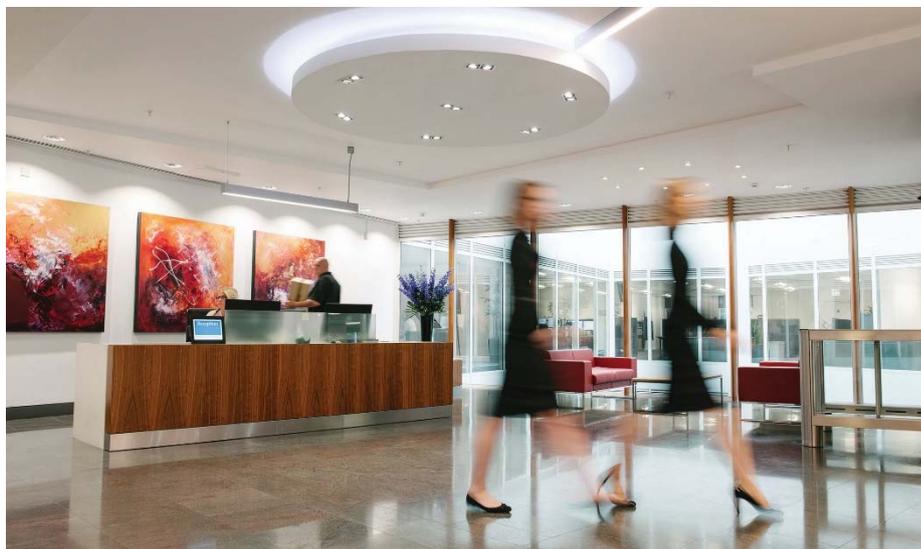


BRIEFING

CAPITAL MARKETS UPDATE: CHANGES TO
THE AIM RULES FROM 30 MARCH 2018
MARCH 2018

- CHANGES TO THE AIM RULES AND NOMAD RULES WILL COME INTO FORCE ON 30 MARCH 2018
- NEW WEBSITE DISCLOSURE REQUIREMENTS UNDER AIM RULE 26 WILL ONLY TAKE EFFECT FROM 28 SEPTEMBER 2018
- COMPANIES NOT CURRENTLY FOLLOWING A RECOGNISED CORPORATE GOVERNANCE CODE WILL NEED TO ADOPT ONE



The London Stock Exchange (“LSE”) has confirmed changes to the AIM Rules for Companies (“AIM Rules”) and the AIM Rules for Nominated Advisers (“Nomad Rules”) which will come into effect on 30 March 2018, following consultations in July and December 2017.

“THE REVISED RULES WILL MEAN SOME CHANGES IN PRACTICE TO THE EARLY STAGES OF THE ADMISSION PROCESS AND, IMPORTANTLY FOR COMPANIES, TO CORPORATE GOVERNANCE DISCLOSURE.”

This Briefing summarises the key changes and also sets out the steps that companies need to take including, in particular, adopting a recognised corporate governance code where a company does not currently follow one.

The revised rules will mean some changes in practice to the early stages of the admission process and, importantly for companies, to corporate governance disclosure. To allow AIM companies and their Nominated Advisers (“Nomads”) adequate time to prepare for the changes to the website disclosure requirements, these will only take effect from 28 September 2018.

Early notification process for nomads

Amended AIM Rule 2 will introduce a formal requirement for Nomads to provide early notification of information on AIM applicants prior to the submission of any Schedule One information, but will leave the exact timing of this communication to the Nomad’s discretion. The new early notification template setting out the information to be disclosed is now available on the LSE’s website.

Nomads must also disclose all other matters which may be relevant to consider in connection with an application for admission to trading on AIM. Where information is not yet available, a Nomad may state this in the form and update the LSE when it becomes so. In such a case, the LSE would expect the Nomad to give consideration to the appropriate timing for making the early notification, taking into account whether sufficient information can be provided to allow for a meaningful discussion. Although intended to reduce the likelihood of delays developing later in the admission process, if a notification is not early enough there may still be delays.

LSE's discretion to refuse admission

Amended AIM Rule 9 will make it clear that even though an applicant meets the eligibility requirements for admission to trading on AIM, the LSE retains ultimate discretion to refuse or impose conditions on admission. This is to protect the orderly operation and reputation of AIM.

Corporate governance disclosure requirements

Amended AIM Rule 26 will require an AIM company to provide details on its website of a recognised corporate governance code that its board of directors has decided to apply, how it complies with that code, and where it departs from its chosen code an explanation of the reasons for doing so. This information should be reviewed annually and the website should include the date on which the information was last reviewed. The LSE expects that in most cases this review will take place at the same time as a company prepares its annual report and accounts.

Currently, AIM companies have the choice of noting on their website which corporate governance code they follow or, alternatively, stating that they do not follow a code and setting out their own arrangements. The changes will mean that the second alternative is no longer possible. Given this, and that the new requirement will entail more detailed disclosure than at present, compliance with the revised rule will only be required from 28 September 2018. However, all new applicants to AIM from 30 March 2018 onwards will have to state on their website which corporate governance code they intend to follow but otherwise will have until 28 September 2018 to comply fully with the new requirements.

**“THE LSE...
EMPHASISES THE NEED
FOR MEANINGFUL
DISCLOSURE OF A
COMPANY’S PRACTICES
AGAINST THE PRINCIPLES
OF ITS CHOSEN CODE,
RATHER THAN SIMPLY
IDENTIFYING AREAS OF
NON-COMPLIANCE.”**

The amended AIM Rules will also require this information to be included in a company's admission document and the corporate governance code that the company will apply should also be detailed in the Schedule One information. As with the website requirements, from 30 March 2018 an admission document will only need to disclose the corporate governance code that will apply but from 28 September 2018 onwards full disclosure will be required.

The LSE has stated that it considers that good corporate governance standards significantly contribute to a company's long term success and, in relation to the form of disclosure, it emphasises the need for meaningful disclosure of a company's practices against the principles of its chosen code, rather than simply identifying areas of non-compliance.

“THE LSE HAS CONFIRMED THAT IT WILL NOT BE PRESCRIBING A LIST OF RECOGNISED CORPORATE GOVERNANCE CODES AS IT IS PREFERABLE FOR AIM COMPANIES TO HAVE A RANGE OF OPTIONS TO SUIT THEIR SPECIFIC STAGE OF DEVELOPMENT, SECTOR AND SIZE.”

Which corporate governance code to follow?

The LSE has confirmed that it will not be prescribing a list of recognised corporate governance codes as it is preferable for AIM companies to have a range of options to suit their specific stage of development, sector and size. Research by the Quoted Companies Alliance (“QCA”) indicates that over 400 AIM-traded companies currently refer to the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies (“QCA Code”), some follow the Financial Reporting Council UK Corporate Governance Code (or at least some aspects of it) and a small number follow the corporate governance codes of their home country (e.g. the Australian ASX Corporate Governance Council) or other codes tailored for their sector (e.g. from the Pensions and Lifetime Savings Association). An updated version of the QCA Code will be released in April 2018 and a revised version of the UK Corporate Governance Code is expected to be published by early summer 2018.

Changes to the Nomad Rules – guidance on admission responsibilities

Amended Schedule 3 of the Nomad Rules will include a non-exhaustive list of factors which a Nomad should consider in assessing the appropriateness of an applicant for AIM. It will also emphasise the need for a Nomad to have early discussions with the LSE where the circumstances of the applicant and its securities could affect its appropriateness (irrespective of the early notification requirement). This change should assist in providing consistency of approach and maintaining regulatory standards.

What steps should companies take?

In light of the corporate governance changes, companies already admitted to trading on AIM or companies contemplating admission to trading on AIM will now need to either:

- Begin the process of identifying where they do and don't comply with their chosen corporate governance code and the reasons for any non-compliance, and start preparing appropriate disclosures; or
- Where they currently do not follow any code, select (in consultation with their Nomad) an appropriate code to apply – which, for international companies which also have a home listing, may be an appropriate code or standard in their home jurisdiction - and review (and prepare disclosures in relation to) how they comply and any reasons for non-compliance.

In both cases, the disclosures must be made available on the relevant company's website on or before 28 September 2018 or in any admission document published on or after that date.

Further information

AIM Notice 50 (confirming the changes) and mark-ups of the AIM Rules and Nomad Rules can be found [here](#).

FOR MORE INFORMATION

Should you like to discuss any of the matters raised in this Briefing, please speak with a member of our team below or your regular contact at Watson Farley & Williams.



DEARBHLA QUIGLEY
Partner
London

D +44 20 7814 8447
dquigley@wfw.com



ANNA PARRINDER
Professional Support Lawyer
London

D +44 20 7814 8052
aparrinder@wfw.com