



CAYMAN ISLANDS
STOCK EXCHANGE

Report
For the 18 month period from
1 July 2016 to 31 December 2017

Objectives

- to operate the Exchange for the trading of securities, including the operation of an electronic trading platform and related trading and clearance tracking processes and the operation of a crossing market.
- to admit persons (brokers) as Exchange members.
- to list securities on the Exchange and to appoint Listing Agents.
- to regulate listed issuers and broker members through the establishment and monitoring of Listing Rules and Membership Rules.
- to promote listing, membership, and use of the Exchange.

CSX Council Members

Anthony B. Travers, OBE

Chairman

Dax Basdeo

Vice-Chairman

Roisin Addlestone

Council Member

Sophia Dilbert

Council Member

Mark Lewis

Council Member

Barry Smith

Council Member

Valia Theodoraki

Chief Executive Officer (ending August 31, 2017)

Marco S. Archer

Chief Executive Officer (commencing October 2, 2017)

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Broker Members

Butterfield Bank (Cayman) Ltd.

Cayman National Securities Ltd.

CIBC Bank and Trust Company (Cayman) Ltd.

OneTRADEx

VBK Bank & Trust, Ltd.

Listing Agents

Appleby Trust (Cayman) Ltd

Campbells

Carey Olsen

Collas Crill & Card

Conyers Dill & Pearman

Dillon Eustace

Harneys

Higgs & Johnson

Maples and Calder

Mourant Ozannes Corporate Services (Cayman) Limited

Ogier

Solomon Harris

Stuarts

Travers Thorp Alberga

Walkers

CSX Milestones

1997 - CSX officially opens

2001 – ISG membership

2002 - 5th anniversary - 700 listings

2003 - Affiliate member of IOSCO

2004 - UK HMRC recognition

2006 - CSX joins AIMA

2008 – first shariah compliant listing

2009 - 3,000 + listings

2011 – first LatAm eurobond and mineral company equity listings

2012 – US\$10 billion ‘cat bond’ listings

2012 – CSX announces ability to trade catastrophe bonds

2013 – CSX progresses to affiliate membership of WFE (World Federation of Exchanges)

2013 – CSX launches XETRA trading platform

2015 – 4,000 + listings

2016 – 20th anniversary

2016/17 – introduction of new product listing rules for debt and equity securities of “Specialist Companies” and a significant increase of the number of new listing applications and the market capitalisation from USD198 billion to over USD241 billion

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Profile

The year 2016 marked the twenty-year anniversary of the passing of the Cayman Islands Stock Exchange Company Law that laid the foundations for the establishment of the Cayman Islands Stock Exchange (the “CSX” or “Exchange”). Since then the CSX has grown rapidly to become one of the leading offshore exchanges with a listed market value as at 31 December 2017 of approximately US\$241.4 billion providing a facility for listing and trading equity and debt securities in the Cayman Islands. The CSX provides a primary listing and trading facility for equities, investment funds, exchange traded funds (ETFs), and corporate and specialist debt securities (such as asset backed securities, credit linked securities, insurance linked securities and loan participating notes). The CSX also provides a secondary listing facility and an offshore trading venue for securities listed and traded

on another recognised stock exchange. The CSX listing may provide a variety of tax benefits, such as exemptions or lower rates and in some jurisdictions, such as the UK and Japan for instance, can provide a more favourable tax treatment if investors, subject to their tax regime, hold securities issued by Issuers that are listed on a recognised stock exchange, such as the CSX.

The CSX is a private limited company wholly owned by the Cayman Islands Government. As at 31 December 2017, the CSX had admitted to its Daily Official List over 4,600 securities with an aggregate market value of US\$241.4 billion and had registered fifteen listing agents and five broker members.

The Official List can be inspected at www.csx.com.ky



Major Activities

The principal activities of the Exchange during the year continued to be the provision of listing, trading and CUSIP/ISIN facilities in the Cayman Islands.

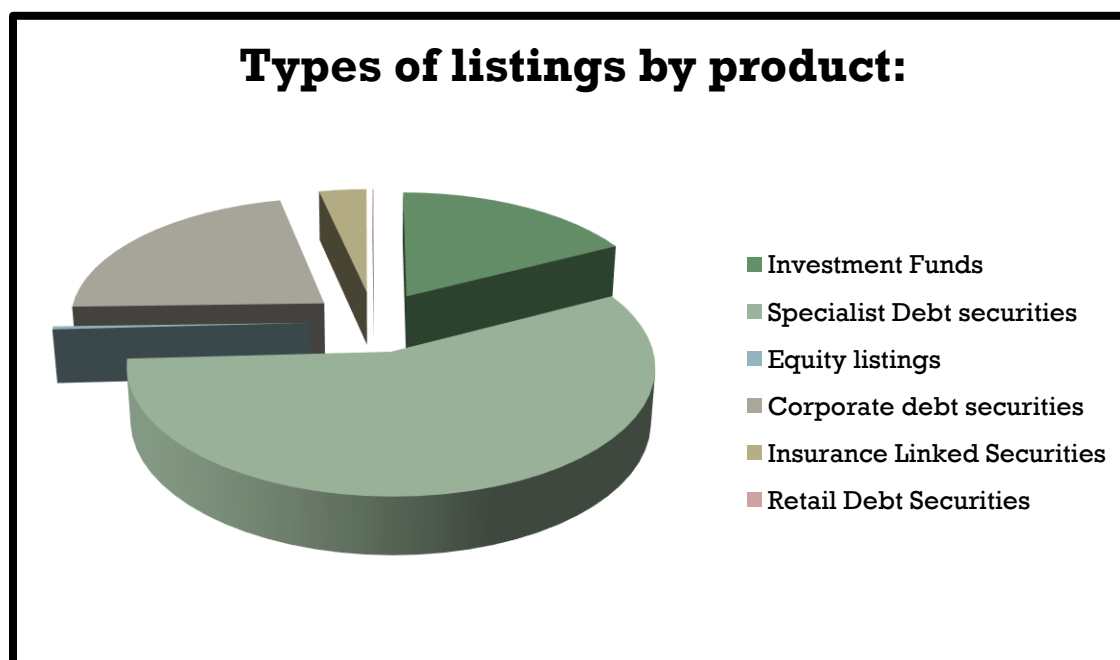
Listing activities

As part of its listing function the Exchange examines suitability and eligibility of issuers applying to have their securities admitted to its official list. Applications that meet the requirements of the CSX's Listing Rules are approved before the securities are admitted to listing and trading.

During the 18-month fiscal period from 1 July 2016 to 31 December 2017, the number of admissions of financial instruments to the Daily Official List of the Exchange increased by approximately 30% compared to the previous 2015/16 fiscal year, with the total number of securities admitted since inception of the Exchange exceeding 4,600.

The number of CLO issuers choosing to list on the Official list of the CSX has increased significantly since August 2017. This trend is set to continue in 2018 with the new applications and enquiries received every week.

The following shows the breakdown of listings by product as of 31 December 2017:



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The Exchange also examines eligibility and suitability of applications made for authorisation of listing agents. Applicants that meet the criteria published in its Listing Rules are added to the register of listing agents and can represent issuers that wish to apply for their securities to be listed. Despite increasing the number of listing agents by two during 2015/16 for a total number of 16 listing agents, no new listing agents were added in 2016/17.

The Exchange continues to focus on diversifying its income streams by further developing its fee-generating activities and reviewing its rules to identify appropriate policies that can be introduced to enhance competitiveness and efficiency, in line with international practices and standards.

In support of the statement above, the Exchange has introduced an additional administrative listing fee/penalty fee in relation to late filing of NAV data which affected some issuers listed pursuant to Chapter 9 (Investment Funds).

Once a listing has occurred on the Exchange every investment fund issuer, assisted by its listing agent, must comply with the continuing obligations specified in the CSX Listing Rules.

These obligations include certain notifications and particularly, pursuant to Listing Rule 9.85 (*Notification of net asset value*) every issuer must notify the Exchange without delay of the net asset value of its listed securities. The requirement of the Exchange is for the net asset values per share or per unit to be calculated at least quarterly.

The CSX's changes in policy were as follows:

1. for fund issuers that have not signed the Administrator User Agreement (obligatory for the investment fund issuers) and for which the Exchange inputs net asset values, the Exchange charges USD300.00 per such service; and
2. any fund issuers who do not input their net asset values within the prescribed quarterly timeframe and therefore are in breach of the Listing Rules will be charged USD300.00, per quarter.

Transparency and oversight

Following admission to the official list issuers must comply with certain published continuing obligations. The continuing obligations are intended to ensure that all market users have simultaneous access to the same information and to maintain an orderly market in the listed securities. In the case of a primary listing on the CSX, each of Listing Chapters 6, 8, 9 to 13 of the Listing Rules, dealing with specific types of listed security (equity, investments funds, depositary receipts, derivative warrants, specialist and corporate and sovereign debt and retail debt securities), provide for continuing obligations which the relevant issuer is required to observe, including a Model Code for securities transactions by directors of listed companies.

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Such obligations include clearance from the Exchange prior to taking certain actions, notification of changes to the listed securities and the communication and disclosure of information in certain circumstances. If an issuer fails to comply with such obligations, the Exchange may take enforcement actions (for example de-listing).

The Exchange continues to monitor issuers' compliance with these continuing obligations as set out in its Listing Rules and advising issuers on any post listing matters.

International relations and marketing effort

The Exchange maintains a level of membership with several standard setting organisations including the International Organisation of Securities Commissions (IOSCO), the Quoted Companies Alliance, The Alternative Investment Management Association (AIMA), the Intermarket Surveillance Group (ISG) and the World Federation of Exchanges.

The significant improvements in the Exchange's financial and operational position achieved during the year allow it to build on its leading position as an offshore exchange. The Exchange is now stepping up its marketing efforts to attract CLOs as well as more corporate and other specialist debt securities. Through conference attendance and client meetings the Exchange has established valuable relationships that are expected to further boost listing activity.

As the leading, specialist exchange for sophisticated products, including collateralized loan obligations (CLOs) the Exchange again attended the ABS Vegas 2016 and 2017 conferences (currently, the largest structured finance conference in the world) in February 2016 and 2017 but did not attend the ABS East in Miami conference in September 2016 or 2017.

Building a long-lasting relationship with the CSX Listing Agents (locally and overseas)

In order to give our Listing Agents an opportunity to discuss key topics and for the Exchange to receive very important feedback, the Exchange undertook a listing survey.

The Exchange welcomed a very positive outcome of the survey results from all respondents.

In May 2017, the Exchange also visited the offices of the CSX Listing Agents and held presentations and discussion sessions for the Listing Agents in order to provide practical information about the amendments to the listing rules and the introduction of Chapter 14 Listing Rules aimed at the "Specialist Companies" issuing equity or/and debt securities.

Trading and NAV reporting activities

Trades in all financial instruments are supported by XCAY, the CSX Xetra order driven trading platform for equities as well as other investment instruments that operates within the overall XETRA® trading platform, allowing the Exchange to introduce any changes necessary to adapt the platform to its market needs and to have its own trading calendar.

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Access to CSX Xetra is either through the XETRA® J-Trader platform, which is a standard web browser, or through FIX protocol (Financial Information eXchange protocol), which is an industry-driven and international messaging standard. The trading is continuous from 7am to 12.30pm Monday to Friday. The currency of each listed security is designated as the trading currency of such security.

For the time being the Exchange is not charging any trading fees for executed trades.

Broker members and their registered representatives duly admitted to the Exchange are able to use the trading facilities and access the Xetra trading platform. International Xetra participants can also be passported through a simple process as CSX broker members and will be able to reuse their existing Xetra connection to enter trades into XCAY. There were no new broker members admitted during the 2016/17 year.

Settlement takes place on the third business day (T+3) after the date the transaction was executed.

The Exchange's investigations on the possibility of establishing a Central Securities Depository in the Cayman Islands are ongoing. This will assist in enhancing liquidity locally and will provide local clearing and settlement of CSX listed securities.

Net Asset Valuations ("NAVs") are received and validated prior to publication on the CSX's website. Historic NAVs are captured and can be accessed by the public on the Exchange's website. The Exchange monitors electronically any significant variations in NAVs or volumes and takes any necessary action.

Administrators are authorised to post NAVs directly onto the CSX via a secure internet page. Once the information is input by a fund administrator, the prices are immediately published on the mutual fund listings page on the Exchange's internet web site and are sent to Bloomberg for posting to its information pages.

NAV information is published and disseminated to the public and investors can easily access published data via the CSX's website. Therefore ongoing listing requirements enhance investor confidence.

CUSIP Numbering Agency

The Exchange is acting as Standard & Poors' sole agent for CUSIP, a company that issues International Securities Identification Numbers ("ISIN's") for Cayman Islands and British Virgin Islands incorporated entities.

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Human Resources

The Exchange takes great care in recruiting experienced employees who possess the required qualifications and/or experience to perform their roles and the functions of the Exchange and the average numbers of years employed with the Exchange across all positions is just under 12 years. However, the year 2017 saw the Head of Information Technology and Trading Systems, Jack Stoffers, become a consultant to the Exchange in January while the former Chief Executive Officer, Valia Theodoraki, transitioned to become the Vice President for Marketing in September, and the recruitment of Marco S. Archer as the new Chief Executive Officer in October 2017.

A major focus of the Exchange continues to be the development of our staff and Sandy McFarlane was promoted to Operations Manager in May 2016. The Exchange will continue its efforts to attract and recruit qualified and/or experienced employees.

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Financial report

Financial highlights

The main financial highlights for 2016/17, including comparisons with forecast information for the 2016/17 period, are set out below:

	2016/17	2016/17 Target	2015/16
	CI\$	CI\$	CI\$
Revenues	3,083,106	3,050,415	1,941,948
Operating Expenses	2,134,265	2,184,322	1,450,004
Net income	948,841	866,093	491,944
Total assets	3,258,076	2,857,553	2,595,481
Total liabilities	247,308	195,299	164,596
Total shareholder's equity	3,010,768	2,662,254	2,430,885
Net cash from operating activities	1,038,686	900,553	557,899
Cash at end of year	2,738,955	2,338,413	2,094,053

Total income for the 18-month period ended 31 December 2017 was CI\$3.08 million compared to CI\$1.94 million for the 12-month period of 2015/16.

Revenues from operations for the 18-month period ended 31 December 2017 amounted to CI\$2,504,757, with revenue from listing fees accounting for CI\$2,171,960 compared to CI\$1,497,211 and CI\$1,268,103 respectively for the 2015/16 year.

Income from CUSIP services for the 18-month period was CI\$549,689, comparable to CI\$414,768 for the 2015/16 year.

Total expenses for the 18-month period ended 31 December 2017 were CI\$2.13 million, compared to CI\$1.45 million total expenses for 2015/16.

Net income for the 18-month period improved to CI\$948,841, compared to a net income of CI\$491,944 for 2015/16, reflecting a continuing increase in the activities of the Exchange.

During the 18-month period ended 31 December 2017 the number of staff fell by one and the personnel expenses for the 18-month period totalled CI\$899,972 (2015/16: CI\$726,848).

A dividend of CI\$368,958 for the year ended 30 June 2016 was paid during the 18-month period ended 31 December 2017 to the shareholder of the Exchange.