

AIM changes to avoid Brussels red tape

AIM has changed its regulatory status to avoid being burdened by new European directives.

On 12 October 2004

AIM became an "exchange regulated market" and as a result has largely preserved its current streamlined admissions process.

Feedback to the London Stock Exchange from the major institutional investors is that the change will have no impact on the ability of these investors to continue holding AIM securities. There are, however, two changes that will affect AIM companies:

- public offers of over €2.5m (cumulative) in any year to more than 100 legal persons will require a full prospectus in line with the new European Prospectus Directive, expected to apply from 1 July 2005. The prospectus will be pre-vetted by the UKLA. Public offers covered by the rule will include rights issues and open offers
- fast track admission from AIM to the Official List will also be lost. A company moving to the Official List from AIM will be required to produce full prospectus.

Since its launch nine years ago, AIM has been a highly successful market for smaller, growing companies. As at the end of September 936 companies were admitted to AIM (842 UK and 94 international), there are 73 nominated advisers, 35 market makers and the total market capitalisation is approximately £25 billion.

With its streamlined admissions process, more moderate regulation, tax breaks, coverage of a broad range of industrial sectors and access to capital from both institutions and private investors, the London Stock Exchange was keen to preserve the characteristics that have made AIM so successful.

More changes are being discussed further to strengthen AIM's reputation. Although nothing is firm, under plans being considered AIM entrants may be required to have a trading record and offer a minimum proportion of shares to the market.

Speechly Bircham has acted on numerous AIM admissions since the start of the market in 1995. Our recent experience includes:

- Newport Networks Group plc on its AIM float in May with a market capitalisation of £44.7 million, raising £27 million of new money
- OneClick HR plc on its £2.4 million placing in March.

If you have any concerns or questions on the impact of these changes or any other public market issues, please contact Tom Shaw on 020 7427 6509.