London
STOCK EXCHANGE

A WORLD-CLASS MARKET FOR LISTING AND TRADING SECURITIES

A practical guide to listing debt in London

London – your first choice for international capital raising.

FACT: Whether an international company wants to raise capital by issuing debt or equity, London presents a truly world-class market for listing and trading securities.

FACT: On the debt side, over 75 percent of eurobond deals are originated and executed by dealers based in London.

FACT: More than a third of the world's swap transactions, and over a quarter of foreign exchange transactions, take place through banks based in London.

Issuers can gain a London listing through many types of securities. Each of these brings access to London's deep pool of capital and wide investor base. But they are quite different in terms of their characteristics and listing requirements.

This publication gives you a practical overview of why and how domestic and international companies list the following debt securities:

- Eurobonds
- Convertible and Exchangeable bonds
- Medium-term note programmes (MTN)

The London Stock Exchange also produces informative guides describing in detail other routes to a London listing i.e. shares and depositary receipts. You can download these documents from www.londonstockexchange.com.

Listing Eurobonds in London

A London listing gives issuers access to one of the world's deepest pools of investment capital and a wide and diversified investor base. Most buyers of eurobonds are investment funds, and the regulations that govern their activities often require that a high proportion of the securities in which they invest be listed on a well regulated stock exchange.

Most eurobonds are bought by major institutions looking for a sound long-term investment, delivering a fixed rate of return. Eurobond prices in the secondary market tend to be less sensitive than a company's shares to changes in its commercial performance or business prospects. Instead, eurobond prices are more sensitive to wider economic shifts, such as changes in interest rates and currency fluctuations. London's eurobond listing requirements take these characteristics fully into account.

Technically, a London listing consists of admission to listing by the United Kingdom Listing Authority (UKLA) – a division of the Financial Services Authority (FSA), and admission to trading on a recognised investment exchange such as the London Stock Exchange.

Eurobonds are specialist debt securities only offered to institutional investors. As such, listing requirements for issuers of specialist debt are less onerous when compared to issues of debt securities offered to retail investors.

The benefits of a London listing

London's eurobond listing rules are based on European Union (EU) capital markets directives, which apply in all EU member states. However, as the global centre for origination, execution and listing of eurobonds, London offers a number of significant benefits.

The prestige of a globally respected exchange

The UKLA has a worldwide reputation as a fair, effective and efficient regulator. By complying with its well respected standards of regulation and supervision, an international company can enhance its standing within the global investment community.

And by having its debt securities traded on a highly visible and liquid market such as London, an international company can make its name, products and services more familiar to investors worldwide.

Competitive costs – no annual fee

The listing charges for eurobonds are competitive and easy to calculate. London is the only major listing venue not charging bond issuers an annual fee – particularly advantageous for long maturity instruments.

Professional, consistent, efficient and fast

The UKLA and the Exchange are aware of the challenging time pressures under which issuers and their advisers have to operate in the eurobond market.

The UKLA has recently refined the listing procedure to allow them to process documents quickly and efficiently in line with the issuer's timetable. The UKLA has a specialist Central Debt Desk (CDD) with primary responsibility for reviewing eurobond documentation. The CDD ensures that documents are promptly allocated and comments are returned within two clear business days from the date of receipt.

Home to the common language of eurobonds

English is the common language for virtually all eurobond documentation. This means that misunderstandings and delays, which might arise when eurobonds are listed on an exchange where the first language is not English, are avoided by listing in London.

Direct access and geographical location

The UKLA and the Exchange's proximity to London-based eurobond lead managers and legal advisers means documents can be transmitted faster and more easily than in other centres. Issuers and their advisers applying for a London listing can contact the UKLA directly to discuss proposed transaction timetables or technical matters without the need for an intermediary.

Lead Manager can act as authorised adviser

Any firm authorised under the UK Financial Services and Markets Act 2000 may act as authorised adviser for eurobond listing applications in London. This category includes most UK-based lead managers. The authorised adviser may appoint an experienced agent, such as a law firm, to oversee the necessary arrangements with the Listing Authority and the Exchange.

Use of existing registration documents

In certain circumstances, documents prepared for US Securities and Exchanges Commission (SEC) registration or other regulatory filings may be used as part of the London listing document. Although the disclosure requirements of the UKLA contained in the Listing Rules differ from these forms, there are clear areas of broad equivalence. A US company registered with the SEC can therefore use its annual report, together with a "wraparound" containing some additional information to convert and update this document to a UK prospectus, to enable it to list its securities in London. Following this process will result in a quicker and more cost-effective method by which the company can list in London.

The UKLA's Technical Helpdesk (tel. +44(0)20 7066 8333) can provide technical advice and guidance on any part of this route to listing.

Conditions for listing

There are a number of principal requirements, which should be fulfilled for eurobonds including euro-denominated securities:

- Two-year trading and financial record

  A company issuing non-convertible eurobonds should normally have at least a two-year trading record and should be able to present independently audited accounts covering the past two years. The financial information included in the listing document may be presented in accordance with the issuer's local accounting standards and need not be restated or reconciled to UK or US GAAP, nor with International Accounting Standards (IAS). The requirement for a two-year trading record may be waived if an issue is fully secured, asset backed or guaranteed by a sovereign state or a corporate which itself meets the UKLA's basic listing requirements.

- Listing Document

  The issuer must prepare a listing document complying with the UKLA's listing rules, and with the Exchange's Admission and Disclosure Standards. The issuer will need to publish the relevant information and documents in English.

- Transferability

  The debt securities subject to the listing must be freely transferable.

- Market Capitalisation

  The market capitalisation of the class of the debt securities to be listed must be at least £200,000.

- Whole class to be listed

  The application for listing must relate to all debt securities of that class, either issued or proposed to be issued, except for those securities already listed. All further issues of securities of that class must also be listed.

Additional requirements for convertible securities

A company issuing convertible eurobonds should normally have at least a three-year trading record, and should be able to present independently audited accounts covering the past three years.

The financial information included in the listing document need not be prepared in accordance with international accounting standards nor consolidated. Issuers of convertible bonds must also produce a cashflow statement.

In general, convertible securities may be admitted to listing and trading only if the securities into which they are convertible are, or will become, either:

- London-listed securities

  or

- Securities listed on a regulated, recognised and regularly operating open market.

However, in certain circumstances the UKLA and the Exchange may permit the listing and admission to trading of convertible securities that do not meet these criteria. For this to happen, the UKLA and the Exchange must be satisfied that the holders of the eurobonds have access to all the information they need to make an informed decision of the value of the underlying securities to which the convertibility relates.

Medium-term note programmes (MTNs)

The conditions for listing medium-term notes and other debt issuance programmes are similar to those for eurobonds. A listing for a programme is effective for one year and must be renewed annually.

The complete rules and conditions for listing securities in London are set out in the Listing Rules, commonly known as the Rule Book, and in the Admission and Disclosure Standards. The Listing Rules are maintained by the UK Listing Authority – a division of the Financial Services Authority, whereas the Admission and Disclosure Standards are maintained by the London Stock Exchange.

The listing process

Outline timetable

The listing process for eurobonds can take as little as three days depending upon the complexity of the transaction and the completeness of the listing document submitted for approval. Appointing advisers with extensive experience of listing, and agreeing the timetable well in advance, should help shorten the process.

At any time during the process, the UKLA and the Exchange will discuss with the company and its advisers the interpretation of listing and admission to trading requirements. The introduction of the UKLA's Central Debt Desk has greatly enhanced speed and responsiveness.

The UKLA's Central Debt Desk (CDD)

CDD was launched in January 2002 and has proved to be a tremendous success. It is a good example of how the FSA's risk-focused review works in practice.

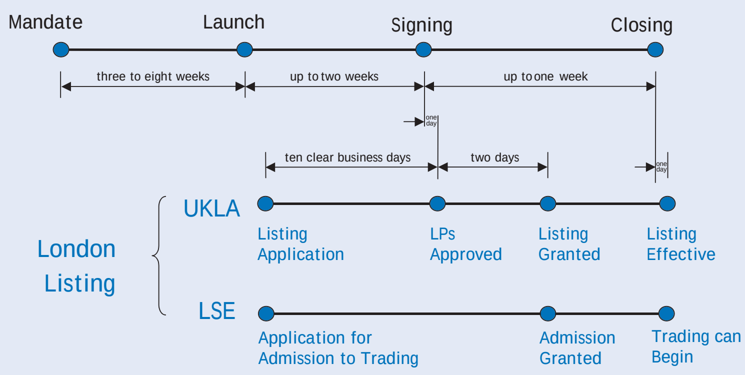
Vanilla bonds, programme updates and supplementary listing particulars are channelled through CDD and can be reviewed and commented on within the fast-track turnaround times the UKLA offers.

CDD is now encompassed within the Central Equity and Debt Team (CEDT). The way the CDD is structured ensures that documents are promptly allocated and comments are returned by the appointed UKLA reviewer within two clear business days from the date of receipt of the listing documents.

The creation of the CDD is a very positive market development and an indication of the UKLA's pragmatic attitude in regulating rapidly evolving markets.

For further details on the concept of risk-focused review or the way the CDD works visit the UKLA's webpage www.fsa.gov.uk/ukla or contact the UKLA technical helpdesk on +44(0)20 7066 8333.

Typical transaction timeline



As provisioned in the Financial Services and Markets Act 2000, a London listing consists of admission to listing by the UK Listing Authority, a division of the Financial Services Authority, and admission to trading by a recognised investment exchange in the United Kingdom, such as the London Stock Exchange.

Cost of listing eurobonds

The charges associated with a London listing consist of three components: the application fee, the vetting fee and the admission to trading fee. The application and the vetting fees are charged by the UKLA and cover all administrative expenses associated with the review and approval of the listing document.

The listing charges for eurobonds are clear and competitive. For each issue there is an initial charge, which is based on the gross proceeds of the issue.

Unlike in most other listing venues in the world, neither the UKLA nor the London Stock Exchange charges an annual fee for a bond listing.

Other fees will arise, principally for the services of professional advisers: the authorised adviser, or any financial adviser, accountants and lawyers. These fees will vary with the amount of work required to prepare the information for a listing.

Publication and advertising

Eurobond issuers may not publish or advertise the listing document until it has been formally approved by the UKLA. However, draft listing particulars (known as the Red Herring) may be circulated without the UKLA's or the Exchange's approval in order to arrange a placing, syndication or underwriting agreement. Once the listing document has been approved, its publication must be advertised, unless the securities are of a class that has already been listed. Sufficient numbers of the listing particulars must then be made available to satisfy public demand.

For further details on listing costs, see the UKLA's 'Listing Fees' publication, and the London Stock Exchange's 'Admission and annual fees'. You can download these documents from the websites of the Financial Services Authority and the London Stock Exchange.
www.fsa.gov.uk/pubs/ukla/listing_fees.pdf
www.londonstockexchange.com/services/fees.asp

> "As a leading global law firm we advise underwriters and issuers in connection with the listing of securities on the Official List of the UKLA and admission to trading on the London Stock Exchange. In the context of MTN/Debt Issuance Programmes, we will generally liase directly with the UKLA on behalf of the underwriters for the approximately 25 London-listed Programmes for Japanese corporate groups on which the firm acts. We find it very useful that the UKLA will commit to fixed review periods for each draft of the document in the offering document approval process, which enables the transaction parties to work on reliable timetables. In addition, we feel that the whole procedure benefits from a generally consistent interpretation of the listing rules."
>
> *Masako Nomoto, Linklaters Tokyo*

The listing document

Issuance of non-convertible eurobonds by an already listed issuer

The issuer must have bonds or shares already listed in London or on a stock exchange recognised by the UKLA. The listing particulars must include:

- A corporate responsibility statement
- Terms and conditions of the notes
- A brief description of the group to which the issuer belongs
- Information on any significant legal or arbitration proceedings pending or threatened, or a negative statement
- The names and functions of the directors
- A capitalisation table
- A statement that the annual accounts have been audited
- Information on any material changes to the financial or trading position since the end of the last financial period for which either audited accounts or interim financial statements have been published
- A summary of recent developments, or a statement that there has been no material adverse change in the financial position or prospects since the end of the year for which the latest accounts have been published.

Additional requirements for new applicants

- A description of principal activities
- Profit and loss accounts for the last two financial years and the balance sheet for the last two years with notes to the accounts for the last year (for further details on the financial information required, see the next section)
- The audit report for the last year must also be reproduced in full.

Additional requirements for convertible eurobond issues

In addition to the above requirements, issues of convertible bonds and bonds with equity warrants must also include the following:

- Profit and loss accounts, balance sheets and cash flow statements for the last three years and – where appropriate – an interim statement (for further details on the financial information required, see the next section)
- Information on the shares into which the bonds are convertible
- Additional information on the issuer's activities
- Information on the issuer's directors, including their aggregate remuneration and their total interest in the issuer's shares.

State-guaranteed eurobond issues

Where an issue is being issued by a sovereign state, statements of material change and financial information on the issuer are not required.

Eurobond issues by states or their agencies

Where a eurobond is being issued by a sovereign state, the information that must be disclosed in the listing document is effectively limited to the terms and conditions of the securities, the authority under which the securities are issued, and details of the revenue and capital against which the security is charged and of the revenue cover for interest, if appropriate.

> Central to the process of listing eurobonds in London is the preparation of the listing document. Its contents are set out in the UKLA's Listing Rules.
>
> The listing document is referred to as the 'listing particulars' (LPs) or sometimes as the 'prospectus'. Set out above is a brief outline of the information that must be included in this document.
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> If the bond issuer benefits from a guarantee from another company, then the information required of the guarantor is the same as that required from an issuer.

Financial Information

Eurobonds issued by already listed companies

Existing listed companies issuing non-convertible eurobonds need only include the following financial information in the listing document:

- A statement that the annual accounts have been audited for the last two years, and by whom
- Information on any significant change in the financial or trading position of the issuer since the date of the last financial period for which either audited accounts or interim financial statements have been published
- A capitalisation table.

Eurobonds issued by new applicants

In addition to the information set out above for non-convertible eurobonds issued by listed companies, the UKLA requires that new applicants should include at least the following information in the listing document:

- Profit and loss accounts for the last two years
- Balance sheets for the last two years
- Notes to the last annual accounts
- A statement of the accounting principles adopted and an explanation of any material departures from International Accounting Standards, US or UK GAAP
- The text of the auditor's report accompanying the latest accounts.

Financial information for convertible eurobond issues

In addition to the information set out above for straight eurobond issues by listed companies, issuers of convertible eurobonds must include the following financial information in the listing document:

- Balance sheets, profit and loss accounts and cash flow statements (or source and application of funds statements for the last three years)
- Notes to the last audited accounts
- A statement of the accounting principles adopted, and an explanation of any material departures from International Accounting Standards, US or UK GAAP
- The text of the auditors' report accompanying the latest accounts
- Any interim statement that has been published since the end of the last financial year.

The UK Listing Authority and the London Stock Exchange require a bond issuer to have published accounts for at least two years for non-convertible debt securities and three years for convertible bonds. This requirement may be waived if the issue is guaranteed by a sovereign state or a company with a two-year trading record, or if the issue is secured or asset-backed.

"As Australia's leading telecommunications and information services provider, we are one of the world's largest telcos by market capitalisation. Telstra is also Australia's foremost corporate (non-financial) issuer of Euro-market debt securities and has maintained a listing of its Debt Issuance Program on the London Stock Exchange since 1995.

A London Stock Exchange listing improves our access to investors by:

- raising our corporate profile at the centre of the Euro-markets,
- endorsing our reputation for high quality documentation and comprehensive disclosure of financial and business information,
- responding quickly to new listing applications,
- adopting a cost effective, flexible approach to Program updates."

Douglas Gration,
Company Secretary,
Telstra Corp.

Continuing obligations

The major continuing obligations for eurobond issuers are as follows:

- **New developments**
  The issuer must advise the UKLA of any new developments in its sphere of activity which are not public knowledge and which may lead to substantial movements in the price of its securities, or may affect its ability to meet its commitments.
- **Equivalent information**
  Where securities are listed on one or more exchanges in addition to London, the issuer must ensure that similar information is published at the same time on each exchange.
- **Equality of treatment**
  The issuer must ensure equal treatment of all holders of listed debt securities of the same class in respect of all rights attaching to such securities.
- **Interest**
  Any decision to pass any interest payment must be notified to the UKLA and the investor community without delay.
- **Annual accounts**
  The issuer must publish annual accounts on an ongoing basis within six months of the end of the financial period to which they relate. For debt securities issuers there is no requirement to publish an interim report.
- **Purchases, redemptions and cancellations**
  Any purchases, redemptions or cancellations of listed debt securities must be notified to the UKLA and to a Regulatory Information Service such as the London Stock Exchange's RNS, when an aggregate of 10 percent of the initial nominal amount of the securities has been purchased, redeemed or cancelled, and subsequently for each five percent of the initial nominal amount acquired thereafter.

The UKLA and the London Stock Exchange have a statutory obligation to protect all investors on an ongoing basis, and to maintain a fair and orderly market. To fulfil this obligation, the UKLA requires all issuers of eurobonds listed in London to meet a number of continuing obligations.

Issuers of London-listed securities have the ongoing obligation to disclose to the investor community any information deemed to be price-sensitive, which must be disseminated to the market via a Regulatory Information Service such as the London Stock Exchange's Regulatory News Services (RNS).

Full information on the listing rules can be found on the UKLA's webpage www.fsa.gov.uk/ukla. Any further technical queries in relation to the listing rules should be directed to the UKLA technical helpdesk on +44(0)20 7066 8333.

> "Simmons & Simmons is a leading law firm in the area of structured products and advises a number of investment banks in respect of structured securities programmes and has advised on a number of structured debt issues that have been listed on the Official List of the UKLA and admitted to trading on the London Stock Exchange.
>
> In this rapidly developing market with increasingly innovative products, the UKLA adopts a consistent approach to the interpretation of the listing rules while remaining flexible if particular issues arise which may not have been considered before. If a draft document to be reviewed is similar to one already approved, the UKLA will endeavour to assign it to a reader who is familiar with such types of transaction, which significantly helps to streamline the process. When combined with the UKLA's rigorous adherence to a fixed review timeline, our clients have the confidence of knowing that a given product will be approved and listed within a finite period with any specific matters being brought to their attention at the outset."
>
> *Simmons and Simmons*

For further information on listing debt securities in London please contact our Debt Capital Markets team.

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