



**London**  
**STOCK EXCHANGE**

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**For the attention of the Nominated Advisers/ Finance  
Directors/ Company Secretaries, all AIM Companies**

**AIM24**

## **STOCK EXCHANGE AIM NOTICE**

### **AIM RULES CONSULTATION – AIM RULES FOR NOMINATED ADVISERS AND OTHER PROPOSED RULE AMENDMENTS**

#### **1. INTRODUCTION**

The London Stock Exchange ('the Exchange') has recently concluded a strategic review of the operation of AIM, which included an assessment of AIM's current regulatory structure.

The review, which was conducted in conjunction with market participants, recommended certain steps that will build on the existing strength of AIM's regulatory framework. Consequently, the Exchange proposes to provide additional detail on the role and responsibilities of a nominated adviser and enhance the disclosure of core information by AIM issuers.

This notice, which is likely to be of interest to all AIM market participants and AIM investors, outlines the key proposed changes, namely:

- the introduction of a new rulebook: the AIM Rules for Nominated Advisers - this new rulebook is primarily a consolidation of the existing obligations on nominated advisers currently contained in the AIM Rules for Companies and in the Nominated Adviser Eligibility Criteria. This document also sets out the responsibilities that the Exchange expects nominated advisers to fulfil and the obligations a nominated adviser owes to the Exchange;
- changes to the AIM Rules for Companies – these will require enhanced disclosure of information by an AIM company on its website and also deal with consequential changes resulting from the proposed new AIM Rules for Nominated Advisers; and
- amendments to the AIM Disciplinary Procedures and Appeals Handbook - the Exchange has taken this opportunity to outline in more detail the rationale behind its disciplinary process and give a clearer understanding of our approach to dealing with breaches of the AIM rules.

## 2. **NEW RULEBOOK – AIM RULES FOR NOMINATED ADVISERS**

The new AIM Rules for Nominated Advisers incorporate the existing Nominated Adviser Eligibility Criteria with proposed changes to clarify, update and encapsulate in the new rules how the Exchange interprets and implements the existing criteria.

No substantive changes have been made to the eligibility criteria themselves. In particular, the number and type of transactions that a firm must achieve in order to be eligible to be considered for nominated adviser status remain the same.

### **2.1 *Codification of good market practice***

The Exchange has included a new set of responsibilities at Schedule Three of the Rules for Nominated Advisers which are intended to reflect current good market practice. The purpose of defining these responsibilities within the AIM rule framework is to:

- outline the due diligence a nominated adviser should generally perform before giving the required declaration to the Exchange that a company is “appropriate” for AIM; and
- describe how a nominated adviser should discharge their duty to act with due skill and care.

For each of the responsibilities a set of high-level principles has been established and under each principle there is a non-exhaustive list of activities that the Exchange would generally expect a nominated adviser to undertake.

Going forward these principles and example activities will be used by the Exchange as the basis for assessing the standard of work performed by a nominated adviser, particularly during the course of compliance visits undertaken by the Exchange.

### **2.2 *Incorporation of the existing Rule 39 principles, expanded to give clarification as to what is expected of a nominated adviser***

The new Rules for Nominated Advisers incorporate the broad principles of Rule 39 of the current AIM Rules for Companies but now also set out in greater detail what the Exchange expects of a nominated adviser, for example;

- clarifying that it is imperative that a nominated adviser contacts the Exchange immediately if it has concerns about the appropriateness of an AIM company post-admission; and
- providing guidance on what the Exchange expects from a nominated adviser in relation to its responsibility to act with due skill and care

In addition, the declaration which a nominated adviser is required to make to the Exchange on admission of an applicant to AIM (or when the nominated adviser is engaged by a new AIM company) has been amended to reflect these new rules.

### **2.3 Power of direction**

The Exchange proposes to introduce a new rule that will give it the ability to direct the actions of nominated advisers in exceptional circumstances in order to preserve the orderliness or reputation of AIM. This proposed rule mirrors that contained in the Exchange's secondary market trading rules and is reserved only for the most serious situations.

### **2.4 Nominated adviser annual returns**

It is proposed to introduce a requirement for nominated advisers to submit an Annual Return to the Exchange. Nominated advisers will be asked to provide and update core information in relation to the work they perform (as a nominated adviser) on AIM, including details of the "relevant transactions" they have completed in the period and the "qualified executives" they employ.

The Exchange will review this information as part of its risk assessment of nominated advisers both during the compliance visits it undertakes and when it assesses whether a nominated adviser continues to be eligible. It is anticipated that the first of these returns will be issued by early 2007 in respect of the calendar year 2006.

### **2.5 Interim application**

The Exchange would like to make clear that because the requirements set out in the Rules for Nominated Advisers are designed to reflect existing good market practice, the Exchange expects that nominated advisers should already be acting in accordance with the new rules.

The Exchange will be extending its programme of nominated adviser compliance visits during the course of 2007. As part of these visits the Exchange will seek to verify that the final measures that result from this consultation have been incorporated into the nominated adviser's operating procedures.

## **3. AMENDMENTS TO THE AIM RULES FOR COMPANIES**

The Exchange proposes minor amendments to the current AIM Rules for Companies, including the following:

### **3.1 Additional company information disclosures on AIM companies' websites**

In order to ensure that investors and potential investors can access a minimum level of information about each AIM company at all times, a new rule is being proposed that will require each AIM company to maintain a website on which key company information must be disclosed and kept up to date. This information will also be required to be included in a prospective AIM company's pre-admission announcement.

It is proposed that existing and new AIM companies will have a six month period to comply with this new rule, commencing from the date the new rules come into effect.

The provisions of Schedule One of the AIM Rules for Companies have been similarly expanded to ensure consistency with these disclosure items.

### **3.2 Additional wording on the front of the admission document**

The Exchange is proposing that additional wording be included on the front of an admission document to set out what the responsibilities of the nominated adviser are under both the AIM Rules for Companies and the Rules for Nominated Advisers.

### **3.3 Other miscellaneous changes**

The Exchange also intends to make several minor miscellaneous changes to the AIM Rules for Companies including:

- the revision of Rule 1 to incorporate the requirements of Rule 34;
- a new requirement in Rule 17 to notify the market where there have been any changes to the directors' details that may have been disclosed in the admission document or subsequently pursuant to Schedule Two (g)(iii)-(viii) inclusive;
- incorporating the current guidance to Rule 31 into the rule itself;
- the deletion of Rules 34, 39 and 43 and Schedules Six and Seven as these provisions will be included elsewhere in either the AIM Rules for Companies or the AIM Rules for Nominated Advisers;
- the removal of the requirement for interims to be audited in the supplement to Schedule One, paragraph (l), which applies to quoted applicants; and
- additional detailed guidance to Rule 14 on the process for announcing a reverse takeover.

## **4. UPDATE ON AIM NOTICES 18 AND 20 – TRADING ON THIRD PARTY PLATFORMS**

In AIM Notices 18 and 20, the Exchange stated that it was considering the requirement for additional rules relating to AIM securities traded on third party platforms. This consideration continues.

As an interim measure the Exchange is consulting in this notice on the requirement for an AIM company to identify in its pre-admission announcement and on an ongoing basis on its website, the other exchanges or trading platforms to which it has agreed or applied to have its AIM securities admitted or traded. This information should assist investors monitoring their AIM investments and assessing the availability of tax benefits.

## **5. AMENDMENTS TO THE AIM DISCIPLINARY PROCEDURES AND APPEALS HANDBOOK**

The Exchange proposes to make certain changes to the AIM Disciplinary Procedures and Appeals Handbook to include:

- an explanation of the Exchange's approach and rationale to the disciplinary process and the factors considered when assessing whether or not to pursue disciplinary action;
- introducing the concept of a 'warning notice'. Such notices will be issued to an AIM company or a nominated adviser when the Exchange, upon conclusion of an investigation, believes that a breach of the AIM rules has occurred but the offence does not justify a fine, censure or more serious sanction. A warning

notice will form part of the compliance record of the AIM company or nominated adviser and will be taken into account in the event that any further AIM Rule breaches occur; and

- an increase to the cap on fines which can be levied by the AIM Executive Panel, from £25,000 per breach to £50,000 per breach.

## 6. MEETINGS AND SEMINARS

The Exchange is proposing to hold a series of seminars and meetings with market participants to explain further the proposals contained in this AIM Notice. Further details of these will be announced separately.

## 7. RESPONDING TO THE CONSULTATION

We welcome comments and feedback from all AIM companies, nominated advisers and other market participants on the proposals contained in this AIM Notice.

If you are an AIM company wishing to understand further the implications of this notice, please contact your nominated adviser.

Responses or queries on this consultation should be sent on or before **Friday 1 December 2006** by email to: *aimnotices@londonstockexchange.com*

The Exchange will confirm the results of this consultation as soon as reasonably practical following the end of the consultation period. It is currently intended that the new rules will come into effect in early 2007.

**Ray Knowles**  
**Manager, AIM Regulation**

Notes:

1. The rule books which are the subject of this consultation are the AIM Rules for Companies, the new AIM Rules for Nominated Advisers and the AIM Disciplinary Procedures and Appeals Handbook.
2. For reference the current AIM Rules for Companies, Nominated Adviser Eligibility Criteria, Nominated Adviser Declaration and AIM Disciplinary Procedures and Appeals Handbook are all available at: [http://www.londonstockexchange.com/en-gb/products/companyservices/ourmarkets/aim\\_new/For+AIM+Advisers/adviserrulesandregs.htm](http://www.londonstockexchange.com/en-gb/products/companyservices/ourmarkets/aim_new/For+AIM+Advisers/adviserrulesandregs.htm)