

## The London Stock Exchange has launched the International Securities Market - a new market for debt securities

On 8 March 2017, the London Stock Exchange (LSE) announced the [launch of its International Securities Market \(ISM\)](#), a new [multilateral trading facility \(MTF\)](#) aimed at the full spectrum of debt capital markets products issued by UK and international issuers and aimed at qualified investors.

The LSE hopes that the ISM will complement its other markets and offer issuers and investors alike greater choice and flexibility in choosing a market appropriate for them. The announcement is timely, coming just a month after the [Financial Conduct Authority published a discussion paper](#) exploring the reasons why the UK does not currently have a successful market for qualified investors and why so many issuers pursue listings overseas rather than in London. Provided the LSE puts in place a regulatory framework that correctly balances investor protection and efficient access to capital which at the same time provides users with a cost effective, efficient and client-focused service, the ISM should go some way to addressing the concerns raised by the FCA discussion paper that have been echoed by market participants.

The LSE plans to consult formally in relation to the ISM in due course, but has already indicated its key features:

- **Admission standards:** As an MTF rather than an EU regulated market, the ISM will be outside the scope of the EU's prospectus regime. Issuers which offer high denomination debt securities or restrict their offer to qualified investors will therefore be able to rely on exemptions in the prospectus regime to issue new debt securities for admission to trading on the ISM without being required to publish a prospectus approved by the UKLA. Instead, they will be obliged to publish admission particulars that comply with the ISM rules and are approved by the LSE. The
- **Market abuse and transparency:** The EU's market abuse regime applies to MTFs in the same way as it applies to regulated markets. Issuers with securities admitted to and other market participants trading on the ISM will therefore be required to comply with MAR obligations, including in relation to insider lists and market soundings. In its recent Capital Markets Union mid-term review, the European Commission acknowledged that the market abuse regime may place too high a burden on issuers with securities admitted to MTFs and indicated that it may therefore clarify the application of that regime to MTFs. The LSE will no doubt be following closely any developments in the regulation of market abuse to ensure that the integrity of the ISM is maintained while ensuring that it is globally competitive. The EU's transparency regime applies to regulated markets so will not apply to the ISM, but it is widely expected that the LSE's own rulebook will require issuers to publish regular financial information and other disclosure that meet global standards of transparency.

# SLAUGHTER AND MAY

- **Quoted eurobond exemption:** In his budget yesterday the Chancellor of the Exchequer announced that the Government will introduce a new exemption from withholding tax for interest on debt traded on a MTF. The Government will consult in spring 2017 on implementation of the exemption. The quoted eurobond exemption currently applies to securities listed on a “recognised stock exchange”, which includes only those within the UK’s official list and certain other overseas exchanges recognised by HMRC, such as Ireland’s GEM and Luxembourg’s Euro MTF. The new exemption will correct the current anomalous situation in which some UK issuers are incentivised to list their securities overseas to benefit from a UK tax exemption.

This should place the ISM on a level playing field with overseas exchanges.

- **Customer service standards:** The LSE has been keen to emphasise that its new team and approach will provide its issuer clients with the highest standards of professionalism that are tailored to the individual needs of an issuer. For example, it aims to give issuers certainty that their admission documents will be reviewed within a minimum time, taking into account the specific needs of issuers.

We look forward to discussing this further with you.



Matthew Tobin  
T +44 (0)20 7090 3445  
E [Matthew.Tobin@slaughterandmay.com](mailto:Matthew.Tobin@slaughterandmay.com)



Eric Phillips  
T +44 (0)20 7090 3055  
E [Eric.Phillips@slaughterandmay.com](mailto:Eric.Phillips@slaughterandmay.com)

© Slaughter and May 2017

**This material is for general information only and is not intended to provide legal advice. For further information, please speak to your usual Slaughter and May contact.**

Dated March 2017