The City of London Law Society

The Law Society

London Stock Exchange Discussion Paper: Shaping the Future of AIM

16 June 2025

Introduction

The views set out in this response have been prepared by a Joint Working Party of the Company Law Committees of the City of London Law Society (the **CLLS**) and the Law Society of England and Wales (the **Law Society**).

The CLLS represents approximately 20,000 City lawyers through individual and corporate membership, including some of the largest international law firms in the world. These law firms advise a variety of clients from multinational companies and financial institutions to Government departments, often in relation to complex, multijurisdictional legal issues. The CLLS responds to a variety of consultations on issues of importance to its members through its 22 specialist committees.

The Law Society is the professional body for solicitors in England and Wales, representing over 170,000 registered legal practitioners. It represents the profession to Parliament, Government and regulatory bodies in both the domestic and European arena and has a public interest in the reform of the law.

The Joint Working Party is made up of senior and specialist corporate lawyers from both the CLLS and the Law Society who have a particular focus on issues relating to equity capital markets.

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Overview:

We support the drive to reframe AIM, seeking to ensure that it remains a core part of UK capital markets. However, whilst regulatory adjustments may result in improving certain aspects of AIM (including cost reduction, investor confidence, reducing friction in growth events and making the rules more internationally competitive), the lack of liquidity is a deeper issue tied to the market's fundamental characteristics and the wider debate around government policy on the broader UK capital markets ecosystem.

The reform of the UK listing regime following the FCA's Primary Market Effectiveness Review has made AIM, as it currently stands, a relatively less competitive and less attractive market for many companies. Whilst the proposed areas for reform of the AIM Rules set out in the Discussion Paper should help to address some of the frictions and costs currently associated with AIM, the lack of liquidity in the AIM market is a more fundamental issue that cannot be adequately addressed through revisions to the AIM Rules alone. This underlying market issue is part of the wider discussion, led by CMIT, around how to make London a more attractive listing venue for a broad range of companies. In our view, the outcome of those discussions will have a far greater impact on the future of AIM.

AIM's core purpose is to support smaller, growth and founder-led companies by providing capital at an early stage in the company's development. Given the often high-risk and less established nature of many AIM companies, they typically attract a narrower pool of investors than companies traded on the Main Market of the London Stock Exchange. The nature of AIM companies means they are less likely to draw in the substantial institutional investors who help to drive liquidity in larger markets. Whilst fiscal incentives in the form of EIS, VCT and Business Relief have helped to attract investors and founders to AIM, recent changes to Business Relief and the fear of further changes have impacted AIM's appeal. With the advent of PISCES, and the possibility for private companies to have a degree of secondary trading in their shares without the disclosure and other requirements of the AIM Rules, there is a risk that AIM's appeal and role could potentially be further impacted. It will therefore be important that the London Stock Exchange sets out a clear statement of the purpose of AIM and the unique benefits it offers.

Liquidity relies on a broad and active market of buyers and sellers. This is influenced by factors such as market size, investor diversity and trading activity, none of which can be significantly altered by revising the AIM Rules. Our view is that government policy to support the liquidity of the UK's capital markets, including AIM – whether in the form of pension reform, tax incentives or other policy shifts - is essential.

Against this background of the need for liquidity, and on the assumption that measures to improve liquidity will be forthcoming, we believe that the outcome of this Discussion Paper should also focus on maintaining a proportionate regulatory framework to ensure private companies understand the merits of joining the market and investors trust its integrity.

Questions:

Please note that we do not comment on each question.

Q1 Do you believe that recent initiatives to increase investment in equities, including the Mansion House Compact, the Government's Pensions Investment Review and review of the Local Government Pensions Schemes will be effective in increasing investment into AIM companies? Please state your reasons and any suggestions for additional changes.

Please see above. A concern was also raised that combining Local Government Pensions Schemes could have an unintended negative impact on AIM in a similar manner to the consolidation of wealth managers. Many larger pools of capital deliberately cap the number of equity investments they make and cap the percentage of issued share capital that their investments can represent of a company's total issued share capital. As a result, a larger pool of capital might only wish to invest in larger companies because to do otherwise would result in them having to monitor too many investments or each investment being a higher percentage of a company's total issued share capital than is desired. More pools of capital conversely might provide more potential investors and therefore more liquidity to the market.

Q2 Are there any changes that should be made to any of the fiscal incentives that we should be advocating for to support investment into AIM to make them more effective or to reduce uncertainty? Please provide views on the relative importance of the individual fiscal incentives, specific evidence and / or case studies to demonstrate the value of the incentives.

N/A.

Q3 Are there: i. additional initiatives that we should consider to enhance liquidity in the trading of AIM securities? These could include changes to the AIM rulebooks, the Rules of the London Stock Exchange or the operation of the trading system ii. additional products and services that we should consider that could enhance liquidity? For example indices or enhancements to our Issuer Services platform iii. additional targeted interventions, such as the extension of the remit of the British Business Bank, to support investment into growth markets that would make a material impact?

N/A.

Q4 Are there features of other funding platforms or growth markets internationally that we should consider to enhance the operation or positioning of AIM?

N/A.

Q5 We would appreciate thoughts on the positioning and marketing of AIM and the AIM brand and any specific ideas about how it should evolve in the future to ensure AIM retains a central position in the wider funding continuum, both in the UK and internationally.

N/A.

Q6 Please rank the following areas, from high to low, that contribute to cost or friction and act as a potential impediment to companies joining AIM or impact companies admitted to AIM:

- Auditing and financial advisory costs in preparing the admission document

- Legal and due diligence costs in preparing the admission document

- Ongoing auditing fees

- Nominated adviser fees in connection with the admission process

- Nominated adviser fees on an ongoing basis

- Exchange fees

- Ongoing disclosure and associated compliance costs

- Corporate governance expectations and associated costs

- Capital raising costs

- Costs of engaging with investors

- Equity research fees

- Availability of capital

- Liquidity and / or volatility

- Other costs associated with the admission process and ongoing obligations (please provide details and rank accordingly)

The consensus view of our members is that any current dissatisfaction of companies and shareholders with respect to costs at IPO and following IPO derives more from the fact that an IPO is generally perceived not to produce the valuation and after-market liquidity that merit the expenditure. Where the market works well, the cost issue broadly dissipates for both companies and shareholders, although particularly small companies raising capital of less than approximately £10 million may still find the listing process too costly. On this basis, availability of capital and liquidity and/or volatility would rank the highest in terms of impediments, as set out above.

That being said, and whilst liquidity remains the core, underlying issue, we believe that AIM would be a more attractive listing venue if costs could be reduced. From a legal fees perspective, the perceived requirement that the nominated adviser must seek a legal due diligence report on an IPO results in an expensive exercise which, in our view, can be of limited value. Clearly diligence needs to be undertaken to ensure that the disclosure in the admission document is correct and no material information is omitted, but producing an additional, often lengthy document (sometimes of over 200 pages) offers little cost benefit. As noted below, on a Main Market IPO neither the sponsor nor the FCA typically requires a full legal due diligence report. More broadly, shortening the length of all reports would be a good goal to reduce costs generally and to provide more focused and digestible disclosure.

Whilst anecdotal evidence, some of our AIM-quoted clients have also raised audit fees, the need to obtain nominated adviser approval for all announcements, the costs of a plc board and those of a finance team able to support the requirements of a quoted company as disincentives for being or remaining quoted.

Q7 Please provide views on the regulation of AIM and areas where we can support the nominated adviser in providing guidance to reset market practice that has evolved over time to be unhelpful and unnecessarily burdensome.

In our opinion, AIM Regulation has a difficult task given the range in size and nature of companies quoted on AIM. There is a view that that there is a “one size fits all” approach to the oversight of AIM companies, and that AIM Regulation should seek to refine this approach given the risk profile of particular companies (for example, where companies have exhibited good behaviours and not materially changed their businesses for a period of time after IPO).

Generally speaking, we believe that nominated advisers could benefit from significantly more guidance as to what is expected of them, in much the same way as the FCA publishes Technical Notes to support sponsors with the interpretation and application of its rules. If the decision is taken to reduce the regulatory burden on companies and their nominated advisers, appreciating that investors would therefore be required to assume more risk, it would be particularly helpful if AIM Regulation provided public guidance as to its expectations around the duties of the nominated adviser so as to support the introduction of a less risk averse approach and, ultimately, reset market practice.

Q8 Please provide details of any reports that are part of the admission document process that are either duplicative or the cost outweighs the value. Are there other areas of the admission process that can be simplified?

As set out in our response to question 6, from a legal fees perspective, we query whether the legal due diligence report workstream for AIM admissions provides value for money for issuers. We note that the practice of producing these reports has arisen from the AIM Rules for Nominated Advisers and, in particular, AR3 which requires the nominated adviser to be satisfied with the due diligence and to review the associated reports. Legal due diligence reports are not generally seen on Main Market IPOs where there is no equivalent rule in the UKLRs. On a Reg S transaction (i.e. an offer not targeted at US investors), a sponsor has to be satisfied that appropriate diligence has been conducted without any legal comfort being provided in the form of a 10b-5 letter; it does not seem logical therefore that a nominated adviser can only obtain sufficient comfort on the basis of a due diligence report. In line with this, we would suggest that AIM Regulation considers amending AR3 so that it is less onerous for the nominated adviser and/or issues appropriate guidance indicating that legal due diligence reports may not be necessary (or could be limited to specific points arising out of management due diligence sessions or to address specific issues, such as title to key assets or compliance with industry regulation) in order to comply with this requirement. A shift in market practice in this respect would represent a significant unburdening for issuers.

A view was put forward that the wording of the nominated adviser declaration could be revised in order to make the process less onerous for both issuers and nominated advisers. The declaration currently requires the nominated adviser to confirm that the applicant and its securities are appropriate to be admitted to AIM, having made due and careful enquiry and considered all relevant matters set out in the AIM Rules for Companies and the AIM Rules for Nominated Advisers. The form

of declaration could be reframed as negative assurance type wording similar to that required under the UKLRs for a transfer of listing using the modified transfer process; this requires the sponsor to confirm that it has not identified any adverse information that would lead it to conclude that the issuer would not be able to comply with its obligations under the UKLRs, the disclosure requirements and the transparency rules.

Q9 Please provide views on the nominated adviser role including: i. key aspects of the role that continue to provide value to companies and confidence to investors; ii. any aspects that result in disproportionate burden for the nominated adviser and / or company that outweigh the benefit; and iii. areas of the work performed by the nominated adviser that are duplicative with other advisers and where the nominated adviser's corporate finance experience is not necessary. iv. in respect of the Qualified Executive role.

In our experience, the role of the nominated adviser can be particularly useful for certain categories of AIM companies, particularly smaller, early stage companies and those whose boards lack sufficient public market experience. However, we note the willingness of AIM Regulation to review the fundamentals of AIM and would suggest that this presents an opportunity to consider changes to the nominated adviser role. Whilst we see continued value in the outsourced nominated adviser role and would therefore not suggest removing the role entirely, one option, which would be less burdensome, would be to move towards a sponsor type role such that a nominated adviser is not permanently engaged - for example, a nominated adviser could be required to be appointed for certain pieces of advice (such as whether a company has a duty to disclose) or for certain transactions or corporate actions (such as assistance with substantial transactions or related party transactions). This lighter touch option could be made available where certain conditions are met - for example, continuous trading for a period of 18 months without significant issues, a minimum market capitalisation and AIM Regulation and nominated adviser confirmation that the directors understand their responsibilities and obligations and that appropriate procedures, systems and controls are in place to enable the company to comply with its obligations.

Q10 Noting the obligations of an AIM company to comply with UK MAR: i. does the obligation under AIM Rule 11 continue to be helpful or does it create an unnecessary and duplicative burden for companies? ii. If you consider that UK MAR disclosure is a sufficient standalone level of disclosure without the need for an additional AIM Rule obligation, please provide details of what the role of the nominated adviser should be (if any) in respect of supporting company disclosure.

We believe that the overlapping disclosure obligation under AIM Rule 11 - which AIM Regulation has confirmed should be considered separately from the UK MAR disclosure obligation - creates an additional level of complexity and is unhelpful for issuers.

We are of the view that the disclosure regime could be simplified and greater consistency achieved if the UK MAR disclosure obligation were to be applied as a single standard, whilst also ensuring equal access to information by market participants, as is the case on the Main Market. In line with the approach adopted on the Main Market, the input of an issuer's external advisers, including the nominated adviser, should be sought if there is any doubt in relation to the application of UK MAR.

Q11 We would welcome views on whether the current choice of corporate governance codes meets the needs of all AIM companies. We also welcome specific feedback: i. from investors, the areas of the existing commonly used corporate governance codes that are important to you. ii. from companies, the areas of these codes that are challenging to comply with and why.

We believe that the current choice of corporate governance codes is sufficient. The codes are typically subject to periodic review which ensures they are appropriately updated to accommodate the needs of AIM companies. Further, they operate on a "comply or explain" basis which allows issuers to explain why they do not adopt the code's provisions in full.

Q12 Do you consider AIM should also offer a simplified list of requirements for corporate governance as a further choice to existing codes? If so, please provide details of what you consider the key requirements should be.

Please see above.

Q13 Please advise what you consider are: i. the key elements of the current admission document that investors value; and ii. the areas of the preparation of the admission document that should be modified or are not necessary (if any).

We would welcome the opportunity to discuss in detail proposals in respect of revised content requirements for the admission document. Please let us know if this would be helpful.

Q14 If you consider that the option of a simplified admission document would be appropriate, please provide details of what it should look like.

N/A.

Q15 If you agree with the use of incorporation by reference, please provide details of information in the admission document that should be permitted to be incorporated in this way.

We agree with the use of incorporation by reference of documents that are available in the public domain. Information which should be permitted to be incorporated in this way includes HFI, constitutional documents and Competent Person's Reports.

Q16 If you do not agree with the use of incorporation by reference, please explain the reasons for your view.

N/A.

Q17 Are there any further changes that could streamline the admission document contents, its format and / or style including the use of proforma/template sections (where applicable) that we should consider? Please provide details.

We believe that there are changes that could be made to standardise and simplify the contents of an admission document. These changes should make it quicker and simpler for advisers to prepare the necessary disclosures and, by being standardised, allow investors to form a clearer understanding of the disclosure and to compare companies more easily.

Using the numbering from the Annexes to the AIM Rules, specific proposed changes include:

- Annex 1, Section 3.1 (Risk factors): Introducing a word/page limit to the risk factors section to require a company to focus on the material risks rather than referencing boiler plate risks.
- Annex 1, Section 10 (Trend information): Replacing the trend information disclosure with a simplified approach of providing disclosure on "current trading and outlook" as this is the approach that the AIM company is likely to follow once listed. Section 18.7 (Significant change in the issuer's financial position) can then be deleted as the current trading statement would capture any significant change in the issuer's financial position.
- Annex 1, Section 14.1 and 14.2 (Board practices): Moving to a template summary of directors' service contracts and letters of appointment, focusing on remuneration, term, notice period and restrictive covenants and any other information that is material to investors in respect of the directors at the time of admission and proposed directors (if any).
- Annex 1, Section 15.3 (Employees): Moving to a template summary of share option plans so that it is easier for investors to compare the key terms of a scheme, focusing on vesting and exercise periods, performance conditions, remuneration committee discretions in the event of a change of control and leaver and clawback arrangements.
- Annex 1, Section 19.2 (Memorandum and Articles of Association): The memorandum and articles of association should be incorporated by reference (and continue to be available on an AIM Rule 26 (or equivalent website)) and disclosure should be limited to a table covering shareholders' rights to convene and participate in shareholder meetings and borrowing powers (if any) and any unusual rights or restrictions.

As a general point, the Additional Information section of the admission document should be presented following the order set out in Annexes. We also think Schedule Two of the AIM Rules would be more user-friendly if, instead of specifying that an admission document should include all the items of information required by Annexes 1, 11 and 20 but then (i) carving out certain items and (ii) modifying or adding in certain other items, Schedule Two were simply to set out all the items of information that must be included.

Q18 Please state which of the following approaches to working capital disclosure you consider most appropriate for AIM admission documents and the reasons why: i. Applying the new Main Market equivalent requirements; ii. A statement in line with that currently required by applicants admitting to AIM via the ADM route; and / or iii. No working capital in specific circumstances.

In the interest of consistency, we think it would be helpful if the new Main Market equivalent requirements could be adopted, including the FCA's impending rule updates under the new Public Offers and Admissions to Trading regime pursuant to which it is expected that issuers would be permitted to disclose the significant judgements made in preparing the working capital statement. This should include allowing an issuer to disclose the assumptions the statement is based on and the sensitivity analysis which has been performed. Whilst we would welcome the additional flexibility offered by this approach – which would allow for a more informative statement and potentially more meaningful disclosure for investors – it would undermine a key policy objective if working capital statements were to become complex, heavily caveated or subject to large numbers of judgements or assumptions as a result. Relatedly, it would be helpful if AIM Regulation could produce additional

guidance in respect of the types of judgements and assumptions which would be acceptable as well as the types of broader, disclaimer-like language which would not be considered to be appropriate.

Q19 If you agree that there are circumstances where no working capital statement should be required, please provide the circumstances you consider appropriate.

N/A.

Q20 If you agree with there being no working capital statement where reliance is instead placed on the going concern statements included in past financial statements: i. Do you agree that 3 years of 'clean' audited accounts is sufficient to rely upon? ii. When do you consider the last audited accounts would become stale for the purposes of relying on the going concern statement contained within the 'clean' audit report, noting that the AIM Rules allow the balance sheet date of the last audited accounts no older than a maximum of 18 months from the date of the admission document?

N/A.

Q21 Do you agree with the proposal that we can dispense with an admission document and instead require AIM Rules Schedule Four disclosures, where a company is making an acquisition that is larger than itself but which does not result in a fundamental change of business? If you agree, please provide details of: i. any further disclosures that would be appropriate in addition to those set out in AIM Rules Schedule Four; ii. whether a shareholder vote on the acquisition is necessary where the company is not undertaking a fundamental change of business and, if yes, please explain why; and iii. any thresholds / factors considered relevant to determining whether an acquisition gives rise to a fundamental change of business.

We agree that whilst there may be cases where an acquisition, despite its size, should not necessarily trigger the requirement for an admission document, careful thought should be given to the concept of a fundamental change of business and the parameters of any potential dispensation. One option would be to dispense with the requirement for an admission document where there is no material change from the perspective of investors; for example, entering into a new line of business, entering into a new industry sector, changing the risk profile of the company and/or pursuing a strategy which is not in line with previous disclosures might all be considered to constitute a material change. Relatedly, we believe that the nominated adviser should be allocated a central role in determining whether the acquisition falls within scope of this broader test, taking into account all factors that it considers relevant.

In our view, the disclosures in Schedule Four of the AIM Rules (and, in particular, the "sweeper" in paragraph (j) which requires the disclosure of "any other information necessary to enable investors to evaluate the effect of the transaction upon the AIM company") are appropriate for a reverse takeover that does not constitute a material/fundamental change. In line with this, the AIM company, in conjunction with its nominated adviser, is best placed to consider whether any further disclosure is required to keep investors informed and to satisfy its UK MAR obligations.

Separately, it was suggested that as an investor protection mechanism, the AIM company could be required to disclose its proposed strategy and outlook following the acquisition and whether implementing that strategy is expected to require any further debt or equity funding in the following 12

months. For trading companies, the proposed strategy could be added to the company's AIM Rule 26 website and where there has been a change since the last AGM, a blackline of the changes could also be included. Similarly, for investing companies, the last shareholder-approved investing policy could also be included on the AIM Rule 26 website together with a blackline showing changes to the last approved investing policy (where non-material changes have been made that did not require shareholder approval).

If it is concluded on the basis of the proposed, broader test that there is no material change from the perspective of investors, a reverse takeover should not (of itself) require shareholder approval. Clearly shareholder approval may still be required under the Companies Act 2006 (if the company does not have sufficient authority to issue shares), Rule 9 of the Takeover Code or under the company's constitutional documents (if, for example, the level of debt funding exceeds borrowing powers in its articles of association). We believe that these guardrails mean that the shareholder approval required by AIM Rule 14 could be removed without causing serious detriment to investors.

Q22 Please provide details of any other changes in relation to reverse takeover rules that could make it more efficient for AIM companies to undertake transactions.

On the basis that the requirements for an admission document and shareholder approval are removed in the case of a reverse takeover which does not fall within the proposed parameters, the following will not be required: (i) rules relating to suspensions and cancellations in the guidance note to AIM Rule 14, (ii) a ten day announcement, (iii) a nominated adviser declaration and (iv) a company application form.

In the event of a leak, the AIM company will be required to make an announcement in accordance with its UK MAR obligations and inform the market of the inside information. A suspension should only be required if the AIM company is not in a position to make an immediate announcement, and the suspension would be lifted following the release of the announcement.

A consequence of these proposed changes is that, absent any regulatory or other conditions, an AIM company should be able to sign and close an M&A transaction on a truncated timeline. These revisions, together with the resultant reduction in adviser costs and management time, would reduce friction for acquisitive AIM companies and would offer a reduced regulatory burden compared to a Main Market listing, which would be appropriate for a market seeking to attract high growth companies.

Q23 Please state which of the following approaches to permitted accounting standards you consider most appropriate for AIM (in addition to the use of IAS): i. Allow all local accounting standards, as permitted by the respective country of incorporation (which would include local accounting standards falling outside of those currently prescribed in the AIM Rules); or ii. Limit the list of local accounting standards to a prescribed list in the AIM Rules based on equivalency to IAS.

We are of the view that the list of local accounting standards should be limited to a prescribed list in the AIM Rules based on equivalency to IAS, to seek to ensure that appropriately high standards are being applied such that investors are able to rely on the accounting information.

Q24 If you consider the list of permitted accounting standards should be prescribed in the AIM Rules, please provide details of the local accounting standards you consider acceptable and why.

N/A.

Q25 We welcome views on whether requiring a comparison of local standards against IAS would create costs that outweigh the benefits of providing companies the flexibility to use local accounting standards.

N/A.

Q26 Do you agree that admission of second lines of security to trading on AIM companies should not require the publication of an admission document? Please explain your views and whether it differs depending on the type of security.

We agree that admission of a second line of security to trading on AIM, whether equity, quasi-equity or quasi-debt, should not require the publication of an admission document. Minimal disclosures in a separate admission document would constitute new information; in particular, all of the business and financial information and risk factors etc. relating to the issuer would be the same regardless of the nature of the second line of security - and this is the information on which the investors would base the majority of their investment decision. A new admission document would therefore be almost entirely duplicative with the original admission document and the information published by the issuer subsequently (such as trading updates, financial statements etc.).

We do, however, think that the AIM Rules should require the company to disclose details of the rights attached to the new line of securities - which would provide the additional information investors would need - and should specify the information that is required. Whilst there are circumstances where the company will have set out the rights attached to the new line of securities in full, or in summary form, in a shareholder circular, this may not always be the case. Similarly, although the rights attached to a new class of shares will usually be set out in the company's constitution, which should be available to all investors on the company's website (in accordance with Rule 26 of the AIM Rules), it can be difficult for investors to identify from the constitution all the rights attached to a class of securities and how these differ from the rights attached to the existing class(es) of securities, in addition to understanding which rights are most material.

We note that under the current rules, the admission document for a second line of securities must include, amongst other things:

- all the items of information specified in Annex 11 of the Delegated Regulation on the contents of a prospectus, save that it is not necessary to include (amongst other things) the information specified in (i) section 5 (Terms and conditions of the offer) and (ii) section 6 (Admission to trading and dealing arrangements); and
- any other information which the company reasonably considers necessary to enable investors to form a full understanding of the rights attaching to the securities whose admission is being sought (the "sweeper" requirement in paragraph (k) of Schedule Two of the AIM Rules).

As a result, the admission document must include, in particular, the information specified in section 4 (Information on the securities to be offered or admitted to trading) and, where relevant, section 7 (Selling shareholders and lock-up agreements), section 8 (Expenses of the issue/offer) and section 9 (Dilution) of Annex 11. If the new line of securities is being offered for sale – for example, in a placing or open offer – the admission document will also include details of the terms and conditions of the offer etc.

In the revised AIM Rules, it may be appropriate to use the items of information specified in section 4 of Annex 11 as the basis for the information that the company must disclose in an announcement (see suggested content below). Where the new line of securities is being offered for sale, it may be appropriate to require the announcement also to include (i) details of the terms and conditions of the offer and (ii) certain additional information, perhaps based on that specified in sections 7, 8 and 9 of Annex 11. In addition, we suggest that the announcement should have to include the following in all cases:

- the name of the document(s) where the rights attached to the securities are set out in full – such as the company's articles of association or a warrant instrument – and a statement that the document can be found on the company's website;
- an explanation of how the issue of the new line of securities would affect the rights of other classes of securities already in issue – for example, where the new securities are warrants to subscribe for ordinary shares, the company could be required to explain how the exercise of the warrants in full would dilute existing holdings of ordinary shares; and
- any other information which the company reasonably considers necessary to enable investors to form a full understanding of the rights attaching to the new line of securities (i.e. based on the "sweeper" requirement in paragraph (k) of Schedule Two).

This approach would be broadly consistent with the UKLRs; for example, UKLR 6.2.15 (and equivalent rules for other types of securities) essentially require a company to ensure that, at all times, there is available to investors (i) the prospectus relating to the securities, (ii) the relevant agreement or document setting out the terms and conditions on which the securities were issued or (iii) a document describing (a) the rights attached to the securities, (b) limitations on such rights and (c) the procedure for the exercise of such rights, produced in accordance with the relevant Annex of the Delegated Regulation on prospectus contents that would have applied had the company been required to produce a prospectus for the securities (which in the case of equity shares would be Annex 11).

In relation to the items of information specified in section 4 of Annex 11, our initial view is that the items which are shown as deleted in the table below should not have to be disclosed in an announcement under the new rules:

Item 4.1	A description of the type and the class of the securities being offered and/or admitted to trading, including the international security identification number ('ISIN').
Item 4.2	Legislation under which the securities have been created.

Item 4.3	An indication whether the securities are in registered form or bearer form and whether the securities are in certificated form or book-entry form. In the latter case, name and address of the entity in charge of keeping the records.
Item 4.4	Currency of the securities issue.
Item 4.5	A description of the rights attached to the securities, including any limitations of those rights and procedure for the exercise of those rights: (a) dividend rights: (i) fixed date(s) on which entitlement arises; (ii) time limit after which entitlement to dividend lapses and an indication of the person in whose favour the lapse operates; (iii) dividend restrictions and procedures for non-resident holders; (iv) rate of dividend or method of its calculation, periodicity and cumulative or non-cumulative nature of payments; (b) voting rights; (c) pre-emption rights in offers for subscription of securities of the same class; (d) right to share in the issuer's profits; (e) rights to share in any surplus in the event of liquidation; (f) redemption provisions; (g) conversion provisions.
Item 4.6	In the case of new issues, a statement of the resolutions, authorisations and approvals by virtue of which the securities have been or will be created and/or issued.
Item 4.7	In the case of new issues, the expected issue date of the securities.
Item 4.8	A description of any restrictions on the transferability of the securities.
~~Item 4.9~~	~~Statement on the existence of any national legislation on takeovers applicable to the issuer which may frustrate such takeovers if any.~~ ~~A brief description of the shareholders' rights and obligations in case of mandatory takeover bids and/or squeeze-out or sell-out rules in relation to the securities.~~
~~Item 4.10~~	~~An indication of public takeover bids by third parties in respect of the issuer's equity, which have occurred during the last financial year and the current financial year. The price or exchange terms attaching to such offers and the outcome thereof must be stated.~~

Item 4.11	A warning that the tax legislation of the investor's [home country] and of the issuer's country of incorporation may have an impact on the income received from the securities. Information on the taxation treatment of the securities where the proposed investment attracts a tax regime specific to that type of investment.
Item 4.12	Where applicable, the potential impact on the investment in the event of resolution under [the UK law which implemented] Directive 2014/59/EU of the European Parliament and of the Council.
~~Item 4.13~~	~~If different from the issuer, the identity and contact details of the offeror of the securities and/or the person asking for admission to trading, including the legal entity identifier ('LEI') where the offeror has legal personality~~

Q27 Are there any further regulatory changes we should consider which may make it easier for AIM companies to admit to trading second lines of security on AIM?

N/A.

Q28 Please provide details of the work a nominated adviser undertakes for an admission via the ADM route that could be streamlined or omitted relative to that undertaken for a standard AIM admission.

The ADM route is not noticeably quicker than the standard admission route due to the requirement for the nominated adviser to perform all tasks in the same manner as for an IPO, given that Schedule Three of the AIM Rules for Nominated Advisers applies. However, the ability to only disclose "any other information which has not been made public which would otherwise be required of an AIM applicant" is helpful as whilst it involves an analysis of all information published by the applicant against the AIM requirements, it results in a document which is much shorter than an AIM admission document.

A specific example of potential streamlining to remove additional costs where the process has little benefit to investors is where a TSX company is required under the AIM Mining Note to commission an independent technical report on its reserves and resources, even though there is continuous disclosure and annual reporting of reserves and resources in accordance with an acceptable standard on the TSX. It is therefore significantly onerous and expensive for such a company to have to produce a Competent Person's Report if it wants to then have an AIM quotation, and this process does not provide any material uplift in terms of investor protection.

We therefore suggest that AIM Regulation considers whether some of the requirements could be reduced, particularly in the area of due diligence and reports and, that it is left more to a nominated adviser's discretion as to what the appropriate level of due diligence might be for a company that is already listed elsewhere and is therefore subject to the disclosure requirements of another listing venue.

Q29 We welcome views on further ways in which the ADM route could be developed. For example: i. Should the existing list of eligible markets be extended? If so, please provide details of which markets (including tiers of existing eligible markets) you think should be added and why you consider that they are appropriate for the ADM route. ii. Should the application of the market capitalisation of £20m test be changed? iii. Should the time period an applicant must be admitted, in its current form, to its ADM market be changed from the current 18 months?

The list of designated markets is very short and only refers to the "top tier" markets of ASX etc. which does not seem appropriate considering that AIM is a junior growth market. It is also inconsistent that EEA growth markets are permitted as these are not "top tier" markets. We think therefore that the list should be expanded to add the junior markets of the relevant exchanges where they are of an acceptable standard, such as the TSX-V.

We do not think that there should be a requirement for a £20 million market capitalisation given that there is no such requirement in the AIM Rules for a non-ADM AIM admission. We agree with the 18 month time period; however, we think that this could be dispensed with if the company has published a prospectus or equivalent document on its home market since its listing on that market.

Q30 If you do not agree that AIM should adopt an equivalent route for the admission of dual-class shares as for Main Market companies, please explain the basis for your view. Otherwise, please provide details of any changes to the Main Market approach to dual-class shares, that you would recommend for AIM companies.

We agree that AIM should adopt an equivalent route for the admission of dual-class shares as for Main Market companies.

Q31 Do you agree with the proposed AIM Rule 13 exemptions set out above, where there are other existing shareholder safeguards, in relation to: i. the grant of options in accordance with a share scheme which has been approved by shareholders; and ii. a transaction that consists of granting an indemnity to a director in accordance with the Companies Act 2006. Are there other similar circumstances where existing shareholder safeguards are already in place that exemptions could be introduced?

Yes, it would seem logical in the case of the grant of options in accordance with a shareholder-approved share scheme and granting a director an indemnity where the terms of the indemnity are in accordance with those permitted to be given under the Companies Act 2006 for AIM Rule 13 exemptions to apply, as this would follow the approach adopted on the Main Market.

Q32 Do you agree that AIM Rule 13 should not apply to directors' remuneration but should be left to the corporate governance committee? Please explain your answer.

Whilst we agree in principle that AIM Rule 13 should not necessarily apply to directors' remuneration and could instead be left to the corporate governance committee, any alternative system to regulate this area needs to be given careful consideration in order to ensure that investor interests are sufficiently protected. One possibility would be to specify that, if an AIM company voluntarily seeks and obtains shareholder approval for a remuneration policy, any remuneration arrangement that is consistent with the policy is exempt from AIM Rule 13.

Q33 Noting the importance for early stage and growth companies to be able to offer equity ownership to attract skilled and experienced non-executive directors: i. do investors support non-executive directors building a degree of equity ownership provided the board retains sufficient independence? ii. do companies feel able to pay non-executive directors in the form of equity or do they feel hampered by the corporate governance codes (and if so which code)?

N./A.

Q34 If you agree that changes in remuneration can generally be left to governance committees: i. do you consider that companies should notify a change of directors' remuneration without delay, or should the company be able to update this in the next annual accounts? ii. are there some specific circumstances where AIM Rule 13 protection should be retained, for example bonuses / share options arrangements not contingent on business-related performance? Are there other circumstances where it should apply on a limited basis?

N/A.

Q35 Please provide details of any other changes to this rule that you consider will support the reduction of burden whilst maintaining investor confidence.

N/A.

Q36 Please provide views on whether the threshold for a substantial transaction should be changed to 25%? Please explain your view.

In our view, it would seem sensible to adopt the Main Market approach and align the threshold for substantial transactions to 25%.

Q37 Please provide views on whether the Profits Test remains a relevant test for AIM transactions? If so, please explain why.

We would suggest that in line with the UKLRs, the profits test be removed on the basis that it often leads to anomalous results.

Q38 Do you agree with the proposed change to the Gross Capital test to a pro-rated gross capital calculation where a company is only acquiring a minority stake? If you do not agree, please explain why.

N/A.

Q39 Are there other changes to the class tests you think we should consider?

N/A.