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STOCK
EXCHANGE

AIM

Discussion Paper Feedback Statement

Shaping the Future of AIM

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AIM Discussion Paper - Feedback Statement

On 7th April 2025, we published a [Discussion Paper – Shaping the Future of AIM](#), to seek broad feedback from across the AIM community to shape the future development of AIM. The process has stimulated engagement across the market on the role, strengths and weaknesses of AIM and the external factors facing the market which we have reflected on in this Feedback Statement.

The overriding theme from the market responses was the strength of feeling and support for AIM, a market uniquely positioned between the private markets and the Main Market. Despite the headwinds of recent years, respondents highlighted the unique and vital social and economic function AIM performs and the future opportunity for AIM to support the next generation of growth companies.

A significant number of respondents also highlighted the fact that AIM has endured throughout business cycles, and its non-prescriptive regulatory structure has enabled it to seamlessly adapt to support emerging sectors and technologies without the need to regularly re-write or create additional rules. This flexibility has had significant benefits, enabling AIM to evolve where other growth markets globally have either failed or been replaced. Respondents highlighted an often-overlooked strength of AIM – as the testbed for regulatory and capital markets product development - much of which has now been extended across the London markets more broadly.

With these themes in mind, we are confident about the future of AIM, the important role it plays and the need to maintain a distinct public growth market ideally positioned between the Private Securities Market and the Main Market. Evolving and strengthening AIM is a critical part of the UK's regulatory reform agenda: enhancing the competitiveness of the UK capital markets and attracting more listings. The London Stock Exchange actively engages with policymakers, including the Financial Conduct Authority, the Financial Reporting Council and HM Treasury, to advocate for these changes.

We will build on the existing strengths of AIM, being clear about its role, its purpose and the potential risks and rewards associated with often earlier stage companies. We recognise that some of the changes required that are not within our direct control. However, we are committed to making the changes we can control quickly, in order to deliver immediate real-world benefits to companies and investors. We will do this by facilitating quicker and more efficient M&A activity, encouraging a founder friendly environment, supporting companies to attract talent through competitive remuneration and enabling retail investors greater access to fundraising transactions. We believe that these changes will support the dynamic, innovative and growing companies on AIM, that play such an important role in the economy and help them achieve their full potential.

We have set out in this Feedback Statement our plans for the future development of AIM and look forward to working with the AIM community, regulators and government as we embark on the next chapter of AIM's evolution.

1. Repositioning AIM for the future

Respondents supported the AIM model but noted the importance of repositioning AIM to clearly distinguish it from the Main Market.

Purpose of AIM

Respondents reaffirmed AIM's purpose to be a market that supports:

- **Access to capital for growth**, to enable companies to scale and innovate
- **A diverse range of companies**, across sizes and sectors and jurisdictions, maintaining AIM's international reach
- **Businesses at different stages of development**, from early-stage ventures to more mature companies
- **Founder-led and entrepreneurial companies**
- **And is competitive with private equity**, offering a viable alternative allowing management teams to build sustainable businesses over the long term

Repositioning of Risk Appetite

To enable the effective recalibration of the regulation of AIM, respondents emphasised the importance of reaffirming the risk profile of AIM:

- Caveat emptor – the buyer beware model should be reiterated so that risk capital can drive growth
- AIM should be a market where investors understand and take responsibility for their risk appetite recognising the stage of development of the companies and the active, stock-picking nature of the market

Repositioning of the Nominated Adviser Role

Whilst respondents valued the nominated adviser role, it was noted that the regulatory and investor expectation of the role needs a reset:

- The nominated adviser role should focus primarily on corporate finance advice and act less as a compliance function
- Qualified Executive experience is critical
- Nominated advisers should have a greater role in determining Qualified Executive approvals

2. Convening government and regulators to support AIM's continued growth

Respondents recognised that certain structural changes are required for AIM that are not within the Exchange's powers. Many of these changes required are common across UK capital markets and the Exchange is actively engaging with government and regulators to address the issues raised by respondents to facilitate the necessary changes:

Engagement with government

We are engaging with government and will continue to do so on the key matters raised by respondents:

- Increased pension fund allocation – ensuring capital is deployed into AIM companies
- Certainty around fiscal incentives for AIM to reflect the risk capital nature of the market
- Recalibrating EIS/VCT thresholds to support access to capital as companies scale

Engagement with the Financial Conduct Authority¹

Further to our engagement with the FCA on the issues raised by respondent the FCA has noted to us the following (please refer to Part One for further details):

- In relation to liquidity risk management, the FCA has referred us to the fact that it has not made statements about the liquidity of specific stocks and that the reference in its 2019 Dear CEO letter to Alternative Fund Managers is not a reference to AIM companies in particular.
- Bulletin Board users' responsibilities under the Market Abuse Regime

¹ While we have sought FCA input on certain aspects, the FCA has not endorsed or approved this Feedback Statement discussion paper and it does not represent the FCA's position except where the FCA's comments made to the Exchange have been expressly referred to in this Feedback Statement

Engagement with the Financial Reporting Council

The Exchange has been engaging with the FRC in respect of respondents feedback on the costs of AIM company audits:

- The Exchange supports the FRC's initiatives to make audits for AIM companies proportionate
- The FRC has confirmed to us that the definition of PIE does not apply to most AIM companies (unless they are credit institutions or insurance companies)
- The FRC has also confirmed to us that they will be consulting with companies and their auditors to see whether there are definitional and scope changes, including in respect of the AQR framework, that will give different and better outcomes for AIM companies
- We shared respondents concerns in respect of proxy advisers. To provide transparency and empower companies, we will be considering how to provide a disclosure framework for AIM companies to voluntarily disclose engagement they have had with proxy advisers

3. Rule Changes

This Feedback Statement sets out comments and/or support received from respondents in response to the AIM Discussion Paper for certain changes to the AIM Rules for Companies and the AIM Rules for Nominated Advisers.

We set out below the rule changes that are supported by the majority of respondents. Noting the significant support we have received for these rule changes, pending redrafting of the rules to reflect these changes, we will consider derogation requests and, where necessary, make changes to current guidance as noted in the table below and in more detail in Part 3.

This approach will ensure an immediate benefit for AIM companies and their investors. Where there are rule changes that require further consideration, these will be consulted upon together with a new rule book in due course.

Support Founder-Led Businesses

- Recognise the particular needs of founder-led businesses and that investors often decide to invest based on the founder's track record/expertise
- Recognise the need for flexibility when considering control issues for founder-led business
- Dual Class Shares to enable greater protection and control for founders
- Related Party Transactions – to consider further the appropriate approach to directors' remuneration

Effective immediately

Dual class share structures meeting the current Main Market requirements (applying equivalency where appropriate) will be acceptable for prospective AIM companies

In respect of AIM Rule 13 - nominated advisers will not be required to provide a fair and reasonable view on directors' remuneration provided the nominated adviser is satisfied that there are reasonable protections in place (see Part 3 for details)

Supporting Acquisitions

- Changes to reverse takeover rules to recognise acquisitions as substantial transactions where there is no fundamental change of business
- Changes to the approach to automatic suspension upon notifying a reverse takeover in contemplation
- Changes to Class Tests to facilitate efficient M&A activity

Effective immediately

We will consider derogation requests:

- For an acquisition to be a substantial transaction (pursuant to AIM Rule 12), where there is no fundamental change of business (albeit a shareholder vote may be required)
- For alternative disclosure in the Admission Document instead of full Schedule Two requirements, where both parties to a reverse takeover are publicly traded companies
- Not to impose a suspension upon notification of a reverse takeover in contemplation, where it can be demonstrated that appropriate alternative disclosure can be made

Attracting International Companies

- AIM Designated Markets (ADM) route – reducing the friction for publicly traded companies seeking an AIM admission and considering the accepted jurisdictions to attract international companies

Effective immediately

We encourage nominated advisers who are working on any prospective ADM admissions to contact AIM Regulation for support in streamlining the work they undertake to ensure this provides a genuine fast-track route to market

Addressing Unnecessary Friction

- Admission Document changes: tailor the requirements to focus on the matters investors have highlighted as being most relevant to them
- Corporate Governance: recognising that 'a one size fits all' approach is not appropriate for AIM
- UK MAR should be the common standard across all our markets – to consider how this can be achieved whilst ensuring that the nominated adviser remains involved

Effective immediately

No Admission Document for a new class of securities

- We will consider derogation requests to dispense with the publication of an Admission Document

Historical Financial Information - we will consider derogation requests:

- To enable the use of UK GAAP (FRS 102)
- The incorporation by reference of such information

4. Future Direction

We want to continue AIM's pioneering spirit of the last 30 years and take this opportunity to continue to develop and enhance the operation of the market and experience of users of the market.

Marketing

Review AIM's online presence, bringing together the marketing of AIM by spotlighting success stories that highlight the advantages of AIM

Use digital capabilities to drive data to address the level of research available for retail investors

Secondary Market

Support broader access to the order book within the SETSqx environment

Leverage digital capabilities to support innovation in our trading technology offering

Consider trading halts for secondary fundraises

Admission Documents

Reshape and digitise the Admission Document to reduce burdens and provide the relevant information that investors want to see

INTRODUCTION

On 7 April 2025, London Stock Exchange published the [AIM Discussion Paper: Shaping the Future of AIM](#).

The Exchange would like to thank all the market participants who have contributed responses and engaged with us on the future of AIM. We have received over 60 formal responses and held a series of roundtable meetings with a broad cross-section of the market including investors, companies, nominated advisers and trade bodies.

There was overwhelming support from all respondents and a welcome consensus about the important role AIM plays in the UK capital markets, as well as a clear sense of opportunity for the future development of the market. Respondents also indicated a need for changes to be made to position AIM for its next phase of growth. As we will set out in this Feedback Statement, some of those changes are within the remit of the Exchange but many others require the support of, or action from, the government and / or regulators who have a stake in the operation and future success of AIM.

“We will collaborate with the AIM community to collectively seize the opportunity to innovate and develop AIM so that it remains the global destination for innovative, diverse and growing businesses”

Respondents welcomed the fact that the AIM Discussion Paper was clear about the challenges the market faces and that we did not shy away from asking some of the difficult questions about the functioning of the market. We believe this approach will support our collaboration with the AIM community to collectively seize the opportunity to innovate and develop AIM so that it remains the global destination for innovative, diverse and growing businesses where founder-led and growing companies can scale up, generate economic growth and investment opportunities for a wide set of individual and institutional investors.

The purpose of this Feedback Statement is to set out our roadmap for AIM, recognising that some of the changes we are proposing will require the support of various external stakeholders including government and regulators.

AIM was founded from the outset on an entrepreneurial spirit of innovation and has evolved over the past three decades to meet the changing needs of the users of the market, principally companies and investors. In keeping with this, our intention is to be ambitious in our proposals.

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PART ONE

External factors critical to AIM's future success

A. ACCESS TO CAPITAL

There was universal agreement amongst respondents that the most important factor to AIM's future success is unlocking access to capital. After a period of domestic outflows from UK equities that have disproportionately impacted smaller quoted companies, restoring the availability of capital is a priority for AIM.

Many respondents agreed that the range of government and industry-led proposals to address capital flows have the potential to increase investment in equities. However, a number of respondents were concerned that without more careful targeting, it may either take too long for the proposed changes to take effect or that they may result in increased capital allocation towards companies with larger market capitalisations or to larger private equity-backed businesses.

Respondents highlighted the need to accelerate capital-focussed policy measures to facilitate an increased allocation of capital towards AIM companies. We will continue to work closely with government and industry, emphasising the need to ensure:

- Sufficient capital does in fact flow into AIM companies through initiatives such as the Mansion House Accord; and
- An increased proportion of defined contribution pension funds and open defined benefit schemes are allocated towards AIM companies.

Many respondents also supported the extension of the British Business Bank's remit to invest in quoted businesses. We will continue to engage with the government, and directly with the British Business Bank to make the case for their involvement to support AIM companies, highlighting that many companies admitted to AIM are important contributors to regional growth and the delivery of the government's industrial strategy, and therefore that such a move is both necessary and appropriate.

We set out below our engagement with government and regulators on some key areas that respondents agree are critical to unlock access to capital:

1. Engagement with Government on Mansion House Objectives

“Respondents supported efforts to identify and secure new sources of capital for growth companies”

Respondents noted the significant erosion in the traditional equity investor base for AIM companies in recent years as a result of sustained domestic outflows from UK equities combined with a move towards passive investment and the shift away from smaller and less-liquid securities (see below regarding fund mandates). Given this, respondents supported efforts to identify and secure new sources of capital for growth companies. In this regard, we recognise that an increase in capital allocation within pension funds would make a significant impact on AIM companies. However, there was concern from respondents that announcements in respect of signatories to the Mansion House Compact and Accord focus largely on infrastructure and investment into private companies.

Some respondents noted their experience that several of the Mansion House Compact signatories have public equities investment capabilities, yet there does not appear to be increased investment into AIM companies. Further, respondents noted the lack of transparency, with no requirement for the Mansion House Compact signatories to disclose any specifics regarding their investments into

‘unlisted’ assets and called for greater transparency in addition to any aggregated disclosure that has been made public via industry bodies such as the ABI.

This topic remains a clear focus of the Capital Markets Industry Taskforce which now also includes membership representing key parts of the AIM market.

2. Engagement with the Financial Conduct Authority

Mandate Constraints

A significant number of respondents referred to the impact of the FCA’s education and enforcement activities associated with their liquidity management rules. In particular, many investors highlighted the impact of the FCA “Dear CEO” letters in the period immediately after the collapse of the Woodford Equity Income Fund in 2019. Given the infrequent trading in some smaller AIM companies, particularly those where investors adopt a buy-and-hold strategy, there was a consensus that many fund managers have, as a result of the FCA letters, significantly reduced their holdings in smaller and micro-cap companies over recent years. For many smaller companies, particularly against a backdrop of net outflows of capital, this has resulted in a cycle of reduced investor appetite, lower liquidity and valuations and a further reduction of institutional appetite.

We have shared with the FCA feedback that guidance letters sent by the FCA to fund managers following the collapse of the Woodford Equity Impact Fund in 2019 combined with their focus on the Consumer Duty have been interpreted by the market in a way that it has made it increasingly difficult for institutional investors to treat many AIM securities as sufficiently liquid to include in their fund mandates. As a result, institutional investment has become concentrated in larger companies due to their internal liquidity rules based on FCA statements. This has inevitably reduced the allocation by some institutional investors to smaller AIM companies.

The FCA has referred us to the fact that it has not made statements about the liquidity of specific stocks and that the reference in its 2019 letter is not a reference to AIM companies in particular. Rather, the FCA has noted that in its 2023 communications on [liquidity risk management](#) that managers need to take a holistic approach to liquidity risk management, with good governance, oversight, effective use of liquidity management tools and an understanding of their investor base. The FCA have advised that this guidance is relevant, whatever market a security is traded on.

Retail investors

Respondents agreed that there needs to be a greater emphasis on policy incentives to support investment in public equities by UK retail investors alongside pension funds. An increase in retail investment is a vital factor to increase liquidity in smaller companies. We know from feedback we have received from retail investors that AIM provides important investment opportunities to a wider variety of companies and often at an earlier stage than would otherwise be available.

However, retail participation has historically been hampered by a number of factors including the availability of research and the regulation of public offers of securities. In this regard, the Public Offer and Admission to Trading Regulations (POATR) are expected to address some of these barriers and support retail participation noting that: retail investors will be able to participate in an AIM IPO (subject to POATR requirements such as the publication of an Admission document which will constitute an MTF admission prospectus for the purposes of POATR). It will also be easier for companies to include forward-looking statements in their Admission Documents which should provide retail investors a more direct view of a company’s future prospects.

3. The Exchange's engagement with Government on Tax Incentives

The majority of respondents noted that the package of tax incentives, which are designed to encourage investors to invest in smaller, early-stage companies by incentivising them to take the additional risk, have been a strong contributor to AIM's success. Without the package of incentives, respondents noted that many investors would be less likely to invest risk capital in AIM with the consequence that more smaller companies are likely to: not be able to grow; stay private; or be sold early. A number of respondents also highlighted that companies admitted to AIM are, in general, more

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likely to pay higher levels of tax than their private company peers due to the fact that they are likely to have lower levels of indebtedness. An overriding theme from respondents, given the recent changes to Business Property Relief, was that there is a need for government to provide more certainty about the future availability of the individual fiscal incentives recognising that these incentives create an effective mechanism to allocate risk capital into companies that need it.

Business Property Relief (BPR)

There was a universal view from AIM market participants that the recent government changes to BPR for AIM have created significant uncertainty and have significantly damaged the attractiveness of AIM.

Given the previous long-term stability of the BPR regime prior to the 2024 Autumn Budget and despite there being no official statements about any further changes, the recent changes have created a belief amongst some that there may be further reductions in the future. This uncertainty, coupled with the increased attractiveness of investing in private assets relative to AIM created by the £1m exemption for private assets, has clearly damaged the attractiveness of AIM. Not only has the change impacted the tax treatment of founders considering using AIM to IPO as part of a longer-term succession plan, it has also reduced a vital source of capital and liquidity for existing AIM companies.

Consistent market feedback confirms that BPR plays a crucial role in sustaining capital inflows and liquidity. Respondents noted that the changes in tax relief for AIM fail to recognise the risk capital nature of AIM and the importance of attracting diverse, innovative and growing companies – ultimately hurting a vital source of GVA and growth for the British economy.

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EIS/VCT

Respondents agreed that EIS/VCT reliefs have been a major contributor of primary capital to AIM companies and that in the absence of VCTs acting as cornerstone investors in many AIM IPOs, fewer companies would have joined AIM in recent years. Respondents welcomed the government's announcement last year confirming the extension of EIS/VCT relief to April 2035, noting the importance of long-term certainty about the existence of the schemes to encourage investment into AIM.

Despite the positive aspects of the schemes, many see the current qualifying criteria as a cap on growth for AIM companies, whilst also creating a funding gap in the market in the phase before larger institutional investors are able or willing to invest. In order to bridge the gap and address this potential

market failure, respondents suggested the broadening and simplification of the eligibility criteria for EIS/VCT to enable the provision of more early-stage risk capital (see below on tax incentives for AIM). For example, some respondents noted that the £20m cap on funding for a knowledge intensive business does not provide adequate capital for many research and development projects and is not sufficient to take companies to the stage of profitability and/or being sufficiently cash generative to cover costs. Similarly, the annual limit of £5m can be a constraint on the pace of growth and the restrictions on the size / age of companies are unnecessarily prohibitive. We would note that these caps have not kept pace with inflation or the evolution of company development, thereby adversely impacting their efficacy and, accordingly, we support the comments made by many respondents calling for further changes.

ISAs

A number of respondents commented that the extension of ISAs to include growth market shares in 2013 had been a positive development to encourage individual investment and to stimulate liquidity in the secondary market. Noting the broader debate around ISA reform to encourage savers to allocate more of their holdings into equity, respondents highlighted the opportunity that reform could create for AIM companies. Some respondents noted that while the concept of a 'British ISA' has not been progressed, consideration should be given to an appropriate retail tax wrapper to support the unlisted, quoted market. A key benefit of the ISA is that it supports liquidity since shares bought on-market are eligible for ISAs. In this regard, respondents noted that the current cash ISA allowance rewards potential retail investors for saving cash at the expense of investment in our domestic capital markets. Accordingly, a number of respondents advocated for changes to the ISA framework to unlock greater retail investor participation in public growth markets, by reducing the allowance for cash ISAs and encouraging a shift towards stocks and shares ISAs, which are eligible for investment in AIM.

Next steps on Tax Reliefs

A thoughtfully calibrated package of tax reliefs and incentive schemes that apply to investors in AIM companies is essential for AIM's future success. Tax reliefs recognise the distinct role that growth markets such as AIM play through the provision of risk capital to support the ongoing scaling and transition of companies from private to public on AIM.

“Tax reliefs recognise the distinct role that growth markets such as AIM play through the provision of risk capital, to support the ongoing scaling and transition of companies from private to public on AIM.”

In this regard, whilst respondents recognised that whilst the setting of tax incentives is not within the control of the Exchange, respondents appreciated the Exchange's support for the UK's equity markets and the role the Exchange has played, engaging with government and regulators and through the convening of the Capital Markets Industry Taskforce. We will continue to highlight the vital role that AIM companies play in driving regional growth and supporting the key industrial sectors that the government has recognised as being essential for UK growth. We will campaign for the protection and provision of greater certainty around the existence of the incentives to ensure that AIM companies are able to benefit. Our engagement with the UK government on their growth agenda will continue to include advocating for changes that will support investment into AIM.

B. CHALLENGES OF REPORTING BURDENS FOR AIM COMPANIES

In respect of the top 5 costs and frictions for AIM companies, the majority of respondents ranked audit fees as one of the greatest costs (and area of friction compared to being private) for companies once on AIM. Respondents have suggested that whilst the underlying financial reporting requirements for AIM companies may be intended to be proportionate and less onerous than for Main Market companies, over the years, in practice, the inclusion of AIM audits by the Financial Reporting Council (FRC) within the scope of its Audit Quality Review framework (AQR) (being those with a market capitalisation of over €200m) has resulted in the perception that inspection requirements for all AIM

companies (not just those directly under the AQR framework) have moved to be aligned to those applying to Main Market companies.

1. Annual audited accounts

We understand one of the key reasons for the increase in audit fees over recent years is auditors' fears or perception of regulatory and reputational exposure and liability under the current regulatory regime, as noted above. This has led audit firms to restrict the amount of work they undertake for public companies both on AIM and the Main Market and to firms taking a more cautious approach by adopting stricter risk management protocols, including additional layers of internal review; increased use of technical experts; and substantive audit testing - with questions raised over the benefit of this additional work to the final audit opinion.

As a result of audit firms reflecting the additional workload and perceived liability exposure in their fees, AIM audit costs have now become prohibitive - a recent QCA report: [It Doesn't Add Up: The Crisis of Unaffordable Audits](#) - indicating that for companies outside the FTSE 350, from 2017/18 to 2022/23, the average percentage change in audit fees skyrocketed by 127%.

There is a call from the market for action to be taken to ensure that auditing standards are applied proportionately to fit the needs of companies of all sizes.

Respondents also noted that the length of accounts needs to be addressed and in this regard, we welcome the work of the QCA to seek change in this area for SMEs and level the playing field between public and private companies. The QCA continues to advocate for regulation for companies, directors and auditors to be proportionate and to support growth. We also recognise the considerable work of the FRC such as its Innovation and Improvement hub, and the Department for Business and Trade's commitment to modernise and simplify annual reporting.

The key comments from respondents are as follows:

- The statutory requirements overseen by the FRC (and by extension the recognised supervisory bodies they also regulate) on auditors of AIM companies has had significant consequences:
 - statutory requirements and subsequent application equally to auditors of AIM quoted companies and FTSE 100 companies, which has a consequential impact on costs.
 - giving rise to higher reputational risks for audit firms in undertaking AIM audits.
 - the risk/reward is becoming unviable for many audit firms, reducing the amount of competition in the audit market for coverage of AIM companies.
- There is some confusion as to whether the PIE definition applies to AIM because the definition is increasingly complex due to overlapping regulatory frameworks, evolving standards, and differing scopes of application. As a result, there was some feedback from companies that they could not have an informed discussion with their auditors around their proposed scope of work
- We understand that larger AIM companies fall within the scope of the FRC's AQR. The feedback identified a growing trend of audit firms seeking to satisfy AQR inspections resulting in audits requiring significant additional internal risk management procedures, work on technical and financial statement sign-off and extended audit fieldwork which is disproportionate to the size of the companies that are being audited and significantly increases costs.
- Smaller AIM companies outside the FRC's AQR remit may expect lower audit fees than Main Market firms, but this advantage is often reduced in practice for the reasons set out below:
 - In particular, respondents indicated that in practice the standards of review of audit firms often do not appear to distinguish between those for AIM companies and PIEs, which means audits become increasingly onerous and expensive.

- Market feedback is that, in practice, audit firms that undertake PIE audits elsewhere in their business are being judged by standards of PIE for all their audits regardless of whether PIE applies. Accordingly, due to a fear of regulatory criticism or fines which have commercial and reputational consequences for the firm, audit firms feel compelled to undertake AIM audits to PIE standards so as to protect themselves from regulatory exposure.
- However, we have been unable to ascertain whether the charging for a PIE audit across all clients (regardless of whether or not they are AIM companies) is a result of a policy of expediency to operate under one set of requirements.
- Given the smaller number of audit firms that are willing to undertake public market work, companies have noted that they feel they have a lack of choice of firms and consequently a lower ability to negotiate scope of work and associated fees.

We have been engaging with the FRC regarding this feedback. The FRC has noted the widespread misunderstanding of the UK definition of a Public Interest Entity, contained in legislation, and in particular its relevance to AIM companies. They have confirmed to us that only AIM companies which are operating as banks, credit institutions or insurance undertakings fall within the definition of PIE. The FRC has highlighted that the number of AIM companies within the direct scope of their AQR framework is only currently c.85, and on average, the FRC has noted that they inspect circa 9 AIM company audits per year.

We note the initiatives the FRC has been working on, and changes they will be making, to address some of the challenges outlined above. We observe the FRC has recently published a consultation

“We support the FRC’s developing approach to implement a more proportionate approach to the auditing of SMEs, including AIM companies and welcome the FRC’s confirmation that they will be considering how they may support auditors to have the confidence to adopt a tailored approach in respect of AIM audits.”

for a practice note: [Guidance for audits of smaller and/or less complex entities](#), following a market study earlier this year to examine the auditing and reporting challenges faced by SMEs. The FRC has also referenced a new and more proportionate supervisory approach, designed to enhance audit quality and reflect the unique needs of smaller firms. We support the FRC’s developing approach to implement a more proportionate approach to the auditing of SMEs, including AIM companies and welcome the FRC’s confirmation that they will be considering how they may support auditors to have the confidence to adopt a tailored approach in respect of AIM audits.

Noting the concerns raised by respondents as to the disproportionate wider impact of the FRC’s AQR framework on the work performed by auditors and perceived risk – when, as the FRC has pointed out, only c. 85 AIM companies fall within the current AQR scope - we have also requested that the FRC review the scope of that framework. Such a review would also be in line with the recommendations of the previous Government in respect of PIE, setting a higher threshold than is currently the case under the AQR framework and focussing on qualitative factors such as turnover and the number of employees highlighting the systematic importance of the entity, rather than market capitalisation.

The FRC has confirmed that it is open to considering definitional and scope changes, including that of the AQR framework, to ease the burden on AIM companies and will conduct a brief, targeted consultation with affected companies and their auditors to determine the impact of any changes and ensure that, if actioned, they result in different and better outcomes for AIM companies and their auditors.

We would encourage market participants to continue to positively engage with the FRC as they seek to move the audit regulation of AIM companies to be proportionate and reflective of the needs of such companies.

2. Sustainability Reporting

Currently, UK registered AIM quoted companies with more than 500 employees are in scope of the UK Government's Climate-related Financial Disclosure (CFD). CFD is based on the TCFD (Taskforce for Climate-related Financial Disclosures) recommendations, but does not directly mirror them.

“A significant number of respondents highlighted the support for sustainability reporting but warned that an overly prescriptive or complex sustainability regime could undermine the UK's competitiveness as a listing venue and as a place to do business.”

We have received feedback from respondents in relation to sustainability reporting for AIM companies. A significant number of respondents highlighted the support for sustainability reporting but warned that an overly prescriptive or complex sustainability regime could undermine the UK's competitiveness as a listing venue and as a place to do business. The risk was highlighted as particularly acute for smaller and mid-sized companies that often lack the capacity and resources to meet complex reporting obligations. It was noted that collating, assuring and implementing reporting systems can come at the expense of delivering actual sustainability improvements for the economy.

We have reflected this feedback in our response to the UK Government's recent consultation on the UK Sustainability Reporting Standards (UK SRS), which was seeking feedback on the UK Government's endorsement of SRS, aligned to the International Sustainability Standards Board's (ISSB) S1 and S2 reporting standards. We support the UK's endorsement and adoption of the ISSB standards through the UK SRS and advocate for a phased and proportionate approach to its implementation. We recognise that not all publicly traded companies, particularly those on AIM, possess the same resources as larger Main Market companies. We also note that whether a company is public or private is not an indicator of its exposure to sustainability risks and opportunities. Reporting requirements should be based on objective criteria such as company size, rather than listing status alone, and must deliver actual stakeholder value. LSEG will continue to engage with the Government and the FCA to encourage the development of a proportionate and streamlined reporting framework, that recognises the importance of preserving the UK's competitiveness in an evolving international landscape.

The UK Government's consultation closed on 17 September 2025 and the Government is expected to publish final, voluntary UK Sustainability Reporting Standards before the end of 2025. The UK Government will issue an additional consultation and the FCA will issue a consultation for listed companies. We encourage the AIM community to engage with the consultation processes.

3. Proxy Advisers

There was considerable criticism of the role and influence of proxy advisers. Broad concerns were raised that the approach taken and resources available to many proxy advisory firms has significantly contributed to many AIM companies having a reduced ability to explain rather than comply with their chosen code. AIM companies reported that they do not have an ability to properly engage with proxy advisers in a timely manner and that their benchmarking models used by proxy advisers for voting recommendations often result in the 'redtopping' of AIM companies which was also cited as cause of friction. This echoes the findings of a report published by the QCA in July 2024: [Publish and be Damned – The Problems with Proxy Advisers](#). We recognise the QCA and Issuer & Investor Forum's ongoing work to address the challenges specific to small and mid-sized quoted companies in the UK due to proxy practices.

“Benchmarking models used by proxy advisers for voting recommendations often result in ‘redtopping’ AIM companies which was also cited as cause of friction.”

their AIM company clients on whether the proxy advisers are abiding by the principle set out by the FRC so that we can share AIM company experience with the FRC. In addition, to provide transparency and empower companies, we will also be considering how to provide a voluntary disclosure framework for AIM companies to disclose the engagement that they have had with proxy advisers. We believe such disclosure would help investors and the wider market understand how companies have sought to address matters arising from recommendations, details of factual inaccuracies they have sought to resolve, the responsiveness of the proxy adviser and the amount of time they had to respond to proxy adviser recommendations.

Respondents highlighted that the existing regulatory framework pursuant to Proxy Advisors (Shareholders’ Rights) Regulations 2019 (SI 2019/926) (PAR 2019), overseen by the FCA and voluntary arrangements for proxy advisers, such as those under the FRC Stewardship Code, are not focussed on and do not directly address this issue. The FRC has now introduced a specific principle in the UK Stewardship Code for proxy advisers with the aim of setting clearer expectations for their activities and improving transparency.

We will be engaging with nominated advisers to understand the feedback that they receive from

“We will also be considering how to provide a voluntary disclosure framework for AIM companies to disclose the engagement they have had with proxy advisers.”

PART TWO

The positioning of AIM

A. REPOSITIONING OF AIM

This year, AIM celebrated its 30th anniversary. AIM started life as the Alternative Investment Market tailored to meet the needs of growing companies. In 2025, AIM provides an alternative option for companies and investors to the Main Market and other forms of finance but is widely regarded as “mainstream” rather than “alternative”. The differentiation of AIM from the regulated market has narrowed due to the programme of reform to the Main Market and this year we have seen the launch of an entirely new market design for private companies (PISCES – and in the London Stock Exchange’s case, its Private Securities Market).

When it was first launched, AIM was widely regarded as a source of risk capital, more akin to venture capital where there was potential for high rewards but with a commensurate risk exposure. It is within such an environment that innovative, exciting, less mature and/or riskier businesses could come to AIM and pursue their growth strategy.

Whilst AIM Admission Documents prominently describe *“AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies”* the growth, scale and maturity of the market has inevitably been accompanied by a lower tolerance for risk, leading to the development of market practice and regulation that respondents consider does not reflect the true or founding purpose of AIM.

Throughout business cycles, AIM has been a remarkably efficient allocator of capital but in the process, the significant contribution of AIM and its companies to the UK economy has often been overshadowed by negative commentary and sentiment where businesses have failed. At times, there has been limited recognition by market commentators that such failures were often due to commercial reasons or individual misconduct and not because of the structure or framework of AIM regulation. As a consequence, some respondents have noted that the original purpose of AIM has been eroded over time and are supportive of the Exchange clearly restating AIM’s purpose, benefits and its risk profile.

B. THE PURPOSE OF AIM

Respondents noted that there needs to be a meaningful difference between the requirements of AIM and the Main Market (post the recent changes to the Listing Rules) so that AIM remains attractive for companies as a listing venue, particularly for those companies seeking capital to execute a growth strategy on a public market.

Against the backdrop of the reforms to the Main Market and the launch of the Private Securities Market catering for private companies, respondents provided a range of suggestions about key features of AIM that should be the focus to ensure its role within the UK capital markets and funding continuum is clear:

- A market that supports a diverse range of companies at different stages of their development in need of access to capital for their growth;
- A market that attracts founder-led/entrepreneurial companies and with a risk / reward ratio more akin to venture capital;
- A market that attracts companies with a compelling equity story for investors seeking to allocate into UK equities but that otherwise might be less easily accessible through private markets;

- A market with broad institutional and retail participation, supporting primary and secondary capital raising;
- A market that is tax advantaged to recognise the risk capital nature of it;
- A market with a tailored regulatory approach which recognises that investors accept the higher risk profile;
- A market differentiated from other public market offerings and competitive with private equity;
- A market accessible to companies of a range of sizes: Most respondents did not consider that AIM should be focused on smaller companies and considered that AIM's flexibility is attractive to a broad range of UK and international companies.

We will use the framework above as guiding principles for future development and, in particular will pursue changes that facilitate the risk / reward opportunities that both companies and investors require and seek.

C. COMMENTS ON THE AIM MODEL

We asked respondents some fundamental questions on the AIM model and whether it continues to add value and provide confidence.

1. Buyer Beware Model

Respondents noted that over the years, particularly in the period since the financial crisis, some investors and commentators have viewed the regulatory model and risk profile of the companies on AIM and the Main Market as broadly equivalent and have therefore failed to recognise this buyer beware principle. Many respondents therefore highlighted the benefit of clearly re-stating the risk capital nature of the market.

“It is important that investors understand the nature of the market and the companies it supports and recognise that AIM is a buyer beware market.”

We consider that regulation that maintains the integrity of markets and flexibility for growing companies are not mutually exclusive. However, this requires understanding and recognition from the market (and indeed those who comment on the market) about what is realistically achievable through regulation. In this regard, it is important that investors understand the nature of the market and the companies it supports and recognise that AIM is a buyer beware market. This means that investors must carefully consider whether the

risk profile of the companies and the market model is within their investment risk appetite and take responsibility for their investment choices. Naturally, investors want to invest in AIM companies because of the potential for those companies to outperform the wider market and other asset classes. However, in doing so investors must also recognise and accept that there will always be a risk of failure inherent in companies that are innovative, often with more concentrated business models as compared to well-established companies which investors can access through the Exchange's Main Market.

The Exchange provides a choice of markets which serve the needs of companies of different sizes and stages of growth to accommodate the different risk appetite of investors. As we have publicly noted, AIM sits within a wider [regulatory framework](#) and AIM companies and their advisers are subject to oversight by other regulators including the FCA, FRC, Department for Business & Trade and the Takeover Panel. Notwithstanding this, our experience with dealing with enquiries from AIM investors is that many fail to recognise that the Exchange's remit is limited to the AIM Rules. Furthermore, some investors expect the AIM Rules to cover all areas of a company's conduct. The AIM Rules do not seek to replicate the protections available under financial service regulation, company law or criminal law.

To do so would be duplicative for AIM companies, arguably more difficult to navigate for investors and impossible for the Exchange to enforce. Where matters outside the AIM Rules give rise to concern, investors can pursue remedies available to them via the relevant regulators or under the companies and financial services legislation.

Where investors do not take responsibility for their investment risk appetite, this puts pressure on the AIM model of regulation and ironically can ultimately stifle innovation and the entrepreneurial and commercial approach that investors are seeking from AIM. For AIM to serve its purpose, it requires recognition that the regulatory environment needed to support innovative and growing global companies has a different risk profile than our other markets. We will be considering how to reset investors' understanding of the buyer beware model inherent in market.

“For AIM to serve its purpose, it requires recognition that the regulatory environment needed to support innovative and growing global companies has a different risk profile than our other markets.”

2. Nominated Adviser Model

The overwhelming majority of respondents were in favour of retaining the nominated adviser model. Respondents noted that the nominated adviser role supports companies and gives investors confidence in the market.

“The nominated adviser is a differentiating factor for AIM, core to the success of the AIM model.”

Respondents also noted that the nominated adviser is a differentiating factor for AIM, core to the success of the AIM model, and without it, directors would need to rely on other advisers (such as lawyers contracted on a per issue basis) which could create an open-ended cost for companies. It was noted that many directors of AIM companies are new to being a director of a quoted business and therefore appreciate the support of an experienced market practitioner.

There were a small number of respondents who supported an FCA sponsor-style regime, whereby the regulatory responsibilities of the sponsor are activated by particular triggers (IPO, material transactions, etc.) rather than the nominated adviser having a full-time role. However, the majority of respondents felt the nature of the nominated adviser role, as currently structured, allows the nominated adviser to establish a long-term relationship with a company, and that investors see value in the oversight that nominated advisers provide for AIM companies, particularly smaller AIM companies, who typically have fewer internal resources.

“The majority of respondents felt the nature of the nominated adviser role, as currently structured, allows the nominated adviser to establish a long-term relationship with a company, and that investors see value in the oversight that nominated adviser provide for AIM companies”

Respondents noted that whilst the AIM Rules have not significantly changed over the years, market practice has developed so that the nominated adviser role has moved from principally being a corporate finance adviser who can add value through the depth of sector, corporate finance and AIM expertise, to being more of a “compliance-led role”. Respondents noted that the increasing expectations of investors and compliance teams are such that nominated adviser firms are spending more of their time on compliance issues which respondents have noted are often more procedural and arguably less valuable than AIM corporate finance advice.

Some respondents noted that market practice has also evolved so that, where there may be an option to do so, nominated advisers tend to provide the strictest interpretation of the AIM Rules rather than providing the best advice from a corporate finance perspective even where it may be within the scope of the Rules. The Exchange accepts that its regulation of AIM has been responsive to the challenges

facing AIM during the last 30 years and has influenced the development of some of this market practice and, as such, is in a position to support a reset and wishes to do so.

This regulatory environment has led to an increase in the perceived risk associated with the nominated adviser role, discouraging firms, particularly regional firms and larger international banks, from applying for, or retaining, nominated adviser status. It was also noted that there is duplication between the nominated adviser work and the work of other advisers, especially during the admission process, which was considered to be unnecessary, noting that legal advisers are experts in matters such as verification and legal due diligence.

Respondents have suggested that we review the nominated adviser role to find ways to make the role more proportionate and risk-based with a move back to nominated advisers, as AIM specialists, primarily providing corporate finance advice to companies.

“We consider setting clear expectations about the respective roles and responsibilities of AIM companies, nominated advisers and investors, the risk profile of the market and re-establishing the buyer beware model, will support our ability to recalibrate the nominated adviser role.”

In our experience, the gatekeeper role of the nominated adviser remains critical for AIM's success, and this will remain a fundamental aspect of the role. However, we agree that there are areas highlighted by respondents where the nominated adviser role has become too compliance orientated. We consider that setting clear expectations about the respective roles and responsibilities of AIM companies, nominated advisers and investors, the risk profile of the market and re-establishing the buyer beware model, will support our ability to recalibrate the nominated adviser role. We want to empower firms to be a trusted adviser, and to re-prioritise value added, high-quality corporate finance advice rather than acting as an outsourced compliance function. We will support a reset of the nominated adviser role by engaging with firms on a new technical guide for nominated advisers, which will reflect the recalibration of our oversight of nominated adviser obligations. The technical guidance will seek to reset the expectations for the

nominated adviser's role and dispel some of the misunderstandings that may have developed about what is required by the Exchange. This does not mean to say that the Exchange will be passive in its approach. Where appropriate and in our role as market operator, for example where concerns arise which may impact the reputation and integrity of the market, we will seek to work with nominated advisers to understand how they have considered their obligations and responsibilities. We will work with nominated advisers to develop the proposed technical guidance so that we can ensure that any changes we make strike the correct balance between adding value for AIM companies whilst importantly not diluting the protections of the nominated adviser's role as a gatekeeper and the nominated adviser's obligation to maintain the reputation and integrity of the market given this remains fundamental to the confidence and therefore success of AIM. As part of this exercise, we will retire the guidance provided by the current Inside AIM publications.

As regards the Qualified Executive (QE) role within a nominated adviser firm, respondents, including companies, were supportive of the QE role as it provides a key contact for the AIM company who has experience and a depth of knowledge of the company and its business. However, some respondents noted that less experienced QEs took an overly compliance-focussed approach to their role and provided less valuable corporate finance support for the company.

Some nominated adviser respondents noted that over time an increasing emphasis and burden has been placed on individual QEs (rather than the nominated adviser firm itself) and advocated moving the responsibility to firms to control and set appropriate internal procedures to comply with their responsibilities under the Nomad Rules whilst others proposed transferring the responsibility to the nominated adviser firm to determine if a person should be designated as a QE.

We consider that compliance by a nominated adviser firm with its obligations under the Nomad Rules is directly related to the quality and experience of its QEs. Accordingly, we believe that the role remains an important feature of the nominated adviser model. However, we will consider how we can update the process of QE approval to provide nominated advisers with more autonomy, whilst balancing this with the safeguards afforded by the requirement for appropriate experience. **We will be engaging directly with nominated advisers to launch this new approach as part of the annual eligibility process for 2025. Initially this will be piloted so we can consider its operation and we will then consider permanent implementation as part of our proposed redrafting of the rules.**

3. Bulletin Board Challenges

AIM's strength over the years has been that it attracts a range of investors. However, we recognise the regulatory and commercial challenges for companies to attract sufficient research coverage and ensure that the research that is written is distributed to the widest audience of current and potential investors. We have contributed to the Investment Research Review led by Rachel Kent and support her findings and the subsequent work the FCA has done to make it easier for institutions to pay for equity research. We also recognise that whilst progress continues to be made in this area, many investors, particularly individuals can find it difficult to access high quality research on smaller companies. In some cases, this can lead to a vacuum which is filled by bulletin board users.

Many bulletin board users act responsibly and in compliance with UK law. However, respondents have noted the challenge for AIM from bulletin board users who target a company, its directors and/or nominated advisers in a manner that is inappropriate and/or seek to influence the share price.

We have been discussing with the FCA our concerns in respect of the conduct of certain platforms, social media influencers and bulletin board users and have highlighted potential cases that give rise to concerns of market abuse. We would encourage companies, market practitioners and bulletin

“We have been discussing with the FCA our concerns in respect of the conduct of certain platforms, social media influencers and bulletin board users.”

board users who have reasonable cause for concern of this type of behaviour to report matters to [Contact us | FCA](#). The FCA has confirmed that posting information which gives, or is likely to give, a false or misleading impression about an issuer - where the person knew or should have known this would be the case - may constitute a breach of UK MAR. This applies to both positive and negative statements. In addition, the FCA has confirmed to us that while a genuine, reasoned opinion is unlikely to breach UK MAR, an opinion expressed in a way that misrepresents facts or is intended to create a misleading impression can still amount to market abuse.

We also note the conduct of some of these bulletin board users gives rise to concerns from companies that they are being subjected to unacceptable public abuse that would be unlikely to arise in private markets, and the feedback is that this is a disincentive for companies and individual directors to join AIM. We consider it is unacceptable for AIM companies and directors to be exposed to such pressure, and the Exchange will make detailed referrals of any incidents we identify to relevant enforcement agencies, and we would encourage companies to do the same, so that the pattern of conduct becomes indisputable. Bulletin board users have the same responsibilities as other market participants in respect of market abuse, defamation and blackmail laws and regulations and as such are accountable for their conduct where it breaches relevant laws and regulations.

PART THREE

Tailored approach for growth companies

As noted in Part 2, respondents have noted that with the changes to the Listing Rules and the proposed changes to the Prospectus Rules, the differentiation between the Main Market and AIM has been eroded. Furthermore, there were a number of comments that whilst the AIM Rules themselves have not changed significantly over recent years, market practice has evolved to include additional due diligence and compliance requirements. To attract exciting, innovative and visionary companies of the future, we recognise that AIM must tailor its approach to accommodate the specific needs of these founders. Without such adjustments these entrepreneurial companies are either likely to stay private or seek an overseas listing. We will review our Rules to ensure they align with AIM's purpose and the market's buyer-beware principle.

We set out below the support we have received from respondents for rule changes. Details of the redrafted AIM Rules to reflect these changes will be consulted upon separately. However, in the meantime, we have identified areas where we can immediately accept derogation requests, which we will consider on a case by basis, and/or change our existing guidance to meet the principles for change supported by respondents. Nominated advisers can engage with AIM Regulation in respect of any questions arising from this approach.

Support Founder-Led Businesses

Whilst our proposed rule changes are intended to benefit all AIM companies, it will be of particular interest to founder led businesses. For example, the ability to undertake M&A transactions more efficiently and ensuring that directors are remunerated in line with peers in international markets and private equity (see below). We will also consider whether the AIM Rules can be further tailored for founder-led businesses, which often function as true venture companies. For example, we will review the admission requirements specific to such companies recognising that investors will have a focus on the founder's track record. We will also consider the approach on founder control, noting that founders often seek to retain more control upon admission. Most respondents agreed with the proposal for AIM to adopt an equivalent route for the admission of dual class shares as available on the Main Market, observing that these align with the founder-led nature of AIM. We consider that dual class share structures should therefore be a feature of AIM noting these structures are designed to encourage entrepreneurs to take their companies public. We recognise that not all investors will want to accept the risk of investing in an AIM company where founders have special rights and control, but consider that in a buyer-beware market, disclosure in relation to such share structures will empower investors to make their assessments according to their own risk tolerance. **Accordingly, effective immediately, dual class share structures meeting the current Main Market requirements (applying equivalency where appropriate) will be acceptable for prospective AIM companies.**

Directors' remuneration to attract the best talent: The Exchange has publicly advocated for a change in approach and mindset in the UK to ensure that director compensation is better calibrated to ensure that companies can attract the best talent. In this regard, we consider that non-executive directors holding equity and being awarded share options aligns directors to the interests of investors. In order to be competitive and attract innovative growing companies, AIM must be able to remunerate directors in line with peer markets and private equity. We note the recently [updated guidance published by the FRC with regards the non-executive director remuneration](#) with the FRC advocating flexibility for companies to pay non-executive directors a portion of their fees in shares, provided they maintain transparency about their rationale and approach.

Accordingly, we agree with respondents that it is important to attract skilled and experienced non-executive directors while aligning their interests with shareholders and conserving cash for the company. We will be taking this into account as part of our consideration of the corporate governance approach on AIM (see below) and, in particular, focus on disclosure of rationale for the total equity allocated to non-executive directors as a percentage of the total issued share capital which would enable investors to take a view on equity holdings and awards.

The majority of respondents agreed that AIM Rule 13 (Related Party Transactions) should not apply to director remuneration. Those who did not support any changes commented that it is not an onerous obligation. However, this was opposed by many, stating that the current approach places nominated advisers in a challenging position regarding board considerations about directors pay. We understand that it can sometimes be difficult for the nominated adviser to advise on the fairness and reasonableness of remuneration. **Given this, effective immediately, where a nominated adviser is satisfied that the contractual terms for remuneration (that is not part of the standard remuneration package) provide reasonable commercial protections for the company, such as good leaver/bad leaver terms, AIM Regulation confirms that a nominated adviser does not need to provide a fair and reasonable view. All other aspects of AIM Rule 13 will continue to apply.**

Supporting Acquisitions

Enabling acquisition activity: Respondents agreed that acquisitions are critical enablers of growth for ambitious AIM companies and should be actively encouraged. Respondents noted that the potential ideas for reform for reverse takeovers as set out by the Exchange in the AIM Discussion Paper, are a proportionate and pragmatic way to address the cost and time burden currently faced by AIM companies. We will be taking forward the proposals for reform of the reverse takeover rules supported by respondents, which aim to support acquisition activity for AIM companies, as part of the proposed redrafting of the AIM Rule book. **Pending such rule changes, effective immediately, where a nominated adviser is able to demonstrate to AIM Regulation that an acquisition does not result in a fundamental change of business, AIM Regulation may determine that an acquisition is a substantial transaction (pursuant to AIM Rule 12) and not a reverse takeover (pursuant to AIM Rule 14). Pending rule changes, AIM Regulation may require shareholder approval for such a substantial transaction.**

Further where a transaction is a reverse takeover but both parties are publicly traded companies, we will consider whether alternative disclosure can be included in an Admission Document instead of the full Schedule Two requirements, noting the public information available on both companies.

Some respondents also suggested that to enable smaller AIM companies to scale more effectively, such companies should only be required to disclose acquisitions as a substantial transaction (Schedule Four information) and there should be no requirement to seek shareholder approval (irrespective of whether the proposed acquisition results in a fundamental change of business or not). Whilst we undertake further consideration of the regulatory implications of such a change (including whether this would be permitted under the FCA's new prospectus rules), company size alone (by measure of market capitalisation) will not determine whether an acquisition is or is not a reverse takeover.

Several respondents have asked the Exchange to reconsider the automatic suspension of trading of a company's securities on AIM, on notification of a proposed reverse takeover (in the absence of an Admission Document). **We support this proposal and accordingly, pending the redrafting of the AIM Rules to reflect this, effective immediately, we will consider requests from nominated**

advisers not impose a suspension where it can be demonstrated that appropriate alternative disclosure can be made.

Most respondents supported our proposals to increase the AIM Rule 12 (significant transactions) threshold from 10% to 25%, a change that will be implemented as part of the proposed redrafting of the AIM Rules.

Respondents also advocated for the removal of the Profits class test (except for AIM Rule 13 (related party transactions)) and permit a pro-rata Gross Capital class test for investing companies where the acquisition does not result in control and/or consolidation. We support change to the class tests to reduce the friction in an AIM company's ability to carry out M&A activities swiftly and noting that AIM should not be more onerous than the Main Market. **Currently derogation to the class tests can be requested by nominated advisers and we would encourage this approach pending redrafting of the AIM Rules.**

Attracting International Companies

Attracting overseas companies: Responses to the AIM Discussion Paper confirmed that, in practice, the work undertaken by nominated advisers for AIM Designated Market (ADM) admissions has evolved to mirror that required for a standard AIM admission. **We encourage nominated advisers who are working on any prospective ADM admissions to contact AIM Regulation for support in streamlining the work they undertake to ensure this provides a genuine fast-track route to market.** Consideration will also be given to how we can reinvigorate the ADM route and encourage international companies to more efficiently gain admission to AIM. In this context, we will review the eligible markets for this route and evaluate the extent of publicly available information on the company's home exchange that may be leveraged to streamline the nominated adviser's work, thereby limiting the costs and reducing the burden for an applicant.

Addressing Unnecessary Friction

Provision of financial information: Whilst some respondents appreciated the comfort the working capital statement in an Admission Document provides, many respondents agreed that the working capital statement requirement was not as valuable as certain other financial information. Importantly, feedback from investors did not indicate a strong need for a working capital statement when weighed against the cost of production; instead, investors suggested that they place more value on a narrative of the financial resources available to the company. Some respondents noted that working capital statements are not required in a number of major markets, such as in the US and Australia, or for secondary fundraisings. We will be considering the feedback on the working capital statement as part of a wider review of the Admission Document (as referred to at Part 4).

We will be considering respondents comments that widely supported the incorporation by reference of certain documents and information. **Pending the drafting of the AIM Rules, effective immediately we will consider derogation requests from nominated advisers for historical financial information to be incorporated by reference provided that information is readily available to investors and will remain so on an ongoing basis.**

The majority of respondents suggested we permit UK GAAP (FRS 102) as this is the accounting standard commonly used by UK companies prior to seeking admission to AIM. Allowing it would therefore, significantly reduce the time and costs otherwise incurred to convert historical financial information into IFRS ahead of joining AIM. It was noted there will also be increased alignment between UK GAAP (FRS 102) and IFRS following changes effective for accounting periods beginning

on or after 1 January 2026. **We support this and accordingly, pending redrafting of the AIM Rules, effective immediately, nominated advisers can request derogations to enable the use of UK GAAP (FRS 102).**

The majority of respondents supported restricting the list of local accounting standards to a prescribed list in the AIM Rules, provided they are equivalent to IFRS. Respondents considered this would retain comparability of financial information and help preserve the integrity and reputation of AIM. Accordingly, we propose to retain the list of local accounting standards in the AIM Rules. **However, we will also consider submissions for derogations from nominated advisers on other local accounting standards on a case-by-case basis where equivalency to IFRS can be explained.**

Corporate governance: The Exchange's stated approach to corporate governance on AIM has always been that corporate governance should not be based on a 'one size fits all' approach. This recognises the broad range of companies admitted to AIM, covers a spectrum of market capitalisations and differing stages of development and therefore requires an approach that allows for flexibility. This is also important to encourage genuine engagement between AIM companies and their shareholders and to mitigate the risk of corporate governance measures being disproportionately burdensome or costly - a key consideration for smaller and medium-sized growth companies.

The requirement to 'comply or explain' against a recognised code was introduced into the AIM Rules in 2018 with flexibility of the code adopted left to the individual AIM company. Nevertheless, numerous respondents to the AIM Discussion Paper have cited that, over time, the comply and explain model has led to unintended and unwelcome consequences. Respondents have noted that the expansion of some of the codes used by AIM companies combined with increased expectations placed on AIM companies in relation to non-financial reporting since 2018 have contributed to them increasingly feeling compelled towards extensive compliance with the majority of elements of their chosen code, with the 'explain' element becoming more limited in scope or in application.

Whilst we have observed a wider market recognition of the importance of moving to a genuine 'comply or explain' regime in the UK, we are keen to ensure that corporate governance remains a constructive, rather than a burdensome, aspect of being a public company. Noting the QCA's advocacy for a proportionate regulatory approach, we will continue our close and constructive engagement with the QCA to consider whether the current approach to corporate governance for AIM is achieving the correct balance in supporting investors understanding of a company's arrangements but without requiring a company to overly focus on 'compliance for the sake of compliance' with a particular code. The market recognises good governance is valuable but there must be a genuinely proportionate approach that allows companies to evolve their governance arrangements to best meet their stage of growth and development.

AIM companies' control over the structure of their share capital: The majority of respondents agreed that the admission of second lines of securities to trading on AIM should not require the publication of an Admission Document and rather disclosure of information regarding the share rights is sufficient. **We support this change and pending the drafting of AIM Rule changes, effective immediately we will consider derogation requests from nominated advisers to dispense with the publication of an Admission Document for the admission to trading of a second line of securities.**

For the avoidance of doubt, as is the case today, we do not propose to require an Admission Document in relation to fundraising activity and further issues following the introduction of POATRs. Accordingly, with the introduction of POATRs, AIM companies will be able to fundraising on market and include retail investors without the need to publish an MTF prospectus, ensuring AIM remains a market that facilitates efficient capital raising and offers retail investors greater opportunity to participate and support growing AIM companies.

AIM disclosure: Many respondents recognised the value of the corporate finance expertise the nominated adviser provides but questioned whether a general AIM disclosure rule (i.e. AIM Rule 11) was necessary, noting that companies and their lawyers seek the nominated adviser's corporate finance view in respect of their deliberations regarding disclosure under UK Market Abuse Regime (UK MAR). Respondents noted that UK MAR is the general standard for UK markets and that having two similar disclosure regimes - AIM Rule 11 and UK MAR - was duplicative. Some respondents noted that there were discrepancies for the safe harbour provisions for delaying disclosure between the two sets of rules. We remain open minded about this area of the AIM Rules and will consider this obligation in the context of resetting the nominated adviser's role primarily as a corporate finance adviser. In this regard, we agree that all our markets should be subject to the same standard of disclosure under UK MAR but consider it important that the nominated adviser remains involved and kept fully informed about their AIM company's approach to disclosure. We will be considering how we can achieve this objective whilst addressing respondents' views.

PART FOUR

Future direction of travel

Since launch, AIM has taken an innovative approach to market design and has been a vital testing ground, not just for companies and their investors but also for the capital markets more broadly. Many of the positive changes that have been made recently to the Main Market are taken from AIM's experience and approach. We consider that AIM should continue to take the lead in innovation and accordingly we will be taking the opportunity to focus, not just on the ruleset but also on the technology and infrastructure that supports AIM. Based on the feedback we have received so far, we have set out areas for future development but welcome further input about areas for future development.

1. Dedicated AIM Marketing Tools and Digital Presence

Respondents commented that over time the positioning and branding of AIM has become increasingly aligned with the Exchange and LSEG's broader offering and this has contributed to a sense of AIM having lost some of its uniqueness. Whilst respondents recognised many of the benefits of being part of the Exchange's broader funding continuum strategy and infrastructure, there was a call for AIM to be supported by a more distinct and impactful marketing and education strategy, highlighting its uniqueness in global markets and more clearly articulating the features we have set out in "The Purpose of AIM" above.

Based on this feedback, we will be looking to ensure AIM's digital presence clearly articulates the benefits and use cases of AIM and brings together content that currently exists. Our Issuer Services offering provides a comprehensive suite of data and tools to support the Investor Relations Corporate and Treasury functions of the companies already admitted to our markets. However, this content is often less visible to companies considering joining our markets. We intend to more clearly integrate this currently disparate content to create a more comprehensive set of tools and marketing resources for applicants, AIM companies, investors and their advisers to support their journey on AIM. We will also be exploring how we can be more ambitious and use technology to be able to provide insights that would be helpful to AIM companies and their investors.

We welcome feedback on the types of information and services market participants would like to see to help us further evolve our offering.

2. Admission Documents

We have received valuable insights into what market participants value in respect of AIM Admission Documents, and we believe there is an opportunity to substantively rethink the AIM Admission Document.

Currently, AIM Admission Documents are based on the historical Prospectus Regulations, which were designed to be pan-European, broad in nature and we now consider are not sufficiently tailored towards the needs of venture type companies. Investors noted that the document has become unnecessarily long, increasingly complex and not tailored to the specific needs of growth company investors. From a company perspective, the increased complexity has also increased the cost of producing the document and made the process more time consuming, particularly when compared to undertaking a private capital raising.

Some respondents noted that the value of the AIM Admission Document has diminished. In particular, respondents cited risk factors as an example of where documents have become more lengthy but less valuable, noting disclosures have become generic and broad, which often reduces their effectiveness.

Based on market feedback, we aim to redesign the AIM Admission Document to be more user-friendly and valuable for both companies and investors. We are currently exploring digital solutions to enhance its effectiveness and have started to consult technology providers to support this development.

Feedback from investors showed support for an Admission Document that is simplified and focused on the material disclosures that are of interest to investors. For example, we received feedback that the value of the working capital statement in an AIM Admission Document does not warrant the cost of including it, and that investors place greater value on other financial information. This feedback supports dispensing with the statement in the Admission Document, and we have set out further details in Part 3 above.

Whilst the POATRs will impose minimum mandatory information requirements for AIM company Admission Documents, the Exchange will retain control over the remainder of its contents. Accordingly, we will seek to tailor the requirements to focus on the matters that investors have highlighted as being most relevant to them and will introduce incorporation by reference (which was broadly supported by respondents), all of which we consider will reduce the burden and costs of preparation. We will engage further with the market to ensure that the changes we propose will strike the right balance between reducing preparation costs for companies and providing the core information investors require to make their investment decisions. We will be engaging with relevant market participants as we undertake this rethinking of the AIM Admission document.

3. Secondary Market Trading

As we consider how we might innovate trading of AIM securities, **we would welcome proposals and ideas from market participants.**

Engagement with trading systems: The Exchange is considering various ways to support and facilitate market participants accessing and engaging with our trading systems in ways that suit them.

We note that a large proportion of AIM companies trade on our SETSqx platform, which is largely a quote driven service alongside periodic auctions throughout the day to concentrate liquidity and where market participants can engage directly with the order book. We have received feedback that market participants would appreciate more opportunities to engage directly with the order book. Accordingly, we are considering ways in which we can support more direct access to the order book within the SETSqx environment whilst still providing the concentration of liquidity needed to support effective and efficient trading.

We will also be considering how our digital capabilities might be leveraged to support innovation in our trading technology offering in future.

Supporting Secondary Fundraisings: The Exchange is considering introducing trading halts for secondary fundraises. Feedback has suggested that this would be beneficial to companies and investors by significantly reducing the transaction risk, enabling them to have more open discussions with, and raise funds from, a wider group of potential investors including retail investors and those who would not normally be wall-crossed. The Exchange considers that trading halts will support companies to conclude a fundraise without the concern of rumours, leaks and/or speculative trading, which can potentially cause undue price volatility. There is precedent in other international markets that support the concept of trading halts, and we will evaluate further the approach taken in international markets and the process an AIM company and its nominated adviser would need to follow to request a trading halt.

We welcome any thoughts market participants may have on the proposal.

CLOSING REMARKS & NEXT STEPS

Whilst it is not the intention of this Feedback Statement to set out full details of all responses, we have sought to fairly summarise the feedback we have received.

We greatly appreciate the level of engagement from stakeholders from across the market, which has demonstrated the significant level of support for AIM within the UK's capital markets. This engagement has not only been invaluable for helping us to shape AIM for the needs of market participants but also demonstrates that AIM retains a level of market support and commitment that will position it well for the future.

Following the publication of this Feedback Statement, we will focus on the following areas of development:

- **Continuing our engagement with government** and advocating for changes that will support AIM's success
- **Ensuring our approach to derogations and change of guidance delivers immediate impact** for AIM companies and investors. These will be followed in the first half of next year, with a consultation on AIM Rule changes and a new technical note for nominated advisers
- **Considering changes we can make to secondary market** for example considering way to support and facilitate market participants accessing and engaging with our trading systems in ways that suit them.
- **Advancing proposals to digitise and re-evaluate the Admission Document.** While this may take longer as we explore the options, it remains a key commitment as a digital format should streamline the admission process, reduce the administrative burden for companies, and improve accessibility for all stakeholders.

Our plan seeks to address respondent's feedback whilst capitalising on the growth opportunities for AIM companies, investors and the market more broadly. We will continue to engage closely with stakeholders and welcome any further comments and thoughts on the direction of travel set out in this Feedback Statement, which will assist us in further developing and implementing our proposals.