



CAYMAN ISLANDS

STOCK EXCHANGE

Report
For The Fiscal Year Ending 31 December
2018

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

Nick Freeland
Council Member

Marco S. Archer
Chief Executive Officer

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Broker Members

Butterfield Bank (Cayman) Ltd.

Cayman National Securities Ltd.

CIBC Bank and Trust Company (Cayman) Ltd.

OneTRADEx

VBT Bank & Trust, Ltd.

Listing Agents

Campbells

Carey Olsen

Collas Crill & Card

Conyers Dill & Pearman

Dillon Eustace

Estera Trust (Cayman) Limited

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

2018 – Market capitalization exceeded USD310 billion.

Profile

The foundation for the establishment of the Cayman Islands Stock Exchange (the “CSX” or “Exchange”) was laid 23 years ago with the passing of the Cayman Islands Stock Exchange Law. Since then the CSX has grown rapidly to become one of the leading offshore exchanges with a listed market value as at 31 December 2018 of approximately US\$310.2 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 2018, the CSX had registered fifteen listing agents, five broker members, and admitted to its Daily Official List from inception over 5,223 securities. The Official List is available for inspection at www.csx.com.ky

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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.

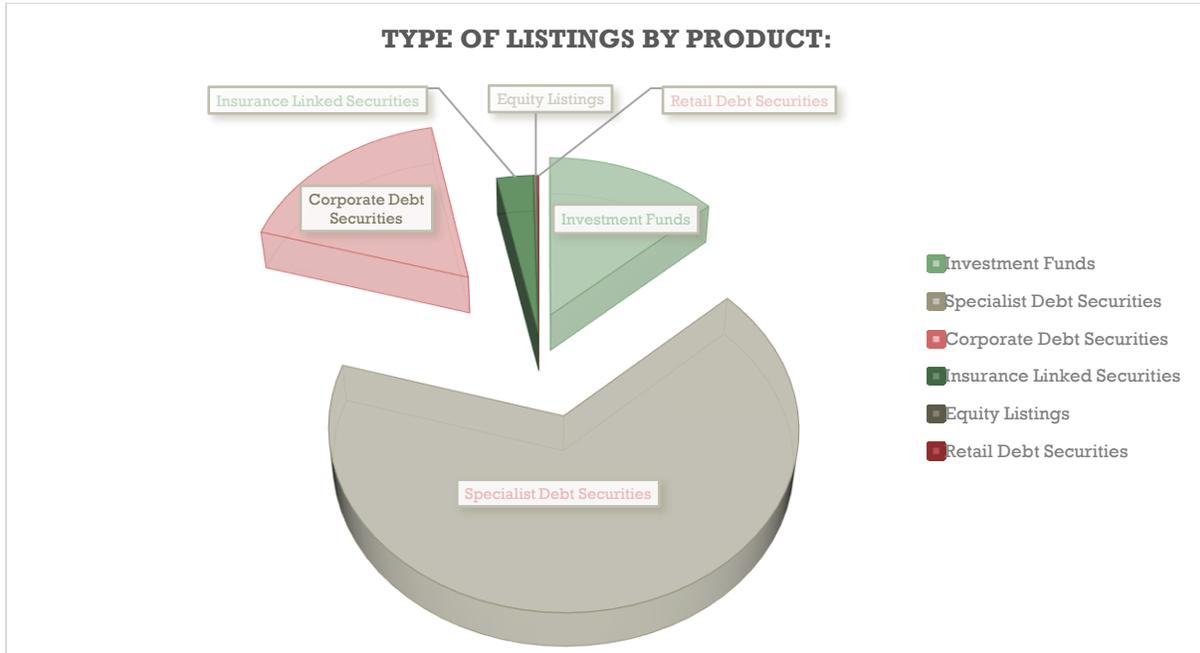
During the 2018 fiscal year, there was further growth in new listings on the Exchange. The number of admissions of financial instruments to the Daily Official List of the Exchange increased by 601 new securities, an increase of approximately 41% compared to the previous year, with the total number of securities admitted from inception of the Exchange being 5,223.

The number of CLO issuers choosing to list on the Official List of the CSX has increased significantly while specialist debt securities remained the largest proportion of new listings during the year. The CSX continues to increase in recognition among issuers and their advisers as the listing venue

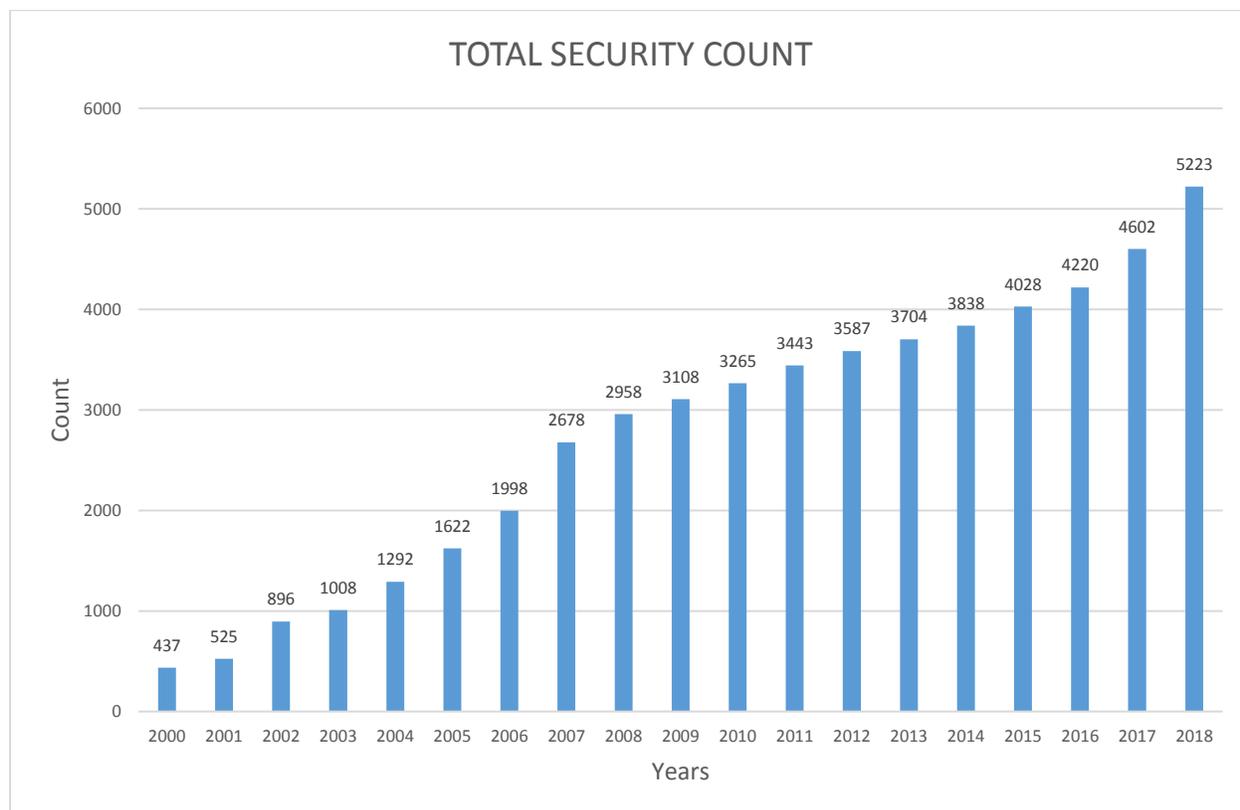
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of choice for CLOs. The Cayman Islands is a home jurisdiction for these types of securities as the issuers are usually Cayman incorporated entities.

The following shows the breakdown of listings by product as of 31 December 2018:



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The continued growth in the number of new listings on the Exchange reflects the growing recognition from issuers and their advisers that CSX provides a thoroughly regulated, convenient and cost-effective listing venue for their securities.

During 2018, the CSX played a role in an innovative listing by Cayman Islands incorporated issuers of two series of fixed rate notes and equity in the form of Aircraft Portfolio Shares, comprised of 90% global aircraft portfolio shares and 10% certificated aircraft portfolio shares. The innovative equity structure introduced the first 144A/Regulation S Aircraft Portfolio Shares to the market in a broadly distributed offering process where both the equity and debt securities were marketed and issued concurrently.

The exceptional service at the CSX not only generated a significant number of enquiries from Cayman Islands entities but also from overseas including UK, Channel Islands, Delaware and Irish companies wanting to learn more about listing capabilities on the CSX.

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. Currently, there are 16 listing agents authorised to represent issuers, however, only one listing agent application was received in late 2018 with expressions of interest from another entity for an application in 2019.

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The Exchange continues to focus on diversifying its income streams by further developing its revenue-generating activities and reviewing its fee structure and 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 a partial and full de-listing fee and amended the listing fees in relation to corporate debt and specialist debt. The CSX has also introduced a number of administrative fees to reflect the cost of services provided and industry trends. The CSX also commenced work in 2018 to amend its listing rules for Chapter 9 (Investment Funds) and Chapter 14 (Specialist Companies).

Subject to overall policy direction and legislation by the Cayman Islands Government, Chapter 9 listing rules are being amended for implementation in 2019 to allow for the listing of investment funds whose investment strategy includes investments in digital assets and Chapter 14 listing rules will be amended to allow for tokenised securities as digital assets.

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.

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.

In August 2018, Cayman National Corporation Ltd. announced that it had received an unsolicited proposal from Republic Bank Trinidad and Tobago (Barbados) Limited to acquire a minimum of 51% and up to 74.99% of the issued shares of Cayman National Corporation Ltd. by way of a tender offer to the shareholders of Cayman National Corporation Ltd.

This transaction is the first of its kind for the CSX and was, therefore, monitored very carefully to ensure full compliance with the CSX Code on Takeovers and Mergers and Rules Governing Substantial Acquisitions of Shares for the fair and equal treatment of all shareholders. As at 31 December 2018, the transaction was still awaiting the necessary approval from the Cayman

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Islands Government. The CSX will continue to monitor the proposed transaction until the matter is finalised.

International relations and marketing effort

The Exchange maintains a level of membership with several organisations that set international standards, 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 changes to the Exchange's human resources and improvements in its financial performance 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 and strengthened valuable relationships that helped to increase listings in 2018 and are expected to further boost listing activity in future years.

As the leading, specialist exchange for sophisticated products, including collateralized loan obligations (CLOs) the Exchange was represented at several asset backed security conferences in 2018. These included SFIG Vegas 2018 in February (currently, the largest structured finance conference in the world), the Investors' Conference on CLOs and Leveraged Loans in May, ABS Global 2018 in June, ABS East 2018 in September, and the Opal Group CLO Summit in November. The CSX also visited with prominent asset managers in New York in May 2018 and several leading law and accounting firms in London in June 2018 in an effort to strengthen relationships and secure additional listings for the Exchange.

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

In November and December 2018, 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 and interpretation of the listing rules and the continuing obligations of issuers post-listing on the Exchange. The CSX intends to continue such presentations and discussions on a regular basis in order to give Listing Agents an opportunity to discuss key topics and for the Exchange to receive valuable feedback.

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 operate within the overall XETRA® trading platform, allowing the Exchange to introduce any change necessary to adapt the platform to its market needs and to have its own trading calendar.

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-

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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 does not charge 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 2018 year.

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

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.

Human Resources

The Exchange takes great care in recruiting experienced and competent staff who possess the required qualifications and/or experience to perform their roles and the functions of the Exchange. In February 2018, the Company hired a new Head of Information Technology and Trading Systems. As of 1 April 2018, the Deputy Head of Listing and Compliance was promoted to Head of Listing and Compliance. In May 2018, the Company hired a new Deputy Head of Listing and Compliance. At December 31, 2018, key management personnel consisted of the Chief Executive Officer, the Head of Listing and Compliance, and the Head of Information Technology and Trading Systems. At December 31, 2017, key management personnel consisted

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of the Chief Executive Officer, and the Deputy Head of Listing and Compliance as the Head of Information Technology and Trading Systems position was vacant.

The CSX also commenced recruitment of a full time accountant in place of a longstanding agreement with KPMG to provide part time accounting services.

The Exchange will continue its efforts to attract and recruit qualified and experienced employees.

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Financial Report

Financial highlights

The main financial highlights for the year ended 31 December 2018 (“2018”) are set out below, together with comparisons of actual information for the 18-month period ended 31 December 2017 (“2016/2017”):

	Year end 31 December 2018	Target Year ended 31 December 2018	18 months ended 31 December 2017
	CI\$	CI\$	CI\$
Revenues	2,765,557	2,050,178	3,083,106
Operating Expenses	1,857,762	1,412,244	2,134,265
Net Income	907,795	637,934	948,841
Total Assets	3,851,101	3,002,538	3,258,076
Total Liabilities	845,496	180,810	247,308
Total Shareholder’s Equity	3,005,605	2,821,728	3,010,768
Net Cash from Operating Activities	1,061,797	642,938	1,038,686
Cash at End of Year	2,922,765	2,502,891	2,738,955

Total income for 2018 was CI\$2.8 million compared to CI\$3.08 million for 2016/2017.

Revenues from operations for 2018 amounted to CI\$2,382,619, compared to CI\$2,504,757 for 2016/2017. This included revenue from listing fees of CI\$2,095,552 for 2018 compared to CI\$2,171,960 for 2016/2017.

Income from CUSIP services for the 2018 year was CI\$373,756, comparable to CI\$549,689 for 2016/2017.

Total expenses for 2018 were CI\$1.86 million, compared to CI\$2.13 million total expenses for 2016/17.

Net income for the 2018 year was CI\$907,795 compared to \$948,841 for 2016/17.

During the year ended 31 December 2018 the number of staff grew by two and the personnel expenses for the year totalled CI\$778,416 (2016/17: CI\$899,972).

A special dividend of CI\$820,000 (US\$1,000,000) relating to 2016/2017 was paid in May 2018 to the sole shareholder of the Exchange.

