



**London**  
Stock Exchange

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For the attention of Nominated Advisers and AIM Companies **AIM 30**

## STOCK EXCHANGE AIM NOTICE

### PROPOSED NEW AIM RULES FOR INVESTING COMPANIES AND OTHER CHANGES

#### 1. INTRODUCTION

On 1 April 2005, the London Stock Exchange (“Exchange”) introduced new AIM Rules for investing companies in order to regulate companies that were regarded as “cash shells”.

Since that time, AIM has continued to evolve and a range of companies (especially closed-end funds) have been admitted to AIM within those existing investing company rules.

This note sets out proposed rule changes and a new AIM Note for Investing Companies in order to introduce more tailored rules for those AIM companies and to ensure that the regulatory framework for these companies remains appropriate.

#### 2. SUMMARY OF PROPOSED RULE CHANGES AND NEW NOTE FOR INVESTING COMPANIES

The proposed changes to the AIM Rules for Companies (“AIM Rules”) and the AIM Note for Investing Companies are attached to this notice and available at [www.londonstockexchange.com/aimnotices](http://www.londonstockexchange.com/aimnotices).

In line with AIM’s principles-based regulatory framework, the proposed changes focus on achieving a consistent and appropriate level of disclosure, as opposed to having detailed and prescriptive rules.

##### ***2.1 Investing policy***

At present, investing companies are required to have an investing strategy at all times. The Exchange proposes to amend the term “investing strategy” to “investing policy”. Furthermore, the Exchange proposes to alter the content and disclosure requirements of the investing policy as set out in the proposed amendments and is proposing that shareholder approval will be required for any subsequent material changes. An investing policy should be precise and detailed so that the company’s investment parameters are clear to investors and used as the basis for investment, unless shareholders otherwise approve.

## ***2.2 Investing company types***

Since April 2005, the routes to market available in London have evolved as a result of the revision of Chapter 15 of the UK Listing Authority's Listing Rules review and the launch of the Specialist Fund Market. The Exchange therefore proposes to clarify the types of investing companies that it expects to be appropriate for admission to AIM.

Broadly, investing companies seeking admission should continue to be straightforward in their structure, securities and investing policy. More complex investing entities that are aimed primarily for sophisticated investors should continue to seek admission to other markets such the Main Market or Specialist Fund Market.

In particular, it would usually be expected that an investing company would issue primarily ordinary shares (or equivalent) with other securities being a lesser part of its security structure. Other securities such as those that are partly paid, non-voting or redeemable on an open basis or which form part of a stapled unit are unlikely to be thought of as appropriate.

## ***2.3 Investment managers***

The Exchange intends to introduce specific disclosure requirements in relation to investment managers for externally managed investing companies. This reflects the key role they perform and recognises that such managers are frequently persons or firms not directly covered by the AIM Rules for Companies. Such managers will also be regarded as directors for some of the AIM Rule requirements, such as related party transactions.

## ***2.4 Independence and experience***

The Exchange proposes to introduce provisions regarding the need for independence between the board, the Nomad and any investment manager, to ensure that both the investment manager and board are appropriate for AIM and have sufficient experience.

## ***2.5 Admission document disclosures***

The Exchange proposes to confirm the current market practice of using Annex XV of Appendix 3 to the Prospectus Rules as the basis for admission document disclosure for investing companies, alongside the requirements of Schedule 2 of the AIM Rules.

## ***2.6 Corporate transaction rules***

No formal changes to the AIM Rules governing corporate transactions (Rules 12-16) are proposed. However, information on how to apply the class tests to investing companies is included, taking particular account of situations where newer companies may not have turnover or profits at their outset. As usual, AIM Regulation is available to discuss the application of the rules on a case-by-case basis.

## ***2.7 Rule 8 fundraising***

Guidance is also proposed in order to clarify that the £3m fundraising required by Rule 8 should be from independent investors, rather than via a subscription by existing owners/managers.

## **2.8 Fundamental changes of business under Rule 15**

The Exchange proposes to broaden the requirement in Rule 15 to have an investing policy approved by shareholders and implemented within 12 months to situations where there is a divestment of all or substantially all of an AIM company's business due to actions such as a cessation of business, as well as where there is a disposal of assets.

### **3. PROPOSED TRANSITIONAL PROVISIONS**

Transitional provisions for existing investing companies will be set out in the implementing notice for the final rules. In broad terms, however, it is proposed that the Rule changes, once finalised, will have immediate effect for all applicants and existing investing companies. In relation to investing companies already admitted to AIM:

**Investing strategy** - companies would be expected to update their existing investing strategy so that it meets the new investing policy requirements as soon as possible, obtaining shareholder consent if required at the next available opportunity; and

**Investment manager** – to the extent an AIM company does not comply with the requirements of paragraph 3.3 (independence) of the AIM Note for Investing Companies this information should be notified. Where the AIM company has not previously disclosed in its admission document or in a subsequent notification, the information required by paragraph 4.2 of the Note should be notified.

### **4. MISCELLANEOUS CHANGES TO THE AIM RULES FOR COMPANIES AND GUIDANCE NOTE FOR MINING, OIL & GAS COMPANIES**

The Guidance Note on Mining, Oil & Gas Companies was first published in March 2006. Since this time, the Exchange has received positive feedback on its requirements. No substantive changes are therefore proposed. However, miscellaneous changes are required to update the Note, for example to amend cross references to the AIM Rules for Nominated Advisers.

It is also proposed that the status of this Note and any others published by the Exchange, including the AIM Note for Investing Companies, is clarified by confirming that such Notes form part of the AIM Rules applicable to AIM companies and nominated advisers. A change to the introduction to the AIM Rules for Companies is proposed to this effect.

Finally, changes to Rule 2 of the AIM Rules for Companies and the guidance to it are to be made to take account of the fee changes made in April 2008. Fees are now payable on the basis of a post-admission invoice, rather than by submission of fees three days in advance of admission. These changes are set out in the schedule to this Notice but do not form part of this consultation given their administrative nature. These changes therefore have immediate effect.

## **5. 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 AIM Notice, please contact your nominated adviser.

Responses or queries to the consultation should be sent on or before Friday 13 February 2009 by email to [aimnotices@londonstockexchange.com](mailto:aimnotices@londonstockexchange.com)

The Exchange will confirm the results of this consultation as soon as reasonably practical following the end of the consultation period.

**Lucy Leroy**  
**Head of AIM Regulation**

## SCHEDULE TO AIM NOTICE 30

### SUMMARY OF PROPOSED CHANGES IN RELATION TO AIM FEES

#### Changes to Rule 5 of the AIM Rules for Companies

##### Application documents

5. At least three **business days** before the expected date of **admission**, an **applicant** must ~~pay the AIM fee~~ and submit to the **Exchange** a completed **application form** and an electronic version of its **admission document**. These must be accompanied by the **nominated adviser's declaration** required by the **AIM Rules for Nominated Advisers**.

At least three **business days** before the expected date of **admission**, a **quoted applicant** must ~~pay the AIM fee and~~ submit to the **Exchange** an electronic version of its latest report and accounts and a completed **application form**. These must be accompanied by the **nominated adviser's declaration** required by the **AIM Rules for Nominated Advisers**.

The AIM fee will be invoiced to the applicant and should be paid pursuant to rule 37.

#### Changes to the guidance to Rule 5 of the AIM Rules for Companies

##### Rule 5: Application documents

The **application form**, ~~payment of AIM fees~~ and **nominated adviser's declaration** should be sent to Issuer Implementation, London Stock Exchange plc, 10 Paternoster Square, London EC4M 7LS by the **nominated adviser**. The electronic version of the **admission document** should be sent to [issuerimplementation@londonstockexchange.com](mailto:issuerimplementation@londonstockexchange.com).

The **application form** and **nominated adviser's declaration** are available from the **Exchange's** website, [www.londonstockexchange.com](http://www.londonstockexchange.com).

The **nominated adviser** should liaise with **AIM Regulation** to confirm that any **admission** conditions have been met.

Under rule 33 **AIM securities** must be unconditionally allotted. The **Exchange** may require proof of allotment for any securities which are being issued on **admission**. A copy of the **applicant's** board minutes allocating such securities or confirmation from its **nominated adviser** will suffice in most cases.

Allotted includes provisionally allotted securities where such provisional allotments are unconditional. For example, nil paid rights must be allotted without condition (even if further action is required by the holders of provisional allotments to transform them into another class of securities such as fully paid shares).