secure and efficient link by appointing the MSE as their custodian. This custodial relationship allows investors to benefit from secure and efficient clearing and settlement processing and a host of other security custody services.

Maltese financial instruments issued through the CSD can be deposited, cleared and settled in an international environment, making these financial instruments more liquid, as they may be actively transferred in a secure manner anywhere in the world through Clearstream’s global reach. Investors wishing to invest in foreign securities and assets may do so by transacting or otherwise acquiring title over such securities and assets through authorised intermediaries or over-the-counter. Instead of maintaining an account directly or indirectly with a foreign depository to record the holding in these investments, the MSE Central Security Depository will hold these investments in custody on behalf of investors through its partnership custodial relationship with Clearstream Banking.

### National Numbering Agency
The MSE is Malta’s National Numbering Agency, and issues a unique international securities identification number (ISIN), and maintains updated details, of securities issues in Malta.

### Fees

#### Initial Take-On and Primary Fees

<table>
<thead>
<tr>
<th>Number of Holders on Register</th>
<th>Initial Take-On</th>
<th>Initial &amp; Primary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 10,000</td>
<td>€5.00 per holder</td>
<td>€6.00 per holder</td>
</tr>
<tr>
<td>10,001 and over</td>
<td>€4.50 per holder</td>
<td>€5.50 per holder</td>
</tr>
</tbody>
</table>

**Annual Fees**

<table>
<thead>
<tr>
<th>Number of Holders on Register (as at Dec 31st)</th>
<th>Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 1,000</td>
<td>€4.50 per holder</td>
</tr>
<tr>
<td>1,001 - 10,000</td>
<td>€4.00 per holder</td>
</tr>
<tr>
<td>10,001 and over</td>
<td>€3.00 per holder</td>
</tr>
</tbody>
</table>

*All fees are subject to 18% VAT*
Always evolving, the Malta Stock Exchange (MSE) has two new innovative projects in the pipeline that are set to increase international market access and bridge the financing gap for SMEs.

**MSE International**

MSE International is a new strategic initiative providing increased access to international markets through the Malta Stock Exchange (MSE). Over the past two decades, the MSE brand has become synonymous with the trading of domestic listed instruments and the value of shares, bonds and treasury bills traded on MSE’s Xetra platform have increased year on year, standing at over €900 million in 2014. Although impressive, this turnover represents investor interest solely in domestic instruments listed and traded on the Exchange. Today, investors are increasingly keen to invest in a more diverse range of instruments issued and traded both in EU and non-EU jurisdictions, in order to benefit from new opportunities and to have a more diverse portfolio.

Inspired by the changing landscape, the MSE is actively looking to create a new trading platform called MSE International, giving access to members of the Exchange to trade in international instruments that were traditionally only accessible through third parties.

The launching of MSE International will provide access to a vast range of international securities, together with cost-effective clearing, settlement and custody services. The initiative is at an advanced stage and is the result of the MSE’s use of the Xetra trading platform operated by Deutsche Börse in Frankfurt.

The counterparty to all trades will be a specialist trader providing liquidity and access to a world of international securities and will trade at best execution price.

### Key Advantages for Members

- The current Xetra trading platform will facilitate trades in both domestic instruments and international securities, and make use of clearing and settlement processes in a cost-effective manner.
- Members can request the addition of any new securities to the trade list at short notice provided they are also supported by Deutsche Börse and Clearstream.

### Potential Traded Instruments

- Bonds
- Equities
- Exchange Traded Funds (ETFs) and Exchange Traded Commodities (ETCs)

### Key Features

- The origin of most of the securities will be mainly Europe, but major North American and South East Asian securities will also be traded on MSE International.
- Trading currency will be the Euro (€), irrespective of the securities’ base currency, but is subject to change depending on how the market develops.
- The settlement of the securities traded will take place via Clearstream Banking Frankfurt or Luxembourg.
- Trading hours for this segment could be extended beyond what currently applies to the domestic market, giving broader access to this exciting new market.

Other European and non-European exchanges already using the Xetra trading platform are expected to capitalise on this new opportunity.

---

**Fact Sheet: 2015-2016**

Malta Stock Exchange

Effective | Secure | Skilled
The Malta Stock Exchange (MSE) is working on the development of a new product that will create an opportunity for SMEs to raise capital. This new MSE product designed around SME needs will complement the current Main and Alternative Company Lists. Greater investor access to the markets is healthy for more efficient utilisation of capital, and experience shows that there is clearly a significant demand for IPOs and space for investment opportunities. This new product will provide cost-effective access to capital, without the need for security or collateral, but will need investor and market confidence to be successful.

A key feature of the new SME Market product is that a corporate advisor is required before and after the IPO, to ensure that transparency and corporate governance efficiencies are achieved and retained, thus creating greater investor confidence in the issued company. The product will also help in succession planning, enabling in certain circumstances founders to realise their ambitions. The securities will be traded on the MSE in the normal manner. This new product has the potential to become a major pillar in the provision of capital financing to SMEs, who are the engine of the Maltese economy. It can also facilitate succession planning for the many family-owned businesses since if equity is listed, it will also facilitate the sale of equity on the secondary market in a fair and transparent manner.

Key features
- MiFID-compliant using a Multilateral Trading Facility (MTF) structure
- Admission granted by the Malta Stock Exchange
- Requires a corporate advisor and a business plan
- No minimum or maximum value of Initial Public Offering (IPO), the target is to attract IPOs of up to €5 million
- No minimum % of shares in the public hands
- Not passportable within the EU
- Flexibility of issuing equities and/or corporate bonds

Why is it interesting to investors?
- Investors will have equal levels of information available through the MSE, before and after the IPO
- Investors can decide whether and how much to invest
- Investors can enjoy the benefits supporting small business growth
- Shares and/or bonds may be traded on the MSE in the normal manner
- The corporate advisor will remain a fundamental requirement for listing

Roles & Responsibilities of Stakeholders
- MFSA: Will license and supervise the MSE
- MSE: Will Admit and Supervise Corporate Advisors and Companies and carry out due diligence on admission documents
- Corporate Advisors: Will conduct due diligence and provide advice on admission and on a continuing basis to Companies and owe a duty of care to the MSE, companies, marketplace and investors
- Issuer Companies: Will be responsible to market the issue and generate interest amongst investors and owe a duty of care to the MSE, marketplace and investors

While the new product is still being formulated and will require regulatory approval, it is expected to create a paradigm shift in access to the capital market by SMEs, while stimulating growth through its pivotal role in developing the capital market for both the companies seeking new sources of capital and investors willing to participate in their growth.

<table>
<thead>
<tr>
<th>EU criteria for SME categorisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Category</td>
</tr>
<tr>
<td>--------------------</td>
</tr>
<tr>
<td>Medium</td>
</tr>
<tr>
<td>Small</td>
</tr>
<tr>
<td>Micro</td>
</tr>
</tbody>
</table>