

AIM Consultation from London Stock Exchange

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The London Stock Exchange (“Exchange”) has published AIM Notice 46 in which it announced the launch of a discussion paper on proposed changes to the AIM Rules for Companies and the AIM Rules for Nominated Advisers.

Many of the proposals concern the pre-admission process, principally to avoid delays. However, there are a number of proposals which would affect companies already admitted to trading on AIM.

Pre-Admission Proposals

- **Early notification:** whether nominated advisers should enter into discussions with the Exchange at an earlier stage setting out key information regarding the company and its proposed admission to AIM.
- **AIM Rule 9 powers:** whether the Exchange should publish a list of non-exhaustive examples of factors that a nominated adviser should take into account when assessing a company’s appropriateness for AIM.
- **Free float:** whether the Exchange should introduce a minimum “shares in public hands” requirement and if so, what the minimum free float should be.
- **Minimum fundraising:** whether the Exchange should introduce a minimum fundraising threshold for all new applicants (subject to limited exceptions) and if so, whether it should apply to both revenue and non-revenue generating companies. What should the minimum threshold be?

Post-Admission Proposals

Corporate Governance

The Exchange takes a principle-based approach to corporate governance and is of the view that each company, together with their nominated adviser, should focus on what is meaningful and

appropriate for that company in its particular circumstances. AIM Rule 26 sets out the current corporate governance arrangements and the discussion paper is canvassing views on whether those requirements are effective.

The question is also raised as to whether it should be mandatory for AIM companies to comply and explain against one of the industry codes of their choosing, such as the UK Corporate Governance Code or the Quoted Companies Alliance Corporate Governance for Small and Mid-Size Quoted Companies.



Standards of Conduct and Approach to Non-Compliance

The Exchange's remit to enforce standards of conduct in AIM companies is strictly limited to its rulebooks. It cannot get involved with other examples of inappropriate or fraudulent conduct such as market abuse, fraud, breach of directors' duties and so on. The Exchange is concerned that market participants, particularly individuals, do not fully appreciate its limited remit. To that end, it raises the question as to what more it could do to educate market participants, beyond the information already available on its website.

Breaches of the AIM Rulebooks

The discussion paper sets out what factors the Exchange considers when investigating alleged breaches of its rulebooks and the sanctions available to it. The Exchange intends to undertake a further review of the AIM Disciplinary Procedures and Appeals Handbook with a view to considering proposals to increase understanding about the outcome of the Exchange's work.

The Exchange also intends to review its supervisory powers and sanctions policy and to issue a consultation paper on proposed changes to the AIM Disciplinary Handbook. In the meanwhile, the discussion paper raises the question as to whether to introduce automatic fines for explicit breaches of the AIM Rules, which breaches and the level of the fine.

The Exchange invites responses to the discussion paper on or before 8 September 2017.

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