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AIM

**NOMINATED ADVISER
TECHNICAL NOTE**

JUNE 2026

Nominated Adviser Technical Note

London Stock Exchange (the “Exchange” or “we”) has published this Nominated Adviser Technical Note (the “Technical Note”) to set out the Exchange’s expectations of nominated advisers regarding the performance of their obligations under the AIM Rules for Nominated Advisers (“Nomad Rules”).

The Technical Note has been developed with the support of the nominated adviser community and we will continue to work with nominated advisers to update this as appropriate.

The role of the nominated adviser

The nominated adviser plays an important role in maintaining the integrity and reputation of AIM. It does this by applying its extensive public markets and corporate finance experience and knowledge of AIM. It is for this reason that we have set the eligibility criteria for firms seeking to be nominated advisers to require demonstration of experience of public market corporate finance and AIM.

The nominated adviser’s expertise in respect of the application of the AIM Rules is central to supporting AIM companies in their understanding of the purposive approach of the AIM Rules and their compliance with AIM Rules obligations.

The AIM model ensures the benefit of the nominated adviser’s public market corporate finance and AIM experience, as well as its technical and sector-specific expertise, its depth of understanding of its AIM company clients and their business and future prospects and its insight into investor expectations and wider market practices and trends.

However, the nominated adviser’s role is not to “police” an AIM company’s compliance with the rules and it is not responsible for compliance with the AIM Rules by its AIM company clients. The AIM company has responsibility for its own compliance with its AIM Rules obligations. The nominated adviser’s obligations, pursuant to the Nomad Rules, are owed solely to the Exchange.

The role of the company

As stated above, responsibility for compliance with the AIM Rules remains, at all times, with the AIM company and its directors. Further, the nominated adviser cannot guarantee an AIM company’s commercial success and/or share price performance.

The AIM Rules also sit within a wider framework of regulatory and legal duties, as outlined in the [AIM Regulatory Landscape](#) and related FAQs. Additional responsibilities applicable to an AIM company and its directors, individually and collectively, are subject to financial services regulation, company law and/or criminal law beyond the AIM Rules.

Nominated adviser work on take-on

Q1: Education to directors on their AIM Rules responsibilities at take-on, annually/ongoing or for new director appointments

Take-on

We recognise that for a take-on of an existing AIM company, it is reasonable for the nominated adviser to assume that the directors understand their AIM Rules obligations. Accordingly, the nominated adviser can place reliance on this understanding, and the nominated adviser is not required to provide AIM Rules education to existing directors of an AIM company at take-on, unless the nominated adviser has reason to be concerned about the company's, or an individual director's conduct and/or past track record of AIM Rules compliance/experience.

Annually

The nominated adviser is not required to provide an annual update of education to its AIM companies. Rather, it should address education as noted below.

Ongoing – where issues arise

Where issues of understanding of the AIM Rules arise, taking into account the circumstances and nature of the matter, the nominated adviser should consider whether there is a gap in the directors' knowledge or understanding that requires education at that time to prevent future compliance issues.

New director appointments

Where a new incoming director is appointed who has prior and recent AIM experience, the nominated adviser does not have to provide AIM Rules education unless the nominated adviser is aware of issues or concerns arising from the director's conduct and/or track record.

Method of delivery

In all cases of AIM Rules education, the nominated adviser can make an assessment as to the most effective and efficient way of ensuring that the directors understand their responsibilities, but this should be "in person," whether this is physically or virtually.

Q2: Due diligence at take-on of an AIM company

Reliance on conduct whilst on market: We recognise that an existing AIM company will have been subject to due diligence on admission, complying with its public market obligations on an ongoing basis and subject to public scrutiny by virtue of being a quoted public company. Accordingly, the nominated adviser can place reasonable reliance on the publicly available information relating to the AIM company's track record, and the company/directors' conduct whilst on AIM and does not need to commission due diligence reports for the take-on of an existing AIM company.

The nominated adviser obligations are separate from and do not impact any other legal obligations of the firm, such as those relating to responsibilities to protect against financial crime.

Director Questionnaires: We consider that it is good discipline and expect directors to refresh or update their director questionnaires so as to provide the incoming nominated adviser with relevant confirmations.

Handover call: We recognise that the incoming nominated adviser will be provided with insight of the AIM company/directors and conduct on market, from its handover call with the outgoing nominated

adviser. We consider this a valuable process as part of the take-on noting the outgoing nominated adviser's obligation to be constructive and open. These calls should be held promptly at the request of the incoming nominated adviser, unless there is a legitimate reason to delay.

Site visits: Where the nominated adviser is satisfied that there have been no material changes to the company's material site(s) of operations since the last site visit by the company's outgoing nominated adviser, then the incoming nominated adviser is not required to undertake a site visit as part of take-on.

Follow up and reconcile issues: As part of its take-on, the nominated adviser will have obtained a sound understanding of an AIM company's business and conduct based on its discussions with directors, public source information and site visits (past, if not current). The nominated adviser will also have received insight from the experience of the outgoing nominated adviser with its handover discussions and information provided in the directors' questionnaires. If, as a result, the nominated adviser is alerted to potential concerns, it should consider how best to address and reconcile those concerns in the circumstances. There could be various ways in which it might do this, for example, actions such as a review of company systems, procedures, and controls, refreshing AIM Rules education, due diligence reports or other appropriate actions.

Nominated adviser work on admission

Q3: Site visit at admission

The purpose of a site visit is for the nominated adviser to see first-hand the company's material operations, assets, products and facilities and to meet directors, key management and/or relevant stakeholders.

In most cases a site visit will be a valuable exercise. However, there may be occasion where a site visit is unlikely to yield benefit for the nominated adviser's assessment of appropriateness, and accordingly the nominated adviser does not need to undertake a site visit in the following circumstances:

1. the nature of the applicant's operations are such that the nominated adviser reasonably determines that there is limited or no value in performing a site visit; or
2. there are no material physical assets and no key management/stakeholders to see at the site; or
3. in the case of a Mining, Oil and Gas applicant, a Competent Person has visited and fed back to the nominated adviser on their site visit as part of their review of the assets.

Where a site visit is undertaken by someone within the nominated adviser firm who is not part of the nominated adviser function (for example, a member of the broking or research team), and we would expect the QE to brief the person who is undertaking the site visit to identify any particular issues that should be assessed from a nominated adviser perspective as well as receiving a debrief following the site visit.

Where the nominated adviser is unable to undertake a site visit because of security risks, it should contact AIM Regulation.

Q4: Does the nominated adviser need to appoint its own lawyers to verify the admission document?

Whilst the Nomad Rules require the nominated adviser to be satisfied that appropriate verification of the admission document has taken place, by an appropriate professional firm(s), the nominated adviser is not expected to instruct its own lawyers to oversee, review, duplicate or report on the work of the company's lawyers. Given the directors' responsibility and liability for the contents of an admission document, it is

recognised AIM company directors are incentivised to ensure that the verification exercise is undertaken with appropriate skill and care by their lawyers.

There are practical steps that the nominated adviser should take so that it can be satisfied with reliance on the company's lawyers' verification exercise:

1. the company's lawyers have appropriate AIM Rules experience to undertake the work (Schedule Three of the Nomad Rules (AR4 – Admission Document));
2. there are no limitations and/or caveats to the work undertaken by the company's lawyers that are reasonably likely to undermine the verification exercise; and
3. the nominated adviser or its lawyers undertakes a high-level sense check of the verification notes and if there is an obvious failure (for example, blanks/not applicable language/excessive reliance upon the directors' confirmation or reasonable belief) to require the company and its lawyers address this to the nominated adviser's satisfaction.

Q5. Does a nominated adviser need the company to appoint a reporting accountant to review working capital?

When considering the requirements under Paragraph AR3, Schedule Three of the Nomad Rules, we do not consider that a review of working capital, undertaken by a reporting accountant, is necessary in most instances. In particular, we note that a formal working capital report is not produced for a secondary fundraising. Furthermore, working capital reports are not always required for admissions to other non-UK markets.

It may be appropriate to place reliance on a directors' memorandum, as we understand is the usually the case on a secondary fundraising. The following factors may inform these decisions:

1. the expertise and capacity of the AIM company's finance function and its experience in financial forecasting;
2. the nature of the AIM company's business, together with the maturity of its financial reporting systems and controls and the complexity of its financial and cash flow position; and
3. the trading history of the AIM company and the reliability and predictability of its cash flow position.

Q6: Free float considerations on admission

As part of its admission responsibilities, the nominated adviser's assessment of an applicant's appropriateness for AIM should include a range of considerations, including but not limited to quality of free float.

Whilst there is no specific numerical or percentage threshold for free float under the AIM Rules, free float should be adequate to ensure the orderly trading and liquidity of the AIM securities and the following factors should be considered:

1. the range and spread of shareholders on admission, including the participation of recognised institutional shareholders;
2. the influence and visibility of any major shareholders;
3. any measures in place, at admission, to enhance liquidity; and
4. the existence of concentrated shareholdings (e.g. connected due to family, business or other interests) and what measures are in place, at admission, to address these.

Q7: Early Notifications

In addition to the information required to be provided in the early notification form (AIM Rule 2), a nominated adviser must ensure it fully and clearly discloses to the Exchange all matters known to it which may be relevant to the Exchange in considering the application for admission to trading and understanding whether admission of the AIM securities may be detrimental to the orderly operation, the reputation and/or integrity of AIM.

The submission of an early notification form does not replace a nominated adviser's obligations to the Exchange concerning an applicant's appropriateness.

Nominated adviser work on admission via Express Market route

Q8: Due diligence for an express applicant or Main Market applicant

Reliance on the company's admission to an Express Market ("EM") or Main Market: As part of its consideration of appropriateness of an express or Main Market applicant, the nominated adviser will want to ensure that it has a sound understanding of the company, its history, performance and conduct whilst trading on an EM or Main Market. However, this does not require IPO type due diligence. The nominated adviser can take a reasonable level of assurance and place reasonable reliance on the fact that the company has been trading on an EM or Main Market and subject to regulatory public market obligations and scrutiny.

Follow up and reconcile issues: Where the public information available gives rise to potential concerns for example, regarding the company's track record or conduct or regulatory compliance, the nominated adviser should consider this information in the context of its impact on appropriateness of the company for AIM and determine how best to address/reconcile the issues.

Director education: Unless the company's directors already have previous and recent AIM Rules experience, we would expect the nominated adviser to undertake directors' AIM Rules education.

Ongoing nominated adviser work on AIM Rules guidance

Q9 Nominated adviser's role in relation to AIM Rule 11

Nominated advisers, as public market corporate finance experts, will be the authority on whether matters may have market impact.

Save in circumstances where there are safe harbours available under MAR, we consider it would be rare for an AIM company to decide not to make disclosure where the nominated adviser is of the view that a change or development is likely to have a market impact. Nevertheless, in these circumstances, where a without delay notification is not made and given the importance of this in respect of market integrity, the nominated adviser should immediately inform the Exchange pursuant to Nomad Rule 19 and should consider whether the AIM company's approach gives rise to concerns regarding board efficacy or director suitability.

Q10: Does the nominated adviser need to check the company's AIM Rule 26 website?

An AIM company has responsibility for compliance with AIM Rule 26. The nominated adviser is not required to undertake a check of the company's compliance. We consider it more valuable for the nominated adviser to focus on how the company is proposing to be able to comply with this obligation under AIM Rule 26 in terms of systems, procedures and controls.

Q11: Communicating with the Exchange regarding AIM Rules breaches

Bringing AIM Rule breaches to the attention of AIM Regulation supports the Exchange's work in maintaining the integrity and reputation of AIM. It supports the Exchange in understanding a company's compliance history, identifying whether there is a systemic issue that needs to be addressed and/or to avoid future breaches.

However, we appreciate that there are breaches of certain AIM Rules (listed below) that can be addressed directly by the nominated adviser in circumstances where the nominated adviser is satisfied that:

- i. the breach is a one-off occurrence in a calendar year; and
- ii. there is no systemic or thematic issue; and
- iii. there is no risk of market impact or adverse impact to the reputation and integrity of AIM.

Accordingly, where the nominated adviser is so satisfied, it will not be required to inform AIM Regulation of breaches of the rules listed below pursuant to Nomad Rule 19, but it must keep a record pursuant to Nomad Rule 25. When addressing the breach, the nominated adviser should ensure it has a sound understanding of the reasons for the breach and that any necessary remedial action is taken (and recorded) to avoid repetition of further similar breaches.

The relevant AIM Rules are:

- AIM Rule 17 - Failure to notify changes to registered office without delay
- AIM Rule 17 - Historic omissions of the disclosure of information required pursuant to sub paragraph (ii) of paragraph (g) of Schedule Two
- AIM Rule 21 - Administrative failure or human error in engaging with/or complying with a company's AIM Rule 21 dealing policy
- AIM Rule 26 - Failure to keep AIM Rule 26 information up to date
- AIM Rule 29 - Late block admission disclosures or arithmetical errors within such disclosures

Q12: Monitoring online commentary, speculation or coverage

When monitoring trading activity, this does not require the nominated adviser to routinely monitor third party content on platforms such as blogs, online platforms, bulletin boards, chatgroups or social media accounts. There is also no expectation to subscribe or pay fees to gain access to information behind paywalls.

Admissions self service portal

While it is the responsibility of an AIM company to submit an application form when seeking the admission of AIM securities, AIM Regulation recognises that, in practice, this responsibility is often delegated to the company's nominated adviser. The guidance below is therefore provided in that context.

Since the introduction of the [Admissions Self Service Portal](#) (SSP) in 2023, applications for the admission of new AIM companies and/or further issues of AIM securities must be submitted via SSP by AIM companies (or advisers acting on their behalf). Submission via SSP is mandatory for the admissions process.

To help ensure a smooth and timely admission, AIM companies (and firms acting on their behalf) should ensure that:

- applications are submitted on a timely basis, and in accordance with the relevant admission timetable and applicable deadlines;
- correct application type selected based on the specific admission/corporate event
- all relevant fields and checkboxes have been completed;
- any applicable conditions have been satisfied (including, where relevant, the publication of admission announcements) within the required deadlines;
- admission timetable dates are correct and have been discussed with Corporate Actions where relevant;
- a valid contact telephone number has been provided, so that the Exchange's Admissions Team can get in touch if needed; and
- the telephone number provided is correct and actively monitored.

This is important as late, incomplete and/or inaccurate applications are likely to result in delays to the admission of AIM securities. Where an application may be submitted or completed late, the nominated adviser should contact the Admissions Team as soon as possible to understand the potential implications for the admission timetable.

For further advice and guidance in relation to the admissions process, please contact the Admissions Team on +44 (0)20 7797 4310 or at admissions@lseg.com.

Where an AIM company is preparing dividend timetables, undertaking corporate actions or issuing new shares with settlement implications, the nominated adviser should contact the Corporate Actions Team in advance to discuss the timetable on +44 (0)20 7797 4754 or at corporate.actions@lseg.com.



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