

London Stock Exchange

AIM Rules for Nominated Advisers

Consultation Document (under AIM Notice 24)

2 October 2006

Responses or queries on this consultation should be sent on or before Friday 1 December by email to: aimnotices@londonstockexchange.com

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Introduction

Pursuant to the **AIM Rules for Companies**, a **nominated adviser** is solely responsible to the **Exchange** for assessing the appropriateness of an **applicant** for **AIM** (or an **AIM company** when appointed **nominated adviser** to an existing **AIM company**) and for advising and guiding an **AIM company** on its responsibilities under the **AIM Rules for Companies**.

The **AIM Rules for Companies** state that a **nominated adviser** must be approved by the **Exchange** as a **nominated adviser** and included on the current **register** maintained by the **Exchange**. A copy of this **register** is available for public inspection on the **Exchange's** website: www.londonstockexchange.com, although the definitive copy is kept by the **Exchange**.

These **AIM Rules for Nominated Advisers** ("these rules") set out the eligibility, ongoing obligations and disciplinary procedures in relation to **nominated advisers**.

These rules should be read in conjunction with the **AIM Rules for Companies** and the **AIM Disciplinary Procedures and Appeals Handbook**, in each case as published by the **Exchange** from time to time.

Terms in used bold in these rules have the meanings set out in the **AIM Rules for Companies**, save as otherwise set out in the Glossary at the end of these rules.

Part One

Nominated adviser eligibility criteria and approval process

Criteria for becoming a nominated adviser

1. General

The **Criteria** set out in rule 2 below (“Criteria”) are the minimum requirements that an applicant must satisfy before the **Exchange** will consider approving it as a **nominated adviser**. These **Criteria** are in addition to any legal or regulatory authorisation required by an applicant in any jurisdiction in which it operates. The **Exchange** is able to exercise discretion as to the application and interpretation of the **Criteria**, as it thinks fit.

An applicant will not necessarily be approved even if it satisfies the **Criteria**. When deciding whether or not an applicant should be approved as a **nominated adviser** the **Exchange's** overriding consideration will be the preservation of the reputation and integrity of **AIM** (including the regulatory obligations of the **Exchange** as a Recognised Investment Exchange under the **FSMA Recognition Requirements**). Accordingly, the **Exchange** reserves the right to decline an application notwithstanding that an applicant otherwise satisfies the **Criteria** or to approve an application for **nominated adviser** status but subject to any conditions which the **Exchange may choose to impose**.

2. The Criteria

An applicant seeking approval as a **nominated adviser** must:

- be a firm or company (individuals are not eligible);
- have practised corporate finance as its only or principal business for at least two years;
- have acted on three **Relevant Transactions** during that two-year period; and
- employ at least four **Qualified Executives**.

The **Exchange** may, at its sole discretion, waive the requirement for a two-year track record or for three **Relevant Transactions** where the **Exchange** determines that the applicant has highly experienced **Qualified Executives** (for example where substantially the entire team of **Qualified Executives** transfers from an existing **nominated adviser**).

3. Overriding principle of the preservation of the reputation and integrity of AIM

As stated above, in addition to the **Criteria**, the **Exchange** will consider whether the approval of an applicant or a **Qualified Executive** might endanger the reputation or integrity of AIM and reserves the right to reject an applicant on these grounds even if an applicant otherwise meets the **Criteria**.

In considering whether an applicant might endanger the reputation and integrity of AIM, the **Exchange** will examine matters including:

- whether the applicant is appropriately authorised and regulated and the applicant's standing with its regulators;
- the applicant's general reputation;
- whether the applicant or its executives have been the subject of disciplinary action by any legal, financial or regulatory authority or whether the applicant is facing such disciplinary action; and

- insofar as relevant, the commercial and regulatory performance of its clients to whom it has given corporate finance advice.

4. Qualified Executives

A **Qualified Executive** is:

- a full-time employee of an applicant (or **nominated adviser** in relation to continuing eligibility);
- someone who has acted in a corporate finance advisory role, which may include the regulation of corporate finance, for at least the last three years; and
- has acted in the principal corporate finance role on least three **Relevant Transactions** in that three-year period.

An individual will not be considered for approval as or regarded as a **Qualified Executive** by the **Exchange**, however, where that employee has been subject to disciplinary action or similar by a regulator or law enforcement agency in the context of financial services, corporate finance or similar or has any unspent convictions in relation to indictable offences.

As part of the **Qualified Executive** approval process, the **Exchange** reserves the right to conduct interviews in order to assess the competence and suitability of the individual (see below). If, as a result of any interview which it conducts, the **Exchange** considers that the individual has an inadequate understanding of corporate finance, market practice, the legal or regulatory framework for corporate finance or these rules and the **AIM Rules for Companies** it will not approve the individual as a **Qualified Executive**. Accordingly, the **Exchange** reserves the right to decline an application for **Qualified Executive** status notwithstanding that an individual otherwise meets the requirements set out in this rule.

5. Relevant Transactions

A **Relevant Transaction** is:

- a transaction requiring a **Prospectus** or equivalent in any EEA country; or
- acting for the offeror on the take-over of a public company within an EEA country which requires the publication of an offer document;
in each case in respect of shares quoted on a regulated market (as defined by European Directive No 2004/39/EEC, as amended from time to time) or AIM; or
- in the case of a **Qualified Executive** (or in relation to continuing eligibility a **nominated adviser**) a transaction requiring the publication of an **admission document** where he or she has been employed by the acting **nominated adviser**.

The **Exchange** will at its discretion consider (i) similar initial public offerings or other major corporate transactions for publicly quoted companies on major stock exchanges (including mergers and acquisitions requiring publication of a public document) whether within an EEA country or elsewhere in the world, and (ii) where it has acted as lead financial adviser on one of the above transactions but not, for example, sponsor or **nominated adviser**, in each case taking into account whether the activities conducted by the applicant in relation to such transaction(s) are similar to those set out in Schedule Three to these rules.

An applicant must be able to demonstrate a sound understanding of the UK corporate finance market, and **AIM** in particular.

The **Exchange** will have absolute discretion as to whether a transaction is a **Relevant Transaction**.

The **Exchange** will generally not consider a transaction as a **Relevant Transaction** unless that applicant or employee (or **nominated adviser** in relation to continuing eligibility), as applicable, acted as principal or lead corporate financial adviser and was named prominently and unequivocally as such in the public documentation pertaining to that transaction. Copies of this public documentation must be included with the application to become a **nominated adviser**.

Process for becoming a nominated adviser

6. Application forms and documentation

An applicant seeking approval as a **nominated adviser** must complete and submit to the **Exchange** the following (all of which are available via www.londonstockexchange.com/aim):

- Form NA1;
- Form NA2 in respect of each proposed **Qualified Executive** (a minimum of 4 will therefore be required);
- all supporting documentation requested within the above Forms (and in particular at the beginning of Form NA1); and
- a cheque made payable to London Stock Exchange plc in respect of the application fee payable (the current fee is set out in the publication entitled 'AIM Fees for Companies and Nominated Advisers')

The **Exchange** reserves the right to request any other information, documentation or confirmations from the applicant or other persons (including persons with whom the applicant has acted, if the applicant is seeking to rely on such transactions) as it might require in order to consider or progress an application.

Upon receipt of the above information the **Exchange** will inform the applicant of the likely time period required by the **Exchange** to process and consider the application. It should not be assumed by an applicant that a decision as to whether it will be approved as a **nominated adviser** will be obtained within a specific time period or to meet an applicant's transaction timetable.

7. Application fees

As stated above, at the same time that any application form is submitted, the applicant must submit the requisite fee to the **Exchange** in order for its application to be processed.

This fee is non-refundable whether or not the applicant is subsequently approved as a **nominated adviser** except in the circumstances in which an application is withdrawn prior to gazetting (see below) where half the application fee will be refunded.

The application fee is in addition to the annual fee which is payable upon approval as a **nominated adviser**, and subsequently at the rates set out in and in accordance with the 'AIM Fees for Companies and Nominated Advisers' as published by the **Exchange** from time to time.

8. Interview

The **Exchange** may conduct interviews of some or all of the proposed **Qualified Executives** put forward by an applicant to ensure that they have sufficient understanding of corporate finance, market practice and the legal or regulatory framework for corporate finance (including these rules and the **AIM Rules for Companies**) and legal framework for the applicant to be approved as a **nominated adviser**. Such interviews will be conducted either at the **Exchange** or at the applicant's premises. Costs incurred by the **Exchange** (for example accommodation and travel) in visiting the applicant's premises will be at the applicant's expense.

9. Gazetting

At least fourteen days before the **Exchange** determines whether to approve an applicant, it will **notify** the applicant's name, those of its proposed **Qualified Executives**, and the **Relevant Transactions** cited in its application together with any other information the **Exchange** thinks necessary in order to give public notice of the application, to invite comment from market participants.

In addition, where an applicant operates mainly outside the United Kingdom, at least fourteen days before it makes its decision, the **Exchange** may issue a newspaper advertisement in a leading domestic financial newspaper(s) in the jurisdiction in which the applicant is registered or in which it operates stating the same information and inviting any objections.

The **Exchange** will take into account any objections which it receives as a result of the above gazetting process when considering whether to approve the application.

Where an application does not proceed to the gazetting stage, the **Exchange** will refund half of the application fee.

10. Appeals

An applicant will be informed privately, in writing (including by email), of the decision of the **Exchange** concerning whether to approve it or not as a **nominated adviser**.

If an applicant is approved, the **Exchange** will include with its written decision a list of the **nominated adviser's** employees which it has accepted as **Qualified Executives**.

Any such decision of the **Exchange** may be appealed publicly by an applicant (but not an individual) to an appeals body in accordance with the latest published version of the **Exchange's** 'AIM Disciplinary Procedures and Appeals Handbook'.

Continuing eligibility for nominated advisers

11. Continuing eligibility

A **nominated adviser** and a **Qualified Executive** of a **nominated adviser**, once approved, must satisfy the requirements of rules 2 – 4 inclusive on a continuing basis at all times as if it/he/she were a new applicant.

A **nominated adviser** must regularly consider whether it and its **Qualified Executives** continue to meet the requirements of rules 2 – 4 inclusive. If at any time, a **nominated adviser** believes it or a **Qualified Executive(s)** might not satisfy these requirements, it must inform AIM Regulation at the **Exchange** forthwith.

The **Exchange** may at any time request any information from a **nominated adviser** and/or a **Qualified Executive** it requires, including submission of all or any of the forms and documentation set out at Rule 6, in order for it to consider and determine whether a **nominated adviser** is still eligible.

The **Exchange** may conduct interviews (see rule 8) and/or tests of the **nominated adviser** and its **Qualified Executives** in order to ensure that it has maintained an understanding of corporate finance and these rules and the **AIM Rules for Companies**.

12. Departing or new Qualified Executives

If a **Qualified Executive** leaves the full-time employ of a **nominated adviser** for whom it was a **Qualified Executive**, the **nominated adviser** must inform the **Exchange** by submission of a Form NA3.

On leaving the full-time employ of a **nominated adviser**, a person who was a **Qualified Executive** will no longer be a **Qualified Executive** under these rules. However, if he/she joins another **nominated adviser**, that firm can submit a Form NA2 to apply for approval of that person

as a **Qualified Executive** of that **nominated adviser**. The **Exchange** may, at its discretion, waive the requirement to submit a Form NA2 on submission by a person who was (until very recently) previously approved as a **Qualified Executive**.

A **nominated adviser** can submit at any time a Form NA2 in respect of any employee who it proposes be approved as a **Qualified Executive**.

13. Payment of annual fees and notification requirements

In order to remain eligible, a **nominated adviser** must pay the annual fees as set by the **Exchange** from time to time in respect of each year it wishes its name to remain on the register of approved **nominated advisers**. It must make such payments within the time limits imposed by the **Exchange**.

A **nominated adviser** should inform the Exchange (by email to aimregulation@londonstockexchange.com) as soon as possible of any matters that may affect it being a **nominated adviser** including:

- changes to its name; controlling shareholders or partners; its address or places of business or operation,
- whether it receives any warning or disciplinary communication from any other regulatory body, or
- any material adverse change in its financial or operating position, including where it is considering appointing administrators or similar.

Part Two

Continuing Obligations of a Nominated Adviser

General obligations

14. Appropriateness of an AIM company

The **nominated adviser** is solely responsible to the **Exchange** for assessing the appropriateness of an applicant for AIM (or an **AIM company** when appointed **nominated adviser** to an existing **AIM company**).

Where a **nominated adviser** believes that an **AIM company** for which it acts as **nominated adviser** is no longer appropriate for AIM it must contact AIM Regulation.

15. Compliance with the rules

A **nominated adviser** shall be bound by and observe:

- these **AIM Rules for nominated advisors** and the **AIM Rules for Companies** (as amended from time to time);
- any rules and procedures set out in any supplementary documentation issued by the Exchange under these rules;
- the provisions of any notices issued by the Exchange; and
- any requirement, decision or direction of the Exchange

Each **nominated adviser** should nominate a person within its firm to act as the **Exchange's** principal contact on compliance matters. That person should be a senior person within the firm's compliance team or, if it does not have a dedicated compliance team, within its corporate finance team.

16. Due skill and care

A **nominated adviser** must act with due skill and care at all times.

In determining whether a **nominated adviser** has acted with due skill and care the **Exchange** will assess the conduct or judgement of the **nominated adviser** against the obligations set out in these rules, the requirements of the **AIM Rules for Companies** and general market practice and opinion.

Nominated adviser responsibilities

17. Advising and guiding an AIM company

The **nominated adviser** is responsible to the **Exchange** for advising and guiding an **AIM company** on its obligations under the **AIM Rules for Companies** both in respect of its **admission** and its continuing obligations on an ongoing basis. A **nominated adviser** must be available to advise and guide **AIM companies** for which it acts at all times.

A **nominated adviser** must allocate at least two **Qualified Executives** to be responsible for each **AIM company** for which the **nominated adviser** acts in that capacity.

18. Nominated adviser responsibilities

In deciding whether a **nominated adviser** has complied with these rules and the undertakings it has provided to the **Exchange** in any **nominated adviser declaration**, the **Exchange** will have regard to the **nominated adviser** responsibilities set out in Schedule Three, which should be exercised with due skill and care and after due and careful enquiry, as applicable. These represent the minimum requirements of the **Exchange** in relation to the responsibilities of a

nominated adviser. The lists are not exhaustive in relation to the responsibilities or actions that might be required of a **nominated adviser** in order to meet its obligations under these rules.

For the avoidance of doubt, where a **nominated adviser** concludes that a matter set out in Schedule Three is not required in a particular situation, it should ensure that proper records are kept of such decision in accordance with rule 25.

Information obligations

19. Liaison with the Exchange

A **nominated adviser** must provide the **Exchange** with any information, in such form and within such time limits as the **Exchange** may reasonably require. A **nominated adviser** should reasonably satisfy itself that all such information provided by it is correct, complete and not misleading and, if it comes to the subsequent attention of the **nominated adviser** that the information provided does not meet this requirement, the **nominated adviser** should advise the **Exchange** as soon as practicable.

A **nominated adviser** must liaise (and be available to liaise) with the **Exchange** when requested to do so by the **Exchange** or an **AIM company** for which it acts and should be contactable at all reasonable times, in particular during the **Exchange's** market hours.

A **nominated adviser** must, at the earliest opportunity, seek the advice of the **Exchange** (via the AIM Regulation team) in any situation where it is unsure as to the application or interpretation of these rules or the **AIM Rules for Companies** or it has a concern about the reputation or integrity of **AIM**. It should be noted that on detailed or specific regulatory matters the **Exchange** will not liaise with **nominated advisers** (or **AIM companies** or other advisers) on a 'no-names' basis.

A **nominated adviser** should advise the **Exchange** if it becomes aware that it or an **AIM company** has or may have breached the **AIM Rules for Companies** or these rules.

All communications between the **Exchange** and a **nominated adviser** are confidential to the **Exchange** and should not be disclosed, save to appropriate advisers to the **nominated adviser** or as required by any other regulatory body or agency.

20. Becoming or ceasing to be nominated adviser to an AIM company

A **nominated adviser** must submit to the **Exchange** a completed **nominated adviser declaration** in relation to any **applicant** seeking **admission** (in accordance with the **AIM Rules for Companies**) or where that **nominated adviser** becomes **nominated adviser** to an existing **AIM company**.

Where a **nominated adviser** ceases to act for an **AIM company**, it must inform the **Exchange** (by email to aimregulation@londonstockexchange.com) and must include with that notification the reason why it has ceased to act.

Independence and conflicts

21. Independence on a continuing basis

A **nominated adviser** must be able to demonstrate that both it and its executives are independent from the **AIM companies** for which it acts such that there is no reasonable basis for impugning its independence.

Where the **Exchange** requires a **nominated adviser** to demonstrate clearly that neither its independence nor that of any of its executives has or will be compromised by any potential conflict of interest, the burden of proof will be upon the **nominated adviser**.

In cases of doubt about its independence a **nominated adviser** should consult the **Exchange** in advance of entering into any arrangements.

Schedule One sets out further rules in relation to the independence of a **nominated adviser**.

22. Conflicts of Interest

A **nominated adviser** must not have and must take care to avoid the semblance of a conflict between the interests of the **AIM companies** for which it acts and those of any other party.

In particular, a **nominated adviser** must not act for any other party to a transaction or take-over other than its **AIM company** client.

Procedures, staff and records

23. Proper procedures

A **nominated adviser** must ensure that it maintains procedures which are sufficient for it to discharge its ongoing obligations under these rules. The **nominated adviser** should ensure that its compliance and procedures manual (or similar) reflect and take account of the requirements of these rules, where appropriate.

In particular, it must ensure that any members of staff who are not approved as **Qualified Executives** are properly supervised by a **Qualified Executive** at all appropriate times in relation to AIM matters.

24. Adequacy of Staff

A **nominated adviser** must ensure that it has sufficient **Qualified Executives** and other corporate finance staff) to discharge its obligations as a **nominated adviser** under these rules at all times. In assessing whether it has sufficient staff, a **nominated adviser** must have regard to the number and type of **AIM companies** for which it acts.

25. Maintenance of appropriate records

A **nominated adviser** must retain sufficient records to maintain an audit trail of the key discussions it holds with, advice which it has given to, and the key decisions it has made in respect of, the **AIM companies** for which it acts as **nominated adviser**. A **nominated adviser** should ensure that it is able (including keeping appropriate records) to demonstrate the basis for advice given and key decisions taken, such as internal considerations and any actions taken prior to the advice being given. Such records must be retained for at least three years.

When performing a formal review of a **nominated adviser**, the **Exchange** will look for clear evidence that at least the matters set out in Schedule Three have been considered and, where applicable, appropriate actions taken in order to ensure compliance with these rules and the **AIM Rules for Companies**. For the avoidance of doubt, should a **nominated adviser** conclude that a particular action is not required, the **Exchange** would expect to see clear evidence of such a conclusion and the reason for it.

Part Three

Review and Discipline of a Nominated Adviser

26. Review of nominated advisers

A **nominated adviser** may be subject to a formal review by the **Exchange** to ensure that it has fully discharged its responsibilities under these rules. A **nominated adviser** must ensure that its **Qualified Executives** co-operate fully with the **Exchange** and that the **Qualified Executive** who was responsible for a transaction is available to answer any questions by the **Exchange** about any relevant matter.

A **nominated adviser** must allow **Exchange** officers access to its records (hard and electronic copies) and business premises when so requested by the **Exchange**.

27. Removal of qualified executives

The **Exchange** may remove the **Qualified Executive** status of an employee of a **nominated adviser** where that employee is subject to bankruptcy, disciplinary action by another regulator, mentally incapacitated or has been shown by a formal review of the **nominated adviser** by the **Exchange** to have failed to act with due skill and care or in accordance with these rules or the **AIM Rules for Companies** in relation to his/her employer's role as a **nominated adviser**.

28. Appeals against the removal of qualified executives

Either a **nominated adviser** or a **Qualified Executive** may appeal against a decision to disqualify that executive in accordance with the procedures set out in the latest published version of AIM Disciplinary Procedures and Appeals Handbook.

29. Disciplinary action against a nominated adviser

If the **Exchange** considers that a **nominated adviser** is either in breach of its responsibilities under these rules or the **AIM Rules for Companies** or that the integrity and reputation of AIM has been and / or may be impaired as a result of its conduct or judgment, the **Exchange** may:

- issue a **warning notice**;
- levy a fine;
- issue a censure;
- remove the **nominated adviser** from the register; and / or
- publish the action it has taken and the reasons for that action,

in accordance with the procedures set out in the AIM Disciplinary Procedures and Appeals Handbook.

30. Moratorium on acting for further AIM companies

Where, in the opinion of the **Exchange** a **nominated adviser** no longer meets the requirements of Part One of these rules, it is not meeting its responsibilities under these rules, has insufficient staff pursuant to rule 24 or is the subject of disciplinary action by the **Exchange**, the **Exchange** may prevent that **nominated adviser** from acting as a **nominated adviser** for any additional **AIM companies** until that situation is resolved to the **Exchange's** satisfaction.

The **Exchange** may make the imposition of any moratorium public by way of a notification via **RNS** or marking the **register** accordingly.

31. Appeals by nominated advisers

Where the **Exchange** takes any steps against a **nominated adviser** pursuant to these rules, any decision of the **Exchange** in relation to these rules or the **AIM Rules for Companies** in respect of a **nominated adviser** may be appealed by that **nominated adviser** in accordance with the procedures set out in the latest published version of the AIM Disciplinary Procedures and Appeals Handbook.

Glossary

AIM Rules for Companies	The AIM Rules for Companies, as published by the Exchange from time to time.
Criteria	The criteria set out in rule 2.
FSMA Recognition Requirements	Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001 and the FSA Handbook implementing these regulations.
nominated adviser's declaration	As defined in the AIM Rules for Companies and in the form of which is set out in Schedule Two.
Relevant Transaction	As defined in rule 5.
these rules	the AIM Rules for Nominated Advisers.
Qualified Executive	As defined in rule 4.

Schedules

Schedule One - Independence in relation to rule 21

For the avoidance of doubt:

- A **nominated adviser** may not act as both reporting accountant and/or auditor on the one hand and **nominated adviser** to an **AIM company** on the other unless it has satisfied the **Exchange** that appropriate safeguards are in place.
- No partner, director, employee of a **nominated adviser** or associate of any such partner, director or employee may hold the position of a director of an **AIM company** for which the firm acts as **nominated adviser**;
- No **nominated adviser** or partner, director, employee of a **nominated adviser** or associate of any such partner, director or employee either individually or collectively may be a substantial shareholder (i.e. 10% or more, taking into account options, warrants or similar that it may hold as if they have been exercised) of an **AIM company** for which the firm acts as **nominated adviser**;
- A **nominated adviser** or partner, director, employee of a **nominated adviser** or associate of any such partner, director or employee may be a significant shareholder (i.e. 3% or more, taking into account options, warrants or similar that it may hold as if they have been exercised) (but not a substantial shareholder) of an **AIM company** for which the firm acts as **nominated adviser** provided adequate safeguards are in place to prevent any conflict of interest;
- No partner, director, employee of a **nominated adviser** or associate of any such partner, director or employee may deal in the securities of an **AIM company** or any related financial product for which the firm acts as **nominated adviser** during any **close period** of that company;
- When calculating an interest in a client company a **nominated adviser** is permitted to disregard any interest in shares pursuant to Section 209 Companies Act 1985 (as amended from time to time); and
- If a **nominated adviser** breaches any of the above limits as a result of its underwriting activities it must make best endeavours to sell down its holding to within the guidelines as soon as reasonably practicable.

Note: As guidance bullet points 3 – 5 inclusive above will only apply to the corporate finance function of a **nominated adviser** firm and not to other areas adequately separated by chinese walls or similar safeguards. In such situations the burden of proof required of the **nominated adviser** under rule 21 remains.

Schedule Two - Nominated adviser's declaration

SECTION A:

This **nominated adviser** confirms that, to the best of its knowledge and belief having made due and careful enquiry and considered all relevant matters in relation to this application for admission, all applicable requirements of the **AIM Rules for Companies** and **AIM Rules for Nominated Advisers** have been complied with and (i) the admission document complies with Schedule Two of the current **AIM Rules for Companies**, or (ii) (in the case of a quoted applicant only) the requirements of Schedule One and its supplement have been complied with.

SECTION B:

- (a) this **nominated adviser** is satisfied that the **applicant** and its securities are appropriate to be admitted to AIM, having made due and careful enquiry and considered all relevant matters, including those set out in the **AIM Rules for Nominated Advisers**;
- (b) the directors of the **applicant** have received advice and guidance (from this **nominated adviser** and other appropriate professional advisers) as to the **applicant's** responsibilities and obligations under the **AIM Rules for Companies** and the Rules of the London Stock Exchange, in order to ensure due compliance by the applicant on an ongoing basis; and
- (c) this **nominated adviser** will comply with the **AIM Rules for Companies** and **AIM Rules for Nominated Advisers** applicable to it in its role as **nominated adviser** to this applicant.

NOTE:

Sections A and B must be completed where securities are being admitted to AIM pursuant to an AIM admission document.

Only Section B must be completed where this form is being completed pursuant to a change of **nominated adviser** and Section A will not be applicable.

Terms used in this **nominated adviser declaration** are as defined in the **AIM Rules for Companies**.

Schedule Three - Nominated Adviser Responsibilities

Admission Responsibilities

These apply to a **nominated adviser** that is acting for an **applicant** (including in relation to a reverse takeover coming with rule 14 of the **AIM Rules for Companies**) in respect of its **admission to AIM**.

AR1 – THE APPLICANT AND ITS SECURITIES

In assessing the appropriateness of an applicant and its securities for AIM, a nominated adviser should achieve a sound understanding of the applicant and its business

In meeting this, the **nominated adviser** should usually:

- ensure it has, or has appropriate access to, appropriate experience in the **applicant's** sector, using in-house specialists or external experts where necessary
- consider the **applicant's** sector, proposition, business plan or similar, historical financial information and other corporate information, including the due diligence performed further to AR3
- consider any issues relating to its country of incorporation and operation and should consider any other issues that might affect its appropriateness
- undertake a visit of the **applicant's** material site(s) of operation and meet the **directors** and key managers. The necessity of meeting any other relevant material stakeholders (e.g. key shareholders) should also be considered
- consider appointing its own legal advisers who are independent from the **applicant** to assist in the **nominated adviser's** understanding of the **applicant** and to provide advice to the **nominated adviser** that is independent of the **applicant**
- consider and advise on the suitability and competence of other professional advisers, including consultants

AR2 – DIRECTORS AND BOARD

In assessing the appropriateness of an applicant and its securities for AIM, a nominated adviser should (i) investigate and consider the suitability of each director and proposed director of the applicant; and (ii) consider the efficacy of the board as a whole for the company's needs

In meeting this, the **nominated adviser** should usually:

- issue and review **directors'** questionnaires and review **directors'** CVs
- test the information revealed by the above questionnaires and CVs, for example by conducting third party checks, press searches, Companies House checks and taking-up references. For **directors** who are not UK-based, other appropriate investigations should be undertaken
- extend these investigations and considerations as appropriate to key managers and consultants who are disclosed in the **admission document**
- consider undertaking such investigations in relation to **substantial shareholders** at **admission** as appropriate, especially where there is uncertainty as to their identity or where they are not established institutions, in particular to ascertain the existence of shadow or de facto **directors**
- analyse any issues arising from these investigations, in particular as to how they could affect the **applicant's** appropriateness to be admitted to **AIM** and be publicly traded
- consider each **director's** suitability and experience in relation to their (proposed) company role

- consider the board of **directors** as a whole in relation to the **applicant's** needs, for example given its type, size, expected profile and that the **applicant** will be admitted to a UK-based, English-language public market
- consider, with the **directors** of an **applicant**, the adoption of appropriate corporate governance measures

AR3 – DUE DILIGENCE

The nominated adviser to an applicant should oversee the due diligence process, satisfying itself that it is appropriate to the applicant and transaction and that any material issues arising are dealt with or otherwise do not affect the appropriateness of the applicant for AIM

In meeting this, the **nominated adviser** should usually:

- be satisfied that appropriate financial and legal due diligence is undertaken by an appropriate professional firm
- be satisfied that appropriate working capital and financial reporting systems and controls reviews are undertaken (usually including reports and statements by accountants to the **applicant**)
- consider whether commercial, specialist (e.g. intellectual property) and/or technical due diligence is required and be satisfied that it is undertaken where required
- agree the scope and basis of all such due diligence and reports (including, in relation to the working capital report, assumptions and sensitivities)
- review and consider the due diligence and reports including any material issues arising, recommended actions or adverse analysis and be satisfied that appropriate actions have been undertaken to be satisfied that all material issues are dealt with or otherwise do not affect the appropriateness of the **applicant** for **AIM**

AR4 – ADMISSION DOCUMENT

The nominated adviser to an applicant should oversee and be actively involved in the preparation of the admission document, satisfying itself that it has been prepared in compliance with the AIM Rules and that the statements and information included in it have been made after due and careful enquiry.

In meeting this, the **nominated adviser** should usually:

- lead the drafting of the sections of the **admission document** that relate to the business of the **applicant** (usually the Key Information and Part 1 sections) and the risk factors, being satisfied that they take account of matters raised by due diligence
- be satisfied that the financial and additional information sections have been appropriately prepared
- consider whether any specialist third party reports are required (e.g. for companies in particular sectors such as property or biotechnology)
- be satisfied that appropriate verification of the **admission document** and any related notifications has taken place
- be satisfied that the **admission document** complies with the **AIM Rules for Companies**, liaising with AIM Regulation to the extent that rule derogations or interpretations may be required

AR5 – AIM RULE COMPLIANCE

The nominated adviser should satisfy itself that the applicant has in place sufficient systems, procedures and controls in order to comply with the AIM Rules and should satisfy itself that the applicant and its directors understand their obligations under the AIM Rules

In meeting this, the **nominated adviser** should usually:

- be satisfied that procedures within the company have been established to facilitate compliance with the **AIM Rules for Companies**, e.g. release of **unpublished price sensitive information**, Rule 17 notifications, regulation of close periods
- be satisfied that the **directors** have been fully advised of their and the company's continuing responsibilities and obligations under the **AIM Rules for Companies** and that the **directors** are aware of when they should be consulting with or seeking the advice of the **nominated adviser**. The **nominated adviser** should be involved in the provision of this advice to the **directors** so that they are aware of the practical consequences of the rule requirements

Note in relation to quoted applicants:

Where the **applicant** is a **quoted applicant**, the **Exchange** would expect the **nominated adviser** to be undertaking those responsibilities set out above, as the **nominated adviser** reasonably thinks appropriate.

For the avoidance of doubt, in relation to AR4, although an **admission document** is not required and therefore the detailed provisions of AR4 are not applicable, Schedule One(k) of the **AIM Rules for Companies** will necessitate a full consideration of the requirements of Schedule Two of the **AIM Rules for Companies** and the statements required in the supplement to Schedule One of the **AIM Rules for Companies** will need to be given after due and careful enquiry which will require the undertaking of some of the actions set of in AR4.

Ongoing Responsibilities

These apply on a continuing basis in respect of any **nominated adviser** who acts for an **AIM company**.

OR1 – REGULAR CONTACT BETWEEN COMPANY AND NOMAD

The nominated adviser should maintain regular contact with an AIM company for which it acts, in particular so that it can assess whether (i) the AIM company continues to understand its obligations under the AIM Rules and (ii) the nominated adviser is being kept up-to-date with developments at the AIM company

In meeting this, the **nominated adviser** should usually:

- maintain regular contact with the **AIM company**, in particular to be satisfied that the **nominated adviser** is kept up-to-date in order that it can advise the company on its **AIM Rules for Companies** obligations (especially the requirements of Rule 11 and to pick-up **AIM Rules for Companies** breaches (e.g. Rule 17 disclosures))
- assess whether the **AIM company** continues to understand its obligations under the **AIM Rules for Companies**, for example by having discussions with the **directors** where appropriate and be satisfied that any procedures required pursuant to AR5 continue to be effective

OR2 – REVIEW OF NOTIFICATIONS

The nominated adviser should undertake a prior review of relevant notifications made by an AIM company to with a view to ensuring AIM Rule compliance

In meeting this, the **nominated adviser** should usually:

- review in advance (although without prejudice to the requirement of Rule 10 to release information without delay) all notifications to be made by an **AIM company** to ensure compliance with the **AIM Rules for Companies**. Where the **nominated adviser** reasonably believes a company's **directors** have appropriate **AIM Rules for Companies** knowledge and experience, review of routine announcements may not be necessary.
- ensure that the **nominated adviser's** name and a contact name are included on all such announcements that a **nominated adviser** reviews (other than routine announcements, e.g. pursuant to Rule 17)

OR3 – MONITOR TRADING

The nominated adviser should monitor (or have in place procedures with third parties for monitoring) the trading activity in securities of an AIM company for which it acts, especially when there is unpublished price sensitive information in relation to the AIM company

In meeting this, the **nominated adviser** should usually:

- use suitable alerts or other triggers to alert the **nominated adviser** to substantial price or trading movements. This can be satisfied via the **broker**
- contact an **AIM company** where appropriate if there is a substantial movement to ascertain whether an announcement or other action is required
- consider the necessity for arranging relevant press monitoring, particularly when there is material unpublished price-sensitive information in existence

OR4 – ADVISE THE AIM COMPANY ON ANY CHANGES TO THE BOARD OF DIRECTORS

The nominated adviser should advise the AIM company on any changes to the board of directors the AIM company proposes to make, including (i) investigating and considering the suitability of proposed new directors and (ii) considering the effect any changes have on the efficacy of the board as a whole for the company's needs

In satisfying this, the **Exchange** would expect the **nominated adviser** usually to:

- be satisfied that the **AIM company** knows to liaise with the **nominated adviser** at the earliest opportunity about proposed changes to the board, in order to allow the **nominated adviser** appropriate time to comply with this OR4
- in relation to new **directors**, take the appropriate actions of those that are set out at AR2 including issue and review of **director's** questionnaires, review the **director's** CV and testing such information
- in relation to the removal of **directors**, consider how this affects the efficacy of the board as a whole for the company's need, make any recommendations it thinks fit to the **AIM company** and whether this in turn affects the **AIM company's** appropriateness for **AIM** and whether there is a need to liaise with the **Exchange**

Engagement Responsibilities

These apply when a **nominated adviser** is being engaged as a **nominated adviser** to an existing **AIM company**.

ER1 - THE APPLICANT AND ITS SECURITIES

In assessing the appropriateness of an AIM company and its securities for AIM when taking on an existing AIM company, a nominated adviser should achieve a sound understanding of the applicant and its business

In satisfying this, the **nominated adviser** should usually:

- take appropriate actions under AR1
- gain a knowledge of any recent major developments relating to the company since admission and consider their effects on the appropriateness of the **applicant**
- consider contacting the outgoing **nominated adviser** to discuss their experiences with the **AIM company**. An outgoing **nominated adviser** should be constructive and open with a new **nominated adviser** who contacts them for such opinion.

ER2 – DIRECTORS AND BOARD

In assessing the appropriateness of an existing AIM company and its securities for AIM, a nominated adviser should (i) investigate and consider the suitability of each director and proposed director of the applicant and (ii) consider the efficacy of the board as a whole for the company's needs

In making this assessment the **nominated adviser** should undertake the actions considered appropriate under AR2.

ER3 – AIM RULE COMPLIANCE

The nominated adviser should satisfy itself that the AIM company has in place sufficient systems, procedures and controls in order to comply with the AIM Rules and should satisfy itself that the AIM company and its directors understand their obligations under the AIM Rules

A **nominated adviser** should usually take appropriate actions under AR5.

General

In this Schedule Three:

Where a **nominated adviser** is expected to “satisfy” itself of a particular matter, this is expected to be after due and careful enquiry and exercising due skill and care and it should keep a record of how it has done this.

A **nominated adviser** should seek advice and assistance from other professional advisers where appropriate in fulfilling these responsibilities but should retain overall management and responsibility for any admission process in relation to **AIM companies** for which it acts.