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# Inside AIM

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## Staffing of Nominated Advisers

We work closely with nominated advisers to ensure that they can maintain up to date and relevant AIM knowledge within their corporate finance functions to enable them to carry out the obligations they owe to London Stock Exchange under the AIM Rules for Nominated Advisers (“**Nomad Rules**”).

In this Inside AIM, we set out answers to some of the frequently asked questions in respect of staffing, particularly taking into account wider market conditions and trends.

### Relevant Transactions

Market conditions can have an impact on the number of Relevant Transactions undertaken, as defined in Nomad Rule 5. Rule 5 provides discretion for us to consider equivalent work undertaken in respect of IPOs or other major public transactions where the work performed by the nominated adviser is similar to that of an AIM admission. When considering alternative transactions, we look for evidence that firms have undertaken work equivalent to the Admission Responsibilities set out in Schedule Three of the Nomad Rules and that the firm has retained overall management and responsibility for the transaction and transaction documentation. Below are examples of transactions we may consider accepting<sup>1</sup>:

- **Schemes of arrangement:** a UK takeover which is effected by way of scheme of arrangement where the nominated adviser has acted for the offeree and has led the drafting of the main scheme document.
- **Aborted transactions:** Transactions (that would otherwise be Relevant Transactions) which do not complete due to market conditions and where all relevant due diligence has been completed and the relevant documents are in final form.
- **Complex Relevant Transactions:** AIM Regulation would usually only expect one approved Qualified Executive (“**QE**”) to be the lead adviser on each Relevant Transaction, or a maximum of two if the Relevant Transaction is sufficiently complex to require it. Where a nominated adviser firm considers a Relevant Transaction to be complex, details should be provided of the roles of the two QEs executives as well as an explanation of why both should be credited with acting in a lead corporate advisory role.

We would also highlight that, as set out in Nomad Rule 5 and Inside AIM (Issue 1), both an applicant QE and an existing QE may cite the same Relevant Transaction if they have each been involved to an appropriate extent.

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<sup>1</sup> Such discretion is unlikely to be applied in relation to an entity seeking approval as a nominated adviser pursuant to Nomad Rule 2.





## **QE Applications**

We have regular conversations with nominated advisers about their current and future resourcing plans and we work with, and support, nominated advisers as they develop their wider corporate finance staffing. One question we receive regularly is whether a QE in an existing firm will automatically transfer as a QE if they change firm or join a firm which is considering applying to become a nominated adviser.

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**QE status is considered in the context of the firm and is not an individual qualification**

The wider staffing of the nominated adviser function beyond the minimum number of QEs is an important consideration for us (at both a junior and senior level). Accordingly, QE applications are considered in the context of the firm's overall staffing, management controls, senior management supervision (of the nominated adviser team), junior support and compliance function. Underpinning this is the principle that QE status is not an individual qualification, but a designation granted to the firm denoting those individuals within the firm who are authorised by the Exchange to lead AIM Rules advice for that nominated adviser. Accordingly, QE status is not automatically transferrable.

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**A number of factors will be taken into account when considering QE applications**

We will consider applications for QEs where a firm supports that individual to act as a QE on its behalf. Where an applicant is not able to demonstrate that all the required Relevant Transactions have been completed we may use the provisions of Nomad Rule 27 such as the requirement for ongoing supervision, as a condition of approval. In such circumstances we will look at a range of factors. For example, we will seek evidence that the applicant has a sound understanding of the UK corporate finance market and AIM in particular. We will also consider the support the applicant will receive and will take into account the wider staffing and controls within the firm.

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**Maintenance of standards is our key objective**

The criteria for QE approval are designed to ensure that a nominated adviser firm is in a position to meet its obligations owed to London Stock Exchange and thus to maintain standards across the market. We expect nominated adviser firms to bear this in mind when supporting a QE application and we will also take this into account in our considerations.

## **Ensuring coverage for nominated adviser obligations**

We are sometimes asked by nominated advisers about team working arrangements.

**Individual working arrangements will be considered**

Nomad Rule 4 refers to a 'full-time employee'. The intention underlying the reference to 'full-time' is to ensure that QEs give full attention to the role and thereby to address the circumstances of individuals who undertake other professional services or employment outside of the business of the firm, such as NED roles. The designation of QE is for the benefit of the firm so that it can demonstrate that its AIM company clients have real-time access to appropriately experienced staff to lead regulatory support and





advice. Therefore, a firm may consider individual working arrangements such as part-time or other forms of flexible working.

**Nominated advisers to ensure alternative arrangements do not impact performance of their obligations**

Nominated adviser firms need to demonstrate that satisfactory arrangements are in place such that the role of a nominated adviser can be fully discharged. For example, this will mean that AIM company clients have ongoing access to QEs that have full knowledge of the company and its developments to be able to advise and guide it on its AIM Rules obligations in a real-time market environment. If part-time or flexible working arrangements are agreed, then this should be arranged in a way that supports the performance of such obligations. For example, by ensuring that clients have access to more than one QE with the requisite knowledge of its business.

**Compliance**

An important element of the wider staffing of a nominated adviser firm is the compliance function. In addition to ensuring it has sufficient QEs, we encourage firms to consider what a “good” compliance function looks like, having regard to its specific structure and services. In our experience, the success of a compliance function is dependent on an engaged senior management team. When considering its compliance needs, amongst other things, a firm should consider a compliance function that:

- Has sufficient resources to be able to provide an appropriate level of attention to the compliance needs of the nominated adviser function;
- Is knowledgeable of the obligations set out within the Nomad Rules, as well having an appreciation of the wider UK corporate finance market;
- Provides oversight of compliance with the firm’s corporate finance manual, including responsibility for any training in relation to the manual and for updates to it, where necessary;
- Understands and appreciates relevant risks and how these are managed;
- Is fully engaged with the nominated adviser team and provides a source of senior input; and
- Has a mandate from management and the experience to provide independent challenge.

**Maintenance of knowledge and experience**

Nominated advisers ask us about the benefits of commissioning an external review or training in respect of their obligations to London Stock Exchange and their understanding of the AIM Rules. Whilst we appreciate that firms might consider that taking external advice could evidence a commitment to their compliance with the Nomad Rules, we question the benefits of this approach noting that the role of a nominated adviser is different to that of other professional services firms. We think it is more meaningful for a nominated adviser to engage the experience and expertise within its team when conducting a review.

We generally find that the nominated adviser firms that share knowledge internally, have experienced staff beyond individual QEs, focus on individual and collective performance and supervision, and have good levels of management engagement along with an embedded compliance culture, are better placed to meet their nominated adviser obligations. We are always very happy to provide support and to provide firms with our experience gained from engagement across the market when they are considering or designing an internal review.

