
AIM NOTICE

26 April 2018

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For the attention of all AIM Companies and Nominated Advisers

CONSULTATION ON CHANGES TO THE AIM RULES FOR NOMINATED ADVISERS

1. INTRODUCTION

In this notice, we publish London Stock Exchange's ("the Exchange") consultation on proposed changes to the AIM Rules for Nominated Advisers, following the Discussion Paper – AIM Rules Review ("the Discussion Paper") published on 11 July 2017.

The proposed changes to the AIM Rules for Nominated Advisers are attached in mark-up to this notice and are available at www.londonstockexchange.com/companies-and-advisors/aim/advisors/aim-notices/aim-notices.htm

2. BACKGROUND TO PROPOSED CHANGES

In the Discussion Paper we confirmed we would be reviewing our supervisory powers as part of our continuing efforts to promote consistency of standards across the market.

We have recently undertaken a review of aspects of the AIM Rules for Nominated Advisers including how we supervise nominated advisers and the information that we need in order to perform our supervisory functions. The review also focussed on how we approve applicant firms and assess ongoing eligibility of approved firms. Based on this review the Exchange is proposing changes which provide more detail and clarity in relation to our supervisory powers and our considerations in relation to the eligibility (and continuing eligibility) of firms.

We are currently reviewing the Disciplinary Procedures and Appeals Handbook with an intention to issue a separate consultation later this year.

3. PROPOSED AMENDMENTS TO THE AIM RULES FOR NOMINATED ADVISERS

a) Eligibility criteria – Rule 2

To become a nominated adviser a firm seeking approval must meet the criteria set out in Part One of the AIM Rules for Nominated Advisers and as with other criteria, it applies on an ongoing basis and is considered in the context of the size, nature and scale of the firm.

The proposed change to Rule 2 introduces some new criteria. The intention of this change is to provide further clarity about the resources and standards of conduct we expect from prospective and existing nominated adviser firms when performing their nominated adviser responsibilities.

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b) Notification obligations – New Rule 12

As part of our ongoing supervision of nominated advisers, firms are required to provide the Exchange with information regarding changes relevant to their nominated adviser services.

The proposed changes seek to set out more clearly the types of information that a firm is required to provide the Exchange. As with the existing requirements in Rule 11, the proposed disclosures are non-exhaustive and a nominated adviser should continue to seek the Exchange's advice in any situation where it is unsure about the application or interpretation of the AIM Rules for Nominated Advisers in accordance with Rule 19.

c) Supervision of nominated advisers – New Rule 27

The Exchange has the ability to direct a firm and restrict or limit the services a nominated adviser provides both at the time of a nominated adviser's approval or thereafter (Rules 11 and 15). We are seeking to provide further clarity and substance regarding the range of supervisory tools we are able to use when necessary.

The proposed changes make clear that in certain circumstances the Exchange may require a nominated adviser to undertake remedial action and may restrict a nominated adviser's status. For example, we may seek to impose a restriction or limitation where we are concerned that a nominated adviser does not have sufficient relevant experience (for example, as a result of the loss of an experienced executive) or where the nominated adviser's expertise is limited to certain types of transaction or sectors (for example, funds or resource companies). It would not be our intention to review existing nominated advisers in order to categorise them against this proposed rule change and we expect the occasions when we might use this option will be limited.

The ability to restrict a nominated adviser to operate within a limited sphere will assist our considerations in respect of potential new applicants and in the maintenance of a nominated adviser's ongoing approval. Where a nominated adviser's status is so restricted or limited, it may apply for full status when it is able to demonstrate that it has the relevant experience and expertise.

d) Supervision of Qualified Executives – New Rule 27(c)

Under existing Rule 27 the Exchange may remove a Qualified Executive's status in certain circumstances. Whilst it is important that we have the ability to remove a Qualified Executive's status where circumstances require, our preferred approach is to work with nominated advisers where issues of competency or training arise. Accordingly, the Exchange proposes to include provisions to require remedial action and/or restrictions on the status of a Qualified Executive.

e) Moratorium on acting for further AIM companies – Moved Rule 31

The proposed rule change seeks to provide further clarity regarding the examples of circumstances when the Exchange may place a firm under moratorium.

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f) Jurisdiction and Appeals

We propose to clarify that the Exchange has jurisdiction over nominated advisers that were once but are no longer approved in relation to breaches or suspected breaches of the AIM Rules for Nominated Advisers or AIM Rules for Companies that occurred whilst the firm was approved as a nominated adviser.

Further we propose to remove existing Rule 28 and amend moved Rule 32 as it is not necessary to have two separate rules regarding appeals. Consistent with Rules 4, 10 and 11 it is appropriate for any appeals to be led by the nominated adviser.

g) Miscellaneous changes

Other proposed changes to the AIM Rules for Nominated Advisers are mainly of an administrative or clarificatory nature. These changes are also shown in track changes.

h) NA1 and NA2 forms

The Exchange will issue consequential amendments to NA1 (applicant nominated adviser) and NA2 (applicant qualified executive) forms. These forms will be uploaded to the Exchange's website on implementation of any rule changes arising from this consultation.

4. RESPONSE TO CONSULTATION

We welcome comments and feedback from stakeholders on the proposals contained in this consultation.

Responses on this consultation should be sent on or before 25 May 2018 by email to:
aimnotices@lseg.com

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

Nilam Statham
Head of Primary Market and AIM Regulation