

## Attachment 1 to Stock Exchange Notice N38/09

### DEFINITIONS

#### AIM secondary market registered organisation

a trading venue that does not have a primary market relationship with AIM companies that meets the criteria as set out by the Exchange from time to time

### Trades

#### On Exchange trades [3000]

G	3000	A trade is <b>on Exchange</b> if one or both of the parties to the trade is a <b>member firm</b> (whether as <b>agent</b> or as <b>principal</b> ) and the trade is effected:
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	3000.1	in a <b>MiFID transparent security</b> (as detailed in <b>parameters</b> ) and the <b>member firm</b> and its <b>customer</b> or <b>counterparty</b> agree at or prior to the time of effecting the trade that it shall be subject to the rules of the <b>Exchange</b> ;
	3000.2	in an <b>AIM security</b> (as detailed in <b>parameters</b> ) unless the <b>member firm</b> and its <b>customer</b> or <b>counterparty</b> agree at or prior to the time of effecting the trade that it shall be subject to the rules of an <b>AIM primary market registered organisation</b> or an <b>AIM secondary market registered organisation</b> and reports the trade to it in accordance with that organisation's rules; or
	3000.3	in any security admitted to trading on the <b>Exchange's</b> markets not covered by 3000.1 & 3000.2 above (as detailed in <b>parameters</b> ) unless the <b>member firm</b> and its <b>customer</b> or <b>counterparty</b> agree at or prior to the time of effecting the trade that it shall be reported to a venue that has equivalent or greater post-trade transparency than the <b>Exchange's</b> regime for that security.

*Guidance to Rule:*

#### 3000.2

#### AIM primary market registered organisation

**Member firms** may only treat a transaction dealt on an **AIM primary market registered organisation** as being off **Exchange** if (i) the issuer whose security is being traded is regulated by that **AIM primary market registered organisation** in accordance with the considerations outlined in the paragraph below and (ii) they are a member of that **AIM primary market registered organisation** and are reporting the ~~trade transaction~~ to it.

In determining whether a trading venue qualifies as an **AIM primary market registered organisation**, the **Exchange** will consider whether the trading venue has rules that place a continuing obligation on the **AIM** issuer for the timely disclosure of corporate information; whether those rules also oblige the issuer to provide all necessary information to the trading venue to maintain a proper market in the **AIM securities**; and whether the trading venue has the discretion to refuse to admit to trading, to suspend from trading and to cancel from admission to trading the securities of **AIM** issuers.

It is expected that most **AIM primary market registered organisations** will be overseas venues on which **AIM** issuers have chosen to list their securities in addition to being admitted to trading on **AIM**.

#### AIM secondary market registered organisation

**Member firms** may only treat a transaction dealt on an **AIM secondary market registered organisation** as being off **Exchange** if they are a member of that **AIM secondary market registered organisation** and are reporting the trade to it.

The regime for **AIM secondary market registered organisations** is designed to provide

member firms with the ability to trade AIM securities on other venues in a manner that will allow the Exchange to retain adequate oversight of the AIM market and to ensure the maintenance of high regulatory standards. In particular, the regime will allow the Exchange to maintain a proper market in AIM securities. The requirement to operate a proper market is set out in the Recognition Requirements Regulations and associated FSA Handbook ("REC").

Where no primary market relationship exists between the applicant venue and the issuer, the Exchange will apply the following criteria to establish the suitability of an applicant to be an AIM secondary market registered organisation. The criteria that follow represent the minimum standards which the Exchange will apply for the purpose of deciding whether an applicant venue may qualify for recognition as an AIM secondary market registered organisation in accordance with Rule 3000.2.

1. The AIM secondary market registered organisation must have the ability and have appropriate gateways to communicate freely with the Exchange on regulatory matters generally, without regard to matters such as client confidentiality or commercial secrecy;

2. The AIM secondary market registered organisation must provide at least equivalent pre- and post-trade transparency as that provided by the Exchange on AIM;

3. The AIM secondary market registered organisation must implement practical operational mechanisms (to be approved by the Exchange) to provide real time trading information to the Exchange on a continuous basis, in respect of transactions in AIM securities admitted to the AIM secondary market registered organisation. These arrangements may vary from case to case, but must include information that will enable the Exchange, in relation to trading in AIM securities, to:

- see all executed trades immediately, including any unpublished trades;
- identify both counterparties to the trades; and
- identify through its surveillance system whether any anomalous trades or unusual trading is taking place on the AIM secondary market registered organisation.

The above information is required in order that the Exchange can ensure a proper market in AIM securities. Any material failure to meet these criteria by a venue will result in the Exchange withdrawing AIM secondary market registered organisation status with immediate effect.

The Exchange will maintain a list of the approved AIM secondary market registered organisations on its website.

#### 3000.2 & 3000.3

*In relation to rules 3000.2 and 3000.3, where a member firm is interposed between two principal trades entered at the same time and price and one trade has been reported for publication, there is no obligation to report the second leg to the Exchange. Member firms should note that if they wish the second leg to be regarded as an on Exchange trade then they will have to submit a separate, non publishing trade report using the "NM" trade type. This will ensure the Exchange has a satisfactory audit trail of the second principal trade.*

#### 3000.3

*In relation to an international retail service security, rule 3000.3 would include trades in CDI form but exclude trades in the underlying security itself.*

*In relation to reporting of trades in fixed interest securities, ICMA is considered to be a suitable reporting venue.*

#### General Exclusions

*The following trades would not be considered to be on Exchange:*

- The equity legs of stock and option contingent strategies.
- The creation and redemption of ETFs (unless bringing **on Exchange** for stamp relief reasons in which case such trades can be reported as non publishing trade reports.)

In addition a contract to place, offer or underwrite securities that are the subject of an application to be **admitted to trading**, or admitted to trading on a venue where the contract is made before the application is accepted.

Primary allocations subject to listing are off **Exchange**.

An exception to this is the exercise of an over-allotment option (“green shoe”) which is commonly agreed by a sponsoring **member firm** as part of the stabilisation and underwriting arrangements for an introduction to **admission to trading**, as well as for further new issues of shares. Whether the option is ever exercised, and the extent to which it is utilised, will depend on the take up of the issue, the underlying share price in the market and the stabilisation transactions undertaken. Such trades can be brought **on Exchange** under the following circumstances:

- the terms of the green shoe option must be agreed and included in the circular, prospectus or an **AIM** admission document, where such documentation is required by law or is voluntarily published, prior to sign-off, including confirmation that the option writer holds sufficient shares to meet any obligation under the option;
- that at the point of exercise the shares to be delivered are admitted to trading; and
- a regulatory news announcement has disclosed that exercise has taken place.

Once the shares have been **admitted to trading**, and if all the above points have been met, the exercise of the green shoe option may be trade reported to the Exchange immediately after the agreement to exercise. This will typically be at the same time as the disclosure announcement is made that the exercise has taken place. **Member firms** who wish to report such arrangements to the **Exchange** should contact the Market Supervision department on +44 (0) 20 7797 3666 (STX 33666). The **Exchange’s** guidance on reporting the exercise of a green shoe does not override a **member firm’s** obligations under UKLA rules.