



April 2016

Statutory Audit Directive - Deadlines

The requirements of the Statutory Audit Directive 2014/56/EU (“SAD”) will become applicable as and from 17 June 2016. SAD provides that Public Interest Entities will be required to rotate their auditors every 10 years and also restricts those auditors from providing certain non-audit services to the relevant Public Interest Entity.

The definition of Public Interest Entities includes those entities, which are governed by the law of a Member State, whose transferable securities are admitted to trading on a regulated market such as the Main Securities Market of the ISE (“MSM”).

Deadline for limitation on provision of non-audit services

The restriction on the provision of non-audit services will have immediate effect for all Public Interest Entities for financial years commencing on or after 17 June 2016.

Deadlines for auditor rotation

SAD imposes four separate deadlines for the rotation of audit firms depending on when the auditor was engaged by the Public Interest Entity or when the issuer became a Public Interest Entity.

In order to assist you in ascertaining whether SAD will impact you immediately or otherwise we have set out below the relevant deadlines along with some examples. For the purposes of these examples, we have assumed that there has been no change in auditor since the date of listing.

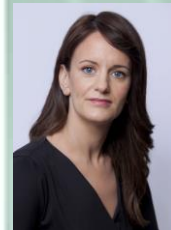
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▣ Deadline 1

An issuer with a listing or auditor engagement date on or after 17 June 2006 must rotate its auditor within 10 years of the relevant listing or engagement date.

Example: An issuer that listed on 2 July 2006 with a financial year end of 30 June.

Required Action: The auditor will be limited in the non-audit services it can provide to the issuer as and from 1 July 2016 and the auditor must be rotated no later than the financial year commencing 1 July 2017.

▣ Deadline 2

An issuer with a listing or auditor engagement date between 17 June 2003 and 16 June 2006 must rotate its auditors for the financial year following the date on which the requirements of SAD become applicable, 17 June 2016.

Example: An issuer that listed on 16 August 2005 with a financial year end of 30 June.

Required Action: A new auditor must be engaged for the financial year commencing 1 July 2016 and that newly appointed auditor will be limited in the non-audit services it can provide to the issuer with immediate effect.

▣ Deadline 3

An issuer with a listing or auditor engagement date between 17 June 1994 and 16 June 2003 must rotate its auditors no later than the financial year following 16 June 2023.

Example: An issuer that listed on 15 June 2003 with a financial year end of 30 June.

Required Action: The auditor will be limited in the non-audit services it can provide to the issuer as and from 1 July 2016 and the auditor must be rotated no later than the financial year commencing 1 July 2023.

▣ Deadline 4

An issuer with a listing or auditor engagement date prior to or on 16 June 1994 must rotate its auditors no later than the financial year following 16 June 2020.

Example: An issuer that listed on 15 June 1994 with a financial year end of 30 June.

Required Action: The auditor will be limited in the non-audit services it can provide to the issuer as and from 1 July 2016 and the auditor must be rotated no later than the financial year commencing 1 July 2020.

It is important for investment funds listed on the MSM to consider the requirements of SAD in the context of the advantages of an ISE listing and to bear in mind their existing shareholder's requirements with respect to listings.

Advantages of an ISE listing

- ▣ Distribution – Classification as “a security listed or traded on a regulated market” for investment by pension funds, institutional investors and UCITS;
- ▣ Profile of the fund, Investment Manager and fund performance on the ISE professional investor portal ISE Fundhub;
- ▣ For MSM-listed ETF issuers – a passport to trading on the London Stock Exchange;
- ▣ Transparency - All NAVs, financial reports and announcements of ongoing operational changes and other relevant market notifications made by listed funds are disseminated through the ISE data feed to information vendors;
- ▣ Cost benefits - Low cost listing which also provides independent publication of NAVs and ISIN codes for listed securities at no extra charge. Fee structures based on number of sub-funds rather than securities listed or capitalization;
- ▣ Comprehensive listing requirements designed specifically for investment funds;
- ▣ Flexible and approachable listing regime;
- ▣ Technical drivers such as providing eligibility for investment by UK SIPPs and also by Chinese Qualified Domestic Institutional Investors;
- ▣ Provides a “stamp of regulation” for funds which may be domiciled in unregulated jurisdictions. The level of scrutiny imposed by the ISE on an initial and ongoing basis provides the market with a significant level of transparency and investor protection;
- ▣ A significant element of prestige and visibility, particularly as Ireland is a member of both the OECD and the EU;
- ▣ Enables the security to be marked to market, i.e. to allow investors to refer to a quoted market price for their securities.

Alternative ISE listing – the Global Exchange Market (“GEM”):

As you will be aware from other recent Dillon Eustace publications, on 4 April, 2016, the ISE launched the GEM for investment funds. Investment funds listed on the GEM are not subject to SAD, as GEM is an exchange-regulated market, rather than a “regulated market” for the purposes of SAD. A transfer of an investment fund’s listing from the MSM to the GEM may be done by way of announcement, which is subject to prior approval and can be submitted using the normal channels. The GEM listing regime is based on the same listing principles as the MSM.

Further Links

Full information on SAD and related texts and deadlines can be found at the following links:

http://ec.europa.eu/finance/auditing/directives/index_en.htm

<http://www.europarl.europa.eu/sides/getAllAnswers.do?reference=E-2015-011727&language=NL>

If you wish to discuss any of the issues contained in this article please contact a member of Dillon Eustace’s ISE Listing team or your usual Financial Services contact at Dillon Eustace.

Other recent Dillon Eustace listing publications:

Global Exchange Market – Investment Funds:

<http://www.dilloneustace.ie/download/1/Publications/Listings/Global%20Exchange%20Market%20Investment%20Funds.pdf>

Market Abuse Directive II – Changes in the Market Abuse Regime – Investment Funds and Debt Issuers:

<http://www.dilloneustace.ie/download/1/Publications/Listings/Market%20Abuse%20Directive%20II%20-%20Changes%20in%20the%20Market%20Abuse%20Regime%20-%20Investment%20Funds%20and%20Debt%20Issuers.pdf>

Prospectus Regulation;

<http://www.dilloneustace.ie/download/1/Publications/Listings/Prospectus%20Regulation.pdf>

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