

Insights

LONDON STOCK EXCHANGE DISCUSSION PAPER – SHAPING THE FUTURE OF AIM

Apr 07, 2025

SUMMARY

The 'Jewel in the Crown' of London's markets, AIM has been a central feature of UK capital markets for the last 30 years providing growing companies with access to capital and liquidity. Now the London Stock Exchange would like stakeholders to provide feedback on the overall functioning and positioning of AIM along with input on a number of specific proposals for changes to the AIM Rules. Comments are requested by 16 June 2025.

After significant reform to the UK Listing Rules, this discussion paper is the next step in getting the UK's capital markets ecosystem 'match fit'. With AIM companies contributing approximately £68bn to the UK economy (more than agriculture, fishing and forestry combined), the importance of this paper cannot be overstated in the context of the UK's growth agenda.

DRIVING GROWTH

The London Stock Exchange's (LSE) top priority is to increase the flow of capital into AIM whilst ensuring that this capital comes from a diverse range of sources to maximise liquidity. It believes that the new Public Offers and Admissions to Trading Regulations regime (POATRs) will help stimulate liquidity by making it easier for AIM companies to enable retail participation in capital raising transactions, thereby increasing the diversity of their shareholder register.

Currently there are a package of fiscal incentives including EIS, VCT, ISA inclusion and Business Relief available to investors in qualifying AIM companies. The LSE are keen to hear of any changes that should be made to any of these existing incentives to make them more effective or reduce uncertainty whilst asking for ideas of any further targeted interventions that they should be advocating for to support the flow of capital to AIM.

THE REGULATORY DESIGN OF AIM

The LSE have acknowledged that, against the backdrop of significant changes in the regulatory landscape for the UK's capital markets, ensuring that AIM's regulatory model remains proportionate is critical to its success.

The current prospectus regime discourages issuers on Primary MTFs (ie. AIM) from making offers to more than 150 persons (excluding qualified investors) as these offers would require a prospectus. Under the new POATRs, the government hopes to encourage wider retail participation in the ownership of public companies by enabling AIM issuers to offer securities to the public without the burden of having to produce an FCA-approved prospectus. Instead, an MTF admission prospectus will be the only type of admission document required for all IPOs on AIM, even if there is no offer to the public. AIM companies will be able to benefit from the new proposed liability regime for forward looking statements, allowing greater disclosure about future prospects to support investor decision-making. The LSE will retain responsibility for specifying the content requirements for the MTF admission prospectus and will be able to tailor these to the requirements of the market.

Role of the nominated adviser (nomad): The LSE continues to see the nomad's role as central to AIM but is seeking views on how the role should evolve including:

- key aspects of the role that continue to provide value to companies and confidence to investors;
- any aspects that result in disproportionate burden for the nomad and/or company that outweigh the benefit;
- areas of the work performed by the nomad that are duplicative with other advisers and where the nomad's corporate finance experience is not necessary; and
- the Qualified Executive role and whether this remains valuable.

Corporate governance code: Noting that not all companies feel that they have an appropriate choice of corporate governance code for their stage of development, the LSE are querying whether there should be a simplified list of requirements as an alternative to choosing a code and what this would look like.

A key area of interest is whether non-executive directors should be entitled to shares as a form of consideration (*see related party transactions below for further details*). This would allow growth companies greater flexibility to attract highly skilled non-executive directors that can be paid in equity, aligning with the approach permitted in the QCA Code.

Market abuse: The LSE is also looking at the role of the nomad and AIM Rule 11 (*general disclosure of price sensitive information*). Given the similarity of this rule to Article 17 of the UK Market Abuse regime (MAR), should AIM Rule 11 be removed and if yes, what role (if any) would the nomad play in supporting company disclosure under MAR?

DEVELOPMENT OF THE AIM RULES

The Discussion Paper also takes the opportunity to engage with market participants on how the AIM Rules can evolve and change to address unnecessary friction and cost.

AIM admission documents: Bearing in mind the increasing cost in producing an admission document, the LSE is seeking views on the key elements of the current admission document valued by investors. They are considering whether there should be an alternative simplified admission document and if so, what would it look like?

Working capital statements: Under changes to the Listing Rules regime in July 2024, companies seeking admission to the Main Market are no longer required to have a 'clean' working capital statement. In addition, the FCA's consultation on the new prospectus regime includes proposals to allow companies to include the significant judgements made in preparing the 'clean' working capital statement, including the assumptions the statement is based on and the sensitivity analysis which has been performed. The LSE are looking at whether they should replicate these regimes or follow the AIM Designated Market approach where the directors confirm the sufficiency of the working capital for the next 12 months.

They are also considering alternatives where no working capital statement is required i.e. where the company's financial statements for a number of consecutive years (for example 3 years), include 'clean' audit reports and were prepared on a going concern basis.

Transactions and class tests: for reverse takeovers, rather than an admission document, could an alternative form of disclosure be considered, such as the information required in Schedule Four of the AIM Rules where a company is making an acquisition that is larger than itself but which does not result in a fundamental change of business? In these circumstances is a shareholder vote also necessary?

On related party transactions, the LSE are also questioning whether AIM Rule 13 should be disapplied:

- where other existing safeguards are in place e.g. where an employee share scheme or a long-term incentive scheme has been approved by shareholders; and
- to director's remuneration which is the responsibility of the corporate governance committee and if so, are there circumstances where AIM Rule 13 protection should be retained e.g. bonuses/share option arrangements not contingent on business-related performance criteria.

Class tests - in line with the recent changes to the Listing Rules, the LSE are consulting on whether the threshold for a substantial transaction should be changed to 25% and if the profits test should be removed with application only retained for related party transactions.

Accepted accounting standards: Given the international nature of the AIM market, the LSE are interested in views on whether greater flexibility should be included to recognise a wider set of local accounting standards than those already permitted under AIM Rule 19 to encourage overseas companies.

AIM Designated Market (ADM) route: Again with a view to encouraging more overseas companies to list on AIM, the LSE are seeking views about areas of the nomad's work that can be dispensed with or reduced given the existing legal and regulatory obligations the company will have been complying with in its home jurisdiction. In addition, the LSE is seeking views on (i) the existing list of eligible markets; (ii) the application of the market cap of £20m; (iii) the 18-month time period an applicant must be admitted to an ADM.

Discussion paper – shaping the future of AIM

RELATED PRACTICE AREAS

- Corporate
- UK Public Company
- Securities & Corporate Governance

MEET THE TEAM



Andrew Tuson

London

andrew.tuson@bcplaw.com

[+44 \(0\) 20 3400 4948](tel:+442034004948)



Tom Bacon

London

tom.bacon@bcplaw.com

[+44 \(0\) 20 3400 3706](tel:+442034003706)



Tessa Hastie

London

tessa.hastie@bcplaw.com

[+44 \(0\) 20 3400 4516](tel:+442034004516)

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