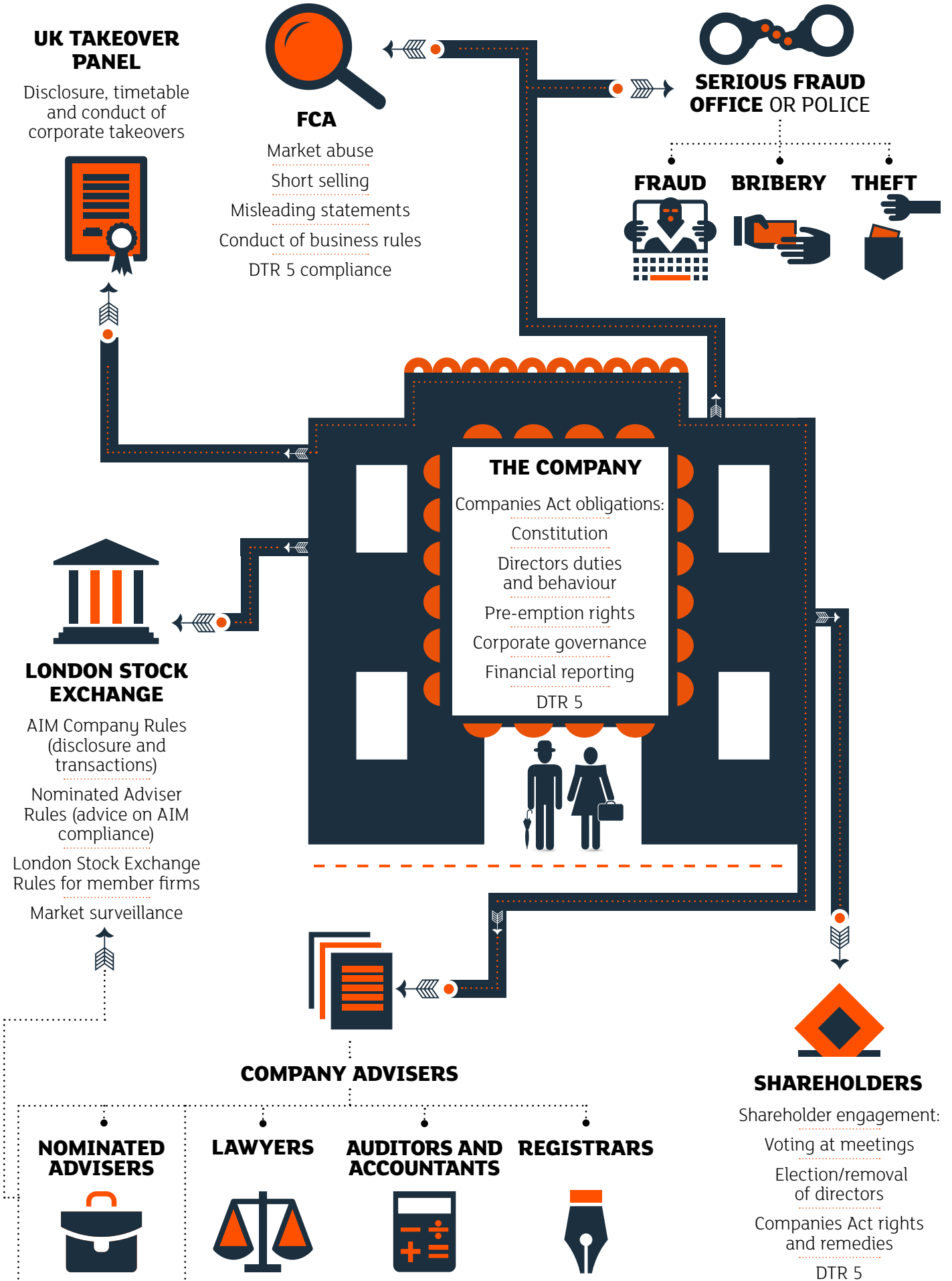


AIM REGULATORY LANDSCAPE - WHO'S WHO



The above relates to a typical UK incorporated company, however, certain obligations, for example company law, may differ depending on jurisdiction.

AIM REGULATORY LANDSCAPE – WHO’S WHO

London Stock Exchange

London Stock Exchange is a Recognised Investment Exchange (RIE) under the UK’s Financial Services and Markets Act (FSMA).

AIM is operated and regulated by the Exchange in this capacity under Part XVIII of FSMA 2000, and as such AIM is a ‘prescribed market’ under FSMA 2000 which brings it within the market abuse provisions.

London Stock Exchange operates AIM with an overarching objective of maintaining the integrity and reputation of its growth market. The market structure and rules are designed to be relevant to growth companies and their investors. The Exchange undertakes its regulation of AIM through its AIM Regulation and Market Supervision teams. AIM Regulation is responsible for the compliance by AIM companies and Nominated Advisers with the AIM Rules and the Market Supervision team monitors the trading in AIM securities by member firms which are subject to London Stock Exchange’s trading rules.

• AIM companies and nominated advisers

The AIM Rules for Companies and AIM Rules for Nominated Advisers form the basis of London Stock Exchange’s regulation of AIM companies and the nominated advisers. The AIM Rules sit within a wider landscape of regulatory and legal duties which are broadly similar to those protections provided to Main Market companies and their investors. Accordingly, the Exchange’s remit in respect of companies admitted to AIM is limited to compliance with its rule books. Actions of companies and directors that relate to wider legal duties and obligations are within the remit of the relevant competent body or regulator. The AIM Regulation team at London Stock Exchange undertakes its regulatory role by reference to the AIM rule books:

- The AIM Rules for Companies which set out the obligations on a company during and on application to AIM, as well as the ongoing obligations that apply to the company whilst it is admitted to AIM. These rules include an obligation for the AIM company to disclose price sensitive information without delay and ensure that any information it notifies is correct.
- The AIM Rules for Nominated Advisers which set out obligations owed to London Stock Exchange in respect of the nominated adviser’s role to consider issues of appropriateness of an AIM Company and to provide ongoing advice and guidance to AIM company clients on their AIM Rules obligations.
- Additional rules apply to investing companies (Investing Company Note) and resource companies (Mining Oil and Gas Note).

The AIM rules can be found at: <http://www.londonstockexchange.com/companies-and-advisors/aim/aim/aim.htm>

The AIM rule books have been designed to ensure that the rules governing companies admitted to AIM are relevant to meet the needs of growing companies and their investors. They sit alongside primary legislation which is the remit of other regulators and law enforcement agencies that also provide protections to investors in respect of AIM in the same way as they do for the Main Market.

London Stock Exchange undertakes a lead role in the regulation of AIM and works closely with other regulators and law enforcement bodies to ensure that the investigation and enforcement of matters relating to AIM companies, their directors or potentially abusive trading in AIM securities are undertaken by the authority that has the most appropriate remit and investigation and enforcement powers.

The activities of the AIM Regulation team within the Exchange include: policy matters and changes to the AIM rule books; authorising and approving firms to act as [nominated advisers](#); providing advice and guidance to

nominated advisers on the interpretation of the AIM Rules; and providing oversight of the performance by the nominated advisers of their obligations owed to the Exchange pursuant to the AIM rules.

Furthermore, the AIM Regulation team undertakes investigations and considers disciplinary action in respect of potential breaches of the AIM rule books by AIM companies and/or nominated advisers. AIM Regulation has a variety of private and public sanctions it can utilise in respect of the enforcement of its rules. All public censures are published and London Stock Exchange will also publish private censures (anonymising the relevant company/nominated adviser) for the purpose of educating the market in circumstances where the nature of the breach is not sufficient to warrant a public censure or is unlikely to reoccur. This range of sanctions enables London Stock Exchange to apply the most appropriate sanction taking into account all the circumstances and ensuring that it achieves its objectives of providing education to the market; ensuring change in future behaviour; and deterring future breaches.

- **Trading of AIM securities on London Stock Exchange**

The Market Supervision team at London Stock Exchange monitors the trading in AIM securities that is undertaken on the Exchange by member firms to ensure trading is orderly, efficient and in compliance with the London Stock Exchange's trading rules. It also refers to the FCA potential cases of market abuse that it may identify.

London Stock Exchange's AIM Regulation and Market Supervision teams work closely with and liaise on relevant market issues including ensuring that real time issues of disclosure are addressed by AIM companies on a timely basis and in accordance with the AIM Rules.

The suspension of AIM securities from trading is part of the Exchange's real-time operation of AIM to maintain an orderly market, including where a company has not been able to make appropriate disclosure promptly. If a company is not able to comply with the AIM rules for a prolonged period its admission may be cancelled.

Company advisers

- **Nominated advisers**

A key feature of AIM is the nominated adviser role. Nominated advisers are firms that provide corporate finance advice with particular expertise on AIM and are approved by the Exchange to act for companies that have, or wish to have, their securities admitted to trading on AIM. They will advise and guide the company on its ongoing obligations under the Exchange's AIM rule books. A company admitted to AIM is required to have a nominated adviser at all times whilst it has securities admitted to trading.

It is the nominated adviser who will assess whether a company is appropriate for AIM, having considered all relevant matters set out in the AIM Rules. The nominated adviser will also advise on the compliance of the company's Admission Document with the relevant rules. The nominated adviser makes a declaration to the Exchange in relation to this. The nominated adviser is also required to understand the business of the company so that it is well placed to provide ongoing support to the company in respect of its compliance with the AIM Rules, for example, in relation to matters such as ongoing disclosure. Whilst this support is important for AIM companies given their size and nature, it should be noted that the primary obligation for compliance with the AIM Rules for Companies remains at all times with the AIM company.

The Nominated Adviser Rules set out obligations owed by nominated advisers solely to the Exchange. These rules do not deal with the services that a nominated adviser may provide directly to its clients, for example, through its contract with an AIM company. Any such services between the nominated adviser and the AIM company will normally be set out in a private agreement. It is likely that a nominated adviser firm might

undertake other roles for a client company, e.g. sales or broking. Whilst these are not regulated by the Exchange, the AIM Rules for Nominated Advisers contain provisions governing independence and conflicts of interest.

[Nomad search](#)

- **Lawyers**

Lawyers will be involved in the admission of a company to AIM, including performing legal due diligence on the business and advising and guiding both the company and the nominated adviser on the legal aspects of the admission process. As with any company or business, AIM companies may choose to engage lawyers to advise them on an on-going basis in relation to various discrete matters including commercial contracts, acquisitions, corporate activity and compliance with legislation. However, an AIM company's nominated adviser remains the company's principal adviser in relation to its compliance with the AIM Rules.

- **Accountants and auditors**

A firm of accountants, as reporting accountants, will be required to perform financial due diligence on a company as part of its proposed admission to AIM.

Furthermore, a company will have filing obligations under its Companies Act obligations as well as under the AIM Rules which require the company to notify a half-yearly report within three months of the period end and to publish an annual report and audited accounts for each financial year within 6 months of the year end. Therefore, every company must engage an auditor to audit its accounts. The UK's Financial Reporting Council provides independent oversight over public company accounts and the regulation of auditors. In addition, an AIM company may also engage accountants to assist it in relation to ongoing financial reporting or in relation to discrete matters, such as tax matters, on an ad-hoc or regular basis.

- **Registrars**

All companies will need to maintain a share register and this function is often outsourced by publicly traded companies, including AIM companies, to a professional registrar. The primary role of the registrar is to maintain the company's share register and ensure that it is up to date. The registrar may also provide additional services including company secretarial services and/or facilitate formal regulatory communications with shareholders (e.g. notices of general meetings etc.).

The Financial Conduct Authority ("FCA")

As the leading financial services regulator in the UK, the FCA has three objectives, set out in FSMA (as amended by the Financial Services Act 2012): Protect consumers, to secure an appropriate degree of protection for consumers; Protect financial markets, to protect and enhance the integrity of the UK financial system; and to Promote competition, to promote effective competition in the interests of consumers. The FCA regulates London Stock Exchange, as a Recognised Investment Exchange. From an AIM company perspective, it has powers to investigate disclosures made by an AIM company where they may be false or misleading statements and which (intentionally or recklessly) induce investors to trade or refrain from trading in the company's securities. The FCA is also the competent authority in respect of the compliance with the relevant aspects of the FCA's Disclosure and Transparency Rules which apply to UK companies on AIM (i.e. vote holder and issuer notification rules under DTR 5).

From a secondary market perspective (i.e. in respect of the trading of shares in the secondary market), the FCA has both civil and criminal powers available to it to identify and prevent market abuse and will also work with other law enforcement agencies in combatting this. Furthermore, given the FCA's responsibility for the

conduct of retail and wholesale financial services firms in relation to consumers, the manner in which these firms are expected to conduct business when communicating with clients is primarily set out in the FCA's Conduct of Business sourcebook.

For more information, refer to: <http://www.fca.org.uk/about/what>

The Takeover Panel (the "Panel")

The Panel is an independent body in the UK whose main functions are to issue and administer the City Code on Takeovers and Mergers (the "Code") and to supervise and regulate takeovers and other matters to which the Code applies. Its central objective is to ensure fair treatment for all shareholders in takeover bids.

The Code applies to all companies admitted to trading on AIM which are incorporated in the UK, the Channel Islands and the Isle of Man.

For more information, refer to: <http://www.thetakeoverpanel.org.uk/>

Serious Fraud Office ("SFO") or Police

The Serious Fraud Office is a government department and is part of the UK criminal justice system. Its aim is to investigate and prosecute serious and complex fraud and so deter fraud and maintain confidence in the probity of business and financial services in the United Kingdom. The SFO also has power to take criminal action in issues of insider dealing. The SFO will investigate "boiler room" fraud depending on the seriousness and complexity of the circumstances. The FCA, City of London Police and Action Fraud (the UK National Fraud & Cyber Crime unit) may also have an interest in and take action where such fraud is suspected.

For more information, refer to: <http://www.sfo.gov.uk/>

Shareholders

A company's shareholders play a vital role in holding a company and its directors to account by virtue of rights enshrined in company law including the ability to vote on resolutions put to shareholders at general meetings which will include the election and removal of directors, pre-emption rights and the right to requisition a general meeting (subject to a sufficient proportion of shareholders supporting such an action).

Shareholders also have their own obligations under the Disclosure and Transparency Rules to report their shareholding to the company to enable the company to meet its own notification obligations in respect of its significant shareholders. Oversight of compliance of these obligations of shareholder disclosure is the remit of the FCA.

Certain legal remedies against a company may also be available to shareholders under company law in circumstances where the directors have acted outside of their powers.

The Company

An AIM company will be subject to a range of regulatory and legal obligations which it must comply with. Its AIM Rules obligations are just one aspect of this. The primary obligations owed by a company are set out under company law. A company will have in place articles of association which set out the constitution of the company, including the core duties and obligations of its shareholders and directors.

In respect of a company's obligations under the AIM Rules, the responsibility for compliance rests primarily with the company itself and it must have in place appropriate procedures, resources and controls to ensure compliance, seeking advice from its nominated adviser whenever appropriate and taking that advice into account in meeting its obligations.