



October 2015

Statutory Audit Directive – Auditor Rotation

The Statutory Audit Directive 2014/56/EU (“SAD”) together with associated regulation (EU) 537/2014 (the “Regulation”) require public-interest entities to rotate their auditors every 10 years.

SAD enters into force on 16th June 2016 and will have implications for listed issuers from that date.

The definition of public-interest entity includes investment funds listed on the Main Securities Market (“MSM”) of the Irish Stock Exchange (“ISE”) and other listed entities which are admitted to trading on a regulated market within the EU.

The 10 year period begins at the date of the audit engagement or the date of initial listing of the shares or class of shares of the fund on the relevant stock exchange.

SAD and the Regulation set out a range of deadlines by which the audit rotation must be complied with and the relevant dates are set out below.

- ▣ Issuers with a listing or audit engagement date between 16 June 2003 and 17 June 2006 – rotation by 16 June 2016, i.e. by the date of applicability of the Regulation;
- ▣ Issuers with a listing or audit engagement date after 17th June 2006 must rotate within 10 years of the relevant listing or engagement date;
- ▣ Issuers with a listing or audit engagement date prior to, or on, 16 June 1994 - rotation by 16 June 2020; and

www.dilloneustace.ie

/7274763v1

Dillon Eustace Listing Team contacts:



Tara O'Callaghan

DD: +353 (0)1 673 1831

tara.ocallaghan@dilloneustace.ie



Helen Daly

DD: +353 (0)1 673 1830

helen.daly@dilloneustace.ie



Fionnán Gannon

DD: +353 (0)1 673 1867

fionnan.gannon@dilloneustace.ie

- ▣ Issuers with a listing or audit engagement date between 17 June 1994 and 16 June 2003 – rotation by 16 June 2023

It is important for listed funds to continue to consider the advantages of a listing on the ISE while considering the implications of SAD.

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;
- ▣ **Marketing** - Profile of the fund, Investment Manager and fund performance on the ISE professional investor portal ISE Fund hub;
- ▣ **Regulatory Status** - 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.
- ▣ **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;
- ▣ **Low Cost** – Listings represent relative value and provide independent publication of NAVs and ISIN codes for listed securities at no extra charge. Fees structured based on number of sub-funds rather than securities listed or capitalization.
- ▣ **ETF Passport** – An ISE listed ETF can passport to trading on the London Stock Exchange;
- ▣ **Clarity** - Comprehensive listing rules designed specifically for investment funds;
- ▣ **Fast** - A commitment to aggressive timings on processing listing applications;
- ▣ **Flexible** - An approachable listing regime;
- ▣ **Country Specific Benefits** – for example, an ISE listing reduces a fund’s compliance workload for French fund of fund purposes;
- ▣ **Tax Benefits** – such as more favourable treatment under certain tax rules for individuals investing in listed investment funds;
- ▣ **China** - Eligibility for investment by Chinese Qualified Domestic Institutional Investors, which are limited to investing in securities listed on a stock exchange such as the ISE or regulated by a financial regulator that has signed a Memorandum of Understanding with the China Securities Regulation Commission and China Banking Regulatory Commission.
- ▣ **Prestige** - A significant element of prestige and visibility, particularly as Ireland is a member of both the OECD and the EU;

- ▣ **Valuations** - Enables the security to be marked to market, i.e. to allow investors to refer to a quoted market price for their securities.

Full information on SAD, the Regulation and related texts can be found at the following link:
http://ec.europa.eu/finance/auditing/directives/index_en.htm

For further information please contact a member of our ISE Listing team or your usual Financial Services contact.

Dillon Eustace
October 2015

DILLON EUSTACE

Dublin

33 Sir John Rogerson's Quay, Dublin 2, Ireland. Tel: +353 1 667 0022 Fax: +353 1 667 0042.

Cayman Islands

Landmark Square, West Bay Road, PO Box 775, Grand Cayman KY1-9006, Cayman Islands. Tel: +1 345 949 0022 Fax: +1 345 945 0042.

Hong Kong

604 6F Printing House, 6 Duddell Street, Central, Hong Kong. Tel: +852 352 10352.

New York

245 Park Avenue, 39th Floor, New York, NY 10167, U.S.A. Tel: +1 212 792 4166 Fax: +1 212 792 4167.

Tokyo

12th Floor, Yurakucho Itocia Building, 2-7-1 Yurakucho, Chiyoda-ku, Tokyo 100-0006, Japan. Tel: +813 6860 4885 Fax: +813 6860 4501.

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