



London
Stock Exchange

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**For the attention of the
chairman/senior partner/compliance officer,
all member firms**

N04/13

STOCK EXCHANGE NOTICE

Feedback on SEN N02/13 and publication of rulebook and accompanying documents for new High Growth Segment

Introduction

1. On 13 February 2013, London Stock Exchange published Stock Exchange Notice N02/13 which set out proposals for the new High Growth Segment of London Stock Exchange's Main Market and the associated draft rulebook.
2. In Notice N02/13, London Stock Exchange proposed to introduce a new segment to the Main Market to cater specifically for high growth, UK and European businesses that require access to further capital and access to the Main Market to continue their growth.
3. This notice sets out the results of the request for feedback in Notice N02/13 and confirms the new rules for the High Growth Segment and accompanying documents. Attachment 1 to this notice contains the new rules for the High Growth Segment. Attachment 2 shows the changes between these new rules and the draft of the rules published with Notice 02/13.

Launch of the High Growth Segment

4. The High Growth Segment is open for applications from potential Key Advisers and from companies for admission to trading from today.

Feedback on the consultation

5. In response to the request for comments and feedback in Notice N02/13, London Stock Exchange received 10 formal responses from a range of stakeholders including trade bodies, self-regulating organisations, lawyers and accountants. London Stock Exchange would like to thank all respondents for taking the time to reply.

6. The responses received were supportive of the objectives of the new segment. They also contained some questions and comments, mostly on specific elements of the rulebook. Set out below are the main issues raised.

7. EEA incorporation requirement

Some respondents queried why the segment is only being made available to applicants incorporated in EEA states as set out in rule 2.8. London Stock Exchange decided on this requirement to ensure that all issuers are subject to a consistent level of financial services and corporate law as provided for in the EEA directives, given that the Listing Rules will not apply to this segment. London Stock Exchange will keep the need for this requirement under review.

8. Trading business and CAGR

Some respondents queried what was meant by a “trading business” in rule 2.1. The High Growth Segment is intended for revenue-earning commercial businesses. Rather than provide a prescriptive and potentially non-exhaustive list, a Key Adviser should contact London Stock Exchange at an early stage to discuss the potential eligibility of an applicant.

Queries were raised about the operation of the CAGR formula associated with rule 2.3. To clarify, a 4 year range of financial data is required to calculate the growth in revenues over a full 3 year period. The CAGR definition has been amended to provide further clarity. Where an applicant company has particular historic issues that may make calculation of CAGR complex, this can be addressed by the Key Adviser, either with London Stock Exchange directly or in the draft eligibility letter required by rule 6.1.

9. Reverse takeovers

Section B5 of the rules on reverse takeovers has been revised to reflect feedback received and to instead directly require shareholder consent for a reverse takeover.

10. Transfer to Official List

Some respondents commented that whilst rule 3.2 requires a non-binding statement of intention to move to the Official List in due course, no time period was specified. The High Growth Segment has been designed as a transitional admission route to the Official List, but London Stock Exchange believes it would be undesirable to impose prescriptive restrictions that may conflict with an issuer’s corporate development strategy. However, London Stock Exchange does intend to work with issuers to facilitate their move to the Official List. Rule 3.2 has been expanded to require information on the issuer’s own assessment of its compliance with the Official List eligibility criteria at the time of admission to the High Growth Segment.

11. Listing Rule references

Some comments indicated that it seemed unusual to refer to the Listing Rules in the High Growth Segment rulebook, without setting out those rules within the rulebook. As this segment is intended as a transitional route, and in order to keep the rulebook as concise as possible, it was decided that referring to certain Listing Rules remains the most appropriate way to provide relevant guidance within the rulebook.

The Financial Services Authority's consultation paper CP12/25 proposed an amendment to Listing Rule 6.1.4, changing "assets" to "business". In the event that the FSA changes this rule, the wording in rule 2.2 shall be similarly changed.

Documents published today

12. Today London Stock Exchange publishes the following documents in relation to the new High Growth Segment, all available at www.londonstockexchange.com/hgs:
- Rulebook for the High Growth Segment
 - Key Adviser Application Form for potential Key Advisers
 - Eligibility Letter for submission by the Key Adviser ahead of potential admission
 - Issuer Declaration in relation to admission
 - Key Adviser Declaration in relation to admission

An updated Form 1 has also been published today, which should be used for all applications for admission to trading for all markets (other than AIM) from today.

Trading information in relation to the High Growth Segment

13. High Growth Segment securities will be traded on either the SETS or SETSqx trading services using the current selection criteria, driven by the profile of the security concerned. Whilst in time, as the market grows, new dedicated segments may be created, initially it is intended that existing segments will be utilised. Member Firms will be notified in due course and provided adequate opportunity to develop the new segments prior to their adoption. In the meantime there is no specific development work required to trade securities admitted to the High Growth Segment.

Questions

14. Questions about either this notice or the High Growth Segment can be sent to: primarymarketregulation@londonstockexchange.com

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This Stock Exchange Notice will be available on the website at <http://www.londonstockexchange.com/en-gb/products/membershiptrading/rulesreg/stockexnoticesnew/>

Calls to London Stock Exchange plc may be recorded to enable London Stock Exchange to carry out its regulatory responsibilities