

Inside AIM

Consideration of free float

AIM is an international market for growth companies covering a broad range of sectors with a wide range of market capitalisations. Given this, the AIM Rules take a principles based approach to ensure that they are relevant to the needs of such companies.

A company's free float is an important qualitative assessment, which can have a significant impact on the ability of the company to attract investors and the functioning of the secondary market. Whilst we do not prescribe levels of free float, the issue of free float is something that we consider an important factor in the work a nominated adviser undertakes when bringing an applicant to market. Sufficient free float is fundamental to the orderly trading and liquidity of the securities once admitted to AIM, which is inextricably linked to the company's appropriateness to be admitted to AIM.

Nominated advisers will be aware that we often ask them to provide us with details about the factors they have considered in relation to free float when seeking to bring a company to AIM. As a consequence, this is an area where we thought it would be helpful to clarify some of the factors we often discuss with nominated advisers, including the following:

- Consideration should be given to how the securities are likely to trade when admitted to AIM, following discussion with the company's broker(s) and potential

market makers. We would expect consideration to be given to the spread and nature of the shareholders comprising the free float;

- Failure to raise initial target funds (which in itself might give rise to free float questions) may be indicative of more fundamental issues of appropriateness and is a matter that should be properly explored by the nominated adviser;
- Limited free float should give rise to questions about the rationale for the applicant to seek admission to AIM;
- Where there are concentrated shareholdings (e.g. connected due to family, business or other interests/connections) free float issues should be considered in conjunction with issues of undue influence, control and ongoing corporate governance arrangements within the company.