
AIM NOTICE

4 July 2018



London
Stock Exchange

AIM NOTICE 52

For the attention of all AIM companies, applicant AIM companies and nominated advisers

FEEDBACK ON AIM NOTICE 51 AND CONFIRMATION OF CHANGES TO THE AIM RULES FOR NOMINATED ADVISERS

1. INTRODUCTION

On 26 April 2018, London Stock Exchange plc (the “**Exchange**”) issued AIM Notice 51 which proposed changes to the AIM Rules for Nominated Advisers.

This Notice provides feedback on the consultation and confirms the resulting rule changes.

2. FEEDBACK ON RESPONSES RECEIVED ON AIM NOTICE 51

The Exchange received five responses to the consultation from nominated advisers and industry associations. Overall the responses were supportive of the approach proposed in the consultation. We would like to thank everyone who responded.

Attached to this Notice is a statement providing the Exchange’s feedback on areas of the consultation that attracted the most comment, consequential minor drafting changes and further guidance on the changes.

3. IMPLEMENTATION OF NEW RULES

Updated versions of the AIM Rules for Nominated Advisers are available to download, in clean and marked-up versions, from the Exchange’s [website](#) from today and the revised rules will come into effect on 30 July 2018.

4. CONSULTATION ON DISCIPLINARY HANDBOOK

In AIM Notice 51 we noted that we have been undertaking a review of the AIM Disciplinary Procedures and Appeals Handbook with an intention to issue a separate consultation later this year. It is our intention to publish the consultation in Q3 2018.



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5. QUERIES ON THIS NOTICE

Queries from AIM companies on this Notice should be addressed to their nominated adviser.

Queries from nominated advisers should be sent to AIM Regulation at aimregulation@lseg.com.

Nilam Statham
Head of Primary Market and AIM Regulation

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FEEDBACK STATEMENT IN RELATION TO AIM NOTICE 51

AIM RULES FOR NOMINATED ADVISERS

Additional eligibility criteria – Rule 2	<p>Respondents understood the rationale for the proposed change supported by additional guidance. In addition to the guidance set out below which will be included in the revised NA1, we encourage a nominated adviser or an applicant firm to seek guidance from AIM Regulation as to the application and interpretation of the rules.</p> <p><i>Guidance for an applicant firm:</i></p> <ul style="list-style-type: none">• <i>is capable of being effectively supervised by the Exchange – given the role of a nominated adviser within the AIM regulatory framework, it is important that a nominated adviser firm (including their senior management) demonstrates that it is open, transparent and co-operative in its dealings with regulators. Any evidence to the contrary will be a matter taken into account when considering nominated adviser status. Further, the firm’s strategy for its nominated adviser activities should not pose a risk to the Exchange’s work in respect of the preservation of the reputation and integrity of AIM.</i>• <i>has appropriate financial resources – it is important for a firm to maintain appropriate financial resources to ensure confidence in a firm’s ability to continue to act as nominated adviser to its clients (noting the consequences of a loss of nominated adviser under Rule 1 of the AIM Rules for Companies). It is also important in ensuring that nominated advisers’ decisions remain independent of fee income.</i>• <i>has appropriate non-financial resources – relates to matters such as infrastructure and management which must be appropriate in relation to the nominated adviser’s activities which it seeks to carry out, having regard to the size, nature and scale of its business and the obligations and responsibilities it is required to meet under the AIM Rules for Nominated Advisers.</i> <p>Having fully considered the feedback, we will not introduce the wording we proposed in relation to ‘adequate risk management systems’. Some respondents noted that this criterion was already covered as part of a nominated adviser’s existing obligations to have proper procedures pursuant to Rule 23. In addition, given that the rule changes will require an applicant firm to demonstrate that it can comply with Rules 23 to 25, when seeking approval as a nominated adviser, we have decided not to duplicate this obligation.</p> <p>As previously highlighted in AIM Notice 51, it is not our intention to review existing nominated advisers against the updated criteria, as they should already be meeting the criteria through their existing authorisations. We would only propose to do so if an issue is identified as part of our supervisory work or relevant information is brought to our attention which would bring into question a nominated adviser’s ability to comply with the continuing eligibility criteria.</p>
Supervision of nominated advisers and Qualified Executives – Rule 27	<p>We received limited comments on this proposed rule change. However, one respondent suggested that the Exchange should only have the ability to recommend, rather than require, specific remedial action. The Exchange takes seriously the maintenance of the reputation and integrity of AIM. Given that the performance of a nominated adviser’s regulatory obligations has the potential to adversely impact the reputation of AIM, it is in the interests of the market for the Exchange to have effective supervisory powers to require remedial action where necessary. We do not anticipate using this power often, as in our experience, nominated advisers appreciate the importance of their role and take remediation</p>

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	<p>action where necessary.</p> <p>One respondent asked whether a Qualified Executive would have to disclose to a future employer any action to which they were subject or if there would be another mechanism for firms to check the record of future potential employees. An applicant Qualified Executive will be required to disclose any previous or existing restrictions or limitations as part of his/her NA2 application.</p>
Moratorium – Rule 31	<p>Respondents supported the changes to this rule. However, one respondent queried whether the bullet points in respect of (i) insufficient staffing levels pursuant to Rule 24 and (ii) an unplanned, temporary or permanent loss of appropriately experienced member of staff were duplicative. We would comment that the latter bullet point in Rule 31 includes senior management who are relevant to the nominated adviser function but who may not necessarily be considered part of the corporate finance team.</p>
Drafting changes	<p>After taking into account the responses to the consultation we have made the following minor amendments to Rule 12 (changes to a nominated adviser):</p> <ul style="list-style-type: none">• the second bullet point has been amended to read as follows “<i>the commencement of an investigation by any other regulatory body or law enforcement authority in a jurisdiction which relates to the conduct of the nominated adviser and/or any of its employees relevant to the nominated adviser</i>”• the third bullet point has been amended from “....employees relevant to the nominated adviser” to “....employees relevant to the <i>work undertaken by the nominated adviser</i>”• the final bullet point has been amended as follows: <i>any proposed or contemplated change of control of the nominated adviser which is reasonably likely</i>
Other comments	<p>One respondent suggested that ‘shareholder’ be removed from Rule 3 in relation to the Exchange’s discretion to decline an application “if the Exchange considers that an applicant, any shareholder of the applicant, or any officer of the applicant might be detrimental to the reputation and/or integrity of AIM”. Whilst we have decided to proceed with the original proposed wording, when considering whether a shareholder of an applicant may be detrimental to the reputation and/or integrity of AIM, we will give consideration to the non-exhaustive matters listed in that rule.</p>