



# UK Listing Choices for Overseas Companies

The UK is a popular place for non-UK companies to secure a public listing for their securities. Joining a market in the UK brings access to a wide investor base and raises a company's profile. The UK offers a range of listing options with different levels of regulation and standing.

This note gives some background to the UK listing regime and considers the options available for overseas companies wishing to list in the UK. It also summarises the entry requirements for the markets and the continuing obligations that will apply once a company joins a market.

## THE UK LISTING REGIME

### The Official List

If a company wants a listing in the UK it will have to apply to the **Financial Services Authority (FSA)** (the regulator of the UK financial services sector and listing regime) to join the **Official List**. It will also have to apply to join a market such as the **Main Market** of the **London Stock Exchange (LSE)** or the Plus-listed market operated by **PLUS Markets**.

As the UK's competent authority for listing, the FSA sets and administers the criteria governing admission to the Official List. Its listing regime is comprised of three parts, stemming from EU Directives:

- **Listing Rules (LRs)**: these set out the basic conditions which need to be satisfied if a company's securities are to be eligible for admission to the Official List. They also set out additional requirements when a company seeks a premium listing for its shares (see Premium or standard listing).
- **Prospectus Rules (PRs)**: these implement the EU Prospectus Directive and require a prospectus to be published when securities are to be admitted to a **regulated market** or offered to the public.
- **Disclosure Rules and Transparency Rules (DTRs)**: these implement the EU Market Abuse Directive and the EU Transparency Directive and set continuing obligations for securities admitted to a regulated market.

### Premium or Standard Listing

The Official List is divided into two listing segments: "premium" and "standard". To obtain a **premium listing**, a company must comply with the listing requirements imposed by EU legislation and also with more onerous "super-equivalent" standards set by the FSA and included in the Listing Rules. To obtain a **standard listing**, a company has to comply with the requirements imposed by EU legislation.

It is only possible to admit equity shares to a premium listing. Other securities such as securities convertible into equity shares and depositary receipts can only have a standard listing. The Official List makes it clear what type of listing a company has. Under the Listing Rules, a company cannot describe itself as having a premium listing or make any suggestion that this is the case if it has a standard listing.

## Alternatives to Listing

As an alternative to joining the Official List, companies can access capital in the UK through certain Exchange-regulated markets. In this case the company's securities are "quoted" rather than "listed" and so do not need to comply with the full listing regime requirements. The most well-known of these markets is *AIM*, the LSE's junior market. Another alternative is admission to trading on PLUS-Quoted, a market operated by PLUS Markets. Certain elements of the listing regime still apply such as the requirement in the Prospectus Rules for a company to publish a prospectus if it is offering shares to the public regardless of the market it is joining.

## CONSIDERATIONS FOR OVERSEAS COMPANIES

### Choice of UK Market

Against this regulatory background, an overseas company wishing to use a UK market for its shares or certificates representing shares has the following options:

- **An Official List premium listing of equity shares on the LSE:** a listing of shares on the LSE's Main Market where the issuer has to meet the UK's highest listing standards (referred to as super-equivalent standards as they are higher than the minimum standards prescribed by the EU directives referred to above). There are three categories within the premium listing segment: equity shares issued by commercial companies, equity shares issued by closed-ended investment funds and equity shares issued by open-ended investment companies.
- **An Official List standard listing of shares on the LSE:** a listing on the LSE's Main Market where the issuer has to meet minimum EU standards for listing (this was formerly known as a secondary listing).
- **Admission to AIM:** admission to trading of shares on AIM, the LSE's junior market, which is more lightly regulated than the Main Market and has less onerous entry requirements.
- **An Official List standard listing of global depositary receipts (GDRs) on the LSE's Main Market.**
- **An Official List standard listing of GDRs on the LSE's *Professional Securities Market* (PSM).**
- **An Official List listing of equity (premium or standard listing) or depositary receipts (standard listing) on PLUS-listed.**
- **Admission to trading of equity or depositary receipts on PLUS-quoted.**

### Factors to Consider in Choice of Market

A company will have to decide which of the available markets it wishes to join. Relevant factors in making this choice are:

- **The desirability of raising the company's profile in the jurisdiction.** If a company is carrying on business in a particular country, being listed on that country's stock exchange may be a way of raising the company's profile. Being listed on the Main Market will give the company the most status and recognition in the UK.
- **Profile of companies listed on that exchange.** Considering the profile of other companies listed on the relevant exchange may indicate whether the market is suitable for the company seeking a listing. A number of companies admitted to AIM are smaller companies and many have a short trading record (so they cannot meet the more stringent criteria for a Main Market listing). Some larger companies may, however, decide to seek admission to AIM because of the "lighter touch" post admission regime.
- **Entry requirements of a particular market (see below).** A company must consider whether it can meet the entry requirements of the market on which it wishes to list.
- **Level of regulation/degree of disclosure required by a particular market (see below).** Higher levels of regulation normally mean that the company will incur a higher cost in complying with the requirements. However, higher levels of regulation will have a positive impact on investor confidence.
- **Accounting requirements.** If a company wants to join a market that is a regulated market, the financial information in the prospectus will have to be prepared in accordance with ***International Financial Reporting Standards (IFRS)*** as adopted by the EU (subject to certain exceptions). Also the periodic financial information it has to publish will have to be prepared in accordance with IFRS.
- **Index inclusion.** A company with shares admitted to trading on the Main Market of the LSE is potentially eligible for the FTSE UK Index Series including the FTSE 100 index. This brings greater liquidity and creates a basis for portfolio trading by both active and passive investors.

- **The type of investors it wishes to access.** Some markets, such as the LSE's Professional Securities Market, are aimed at institutional investors only. If a company wants to reach a wide retail base of shareholders, it should consider listing its shares on the Main Market or AIM.

## Listing shares or depositary receipts

**Depositary receipts** (DRs) are certificates that represent ownership of a certain number of a company's securities, usually shares. They can be listed and traded on a market independently from the underlying securities. DRs are typically traded in US dollars and are issued by a depositary bank. Several forms of DRs can be listed and traded in London including Global Depositary Receipts (GDRs) and American Depositary Receipts (ADRs). DRs can be admitted to the standard listing segment of the Main Market, the Professional Securities Market (PSM), AIM and PLUS Markets.

Non-UK issuers from emerging markets often choose to admit DRs to the Main Market as they are listed under a less onerous regime and this form of security brings a number of advantages to holders. DRs are usually quoted and pay dividends in currencies that are attractive to international investors such as dollars or Euro. They will also usually be settled in central depositories such as Euroclear or Clearstream.

## Markets and Types of Security Eligible for Admission

	NAME OF MARKET	ELIGIBLE SECURITIES	TYPE OF MARKET
Premium Listing	Main Market of the London Stock Exchange	Equity shares	Regulated market
	PLUS-listed	Equity shares	Regulated market
Standard Listing	Main Market of the London Stock Exchange	Shares Convertible securities and warrants Depositary receipts	Regulated market
	PLUS-listed	Shares Convertible securities and warrants Depositary receipts	Regulated market
	Professional Securities Market of the London Stock Exchange	Depositary receipts	Not a regulated market
Quotation	AIM	Shares Convertible securities and warrants Depositary receipts	Not a regulated market
	PLUS-quoted	Shares Convertible securities and warrants Depositary receipts	Not a regulated market

## PREMIUM AND STANDARD LISTINGS ON THE MAIN MARKET OF THE LSE

### Admission Criteria

#### Comply with Requirements in LR2

The admission criteria set out in chapter 2 of the Listing Rules (*LR 2*) include:

- The company must be incorporated according to the relevant laws of its place of incorporation and be acting in conformity with its constitution.
- The shares must conform with the law of its place of incorporation, be authorised by the applicant's constitution and have any necessary statutory or other consents.
- The shares must be admitted to trading on a regulated market for listed securities operated by a **Regulated Investment Exchange** (RIE) (such as the Main Market of the LSE).

- The shares must be freely transferable and free from any liens or restrictions on the right of transfer.
- The market capitalisation of the shares to be listed must be at least £700,000.
- The applicant must apply to list the whole class of the shares for which admission is sought.

## Prepare a Prospectus

The company must produce a prospectus in accordance with the Prospectus Rules. The prospectus must be approved by the FSA and published. If another EEA State is the issuer's *home state*, the prospectus will be approved by the competent authority in that state and can then be "passported" into the UK.

The historic financial information in the prospectus covering the last three financial years must be prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. For companies incorporated outside the EU, the accounts must be prepared in accordance with IFRS or with that country's national accounting standards provided these have been accepted as equivalent to IFRS. The standards of the US, Japan, China, Canada, South Korea and India have been accepted by the European Commission as equivalent.

Where a country's standards are not equivalent, the accounts must be restated although there is a transitional period to 31 December 2011 during which such issuers may continue to provide financial information in a prospectus in accordance with accounting standards that are converging with IFRS.

A prospectus drawn up in accordance with the legislation of a non-EEA country in which an issuer has its registered office can, in certain circumstances, be approved by the competent authority of that issuer's home state. The European Securities and Markets Authority (ESMA) will assess the laws and regulations on securities and prospectuses of certain third countries and, in accordance with a framework it has adopted, publish a list of additional information that must be included in a "wrap" to a prospectus from such country in order for it to meet the requirements of the Prospectus Directive. So far, ESMA has published such a statement in relation to Israel.

## At Least 25% of Shares in Public Hands

A sufficient number of shares must be distributed to the public in one or more EEA states by the time of admission. A sufficient number is deemed to be 25% of the shares for which admission is sought. Shares held by directors and their connected persons, by trustees of the company's share plans or pension scheme, by persons with board appointment rights and those holding an interest of 5% or more do not count as shares in public hands.

The FSA will not admit shares to the Official List of a company incorporated outside the EEA unless it is listed in its country of incorporation.

## Additional Requirements for a Company Seeking a Premium Listing

### Accounts

There are additional accounting requirements in LR 6 including that the company's accounts must:

- Cover at least three years.
- Be the latest accounts for a period ended not more than six months before the date of the prospectus.
- Be consolidated accounts for the applicant and all its subsidiary undertakings.
- Have been independently audited in accordance with the auditing standards applicable in an EEA state or an equivalent standard and reported on by the auditors without modification.

The applicant must take all reasonable steps to ensure that its auditors are independent and obtain written confirmation that they comply with independence guidelines issued by their national accountancy and auditing bodies.

### Three Year trading Record Required

The applicant must be able to show that at least 75% of its business is supported by a historic revenue earning record covering its last three years' accounts. It must also be able to show that it controls the majority of its assets and has done so for the last three years and that it is carrying on an independent business as its main activity. There are special rules for mineral companies and scientific research based companies.

## Compliance with UK-standard Pre-emption Rights

The company's constitution must confer pre-emption rights on shareholders equivalent to the UK pre-emption rules. Going forward, the company must offer shareholders pre-emption rights on issues of equity securities for cash unless it has their consent for these to be disapplied.

## Sufficient Working Capital

An applicant has to show that it and its subsidiary undertakings have sufficient working capital available for the group's requirements for the next 12 months from the date the prospectus is published. The statement cannot be qualified in any way. Note that a company applying for a standard listing that is producing a prospectus to which Annex III applies also has to include a working capital statement in the prospectus in accordance with the Appendix to the Prospectus Rules. This can be qualified however.

The FSA may dispense with the working capital requirement in the Listing Rules where the applicant's business is entirely or substantially banking, insurance or similar financial services.

## Electronic Settlement

The shares must be eligible for electronic settlement through a system such as **CREST**. In practice, this will require either making use of the Crest Depository Investments facility available through certain overseas clearing systems with which Euroclear UK has arrangements or a separate depository interest structure being used.

## Sponsor Required

A company with, or applying for premium listing of equity shares, must have a **sponsor** to guide the company through the listing process and on certain occasions when its shares are listed.

## Eligibility Criteria: Main Differences Between a Premium and a Standard Listing of Equity Shares

PROVISION	PREMIUM LISTING	STANDARD LISTING
Admission Document	Prospectus	Prospectus
Minimum Market Capitalisation	£700,000	£700,000
Free Transferability of Shares	Yes	£700,000
Requirement For Audited Historic Financial Information	3 years	N/A
Requirement For Three Year Revenue Earning Record	Yes (covering 75% of business)	N/A
Requirement for Control Over Majority of Assets for the Prior Three Year Period	Yes	N/A
Requirement for Unqualified Working Capital Statement	Yes	N/A
Requirement for Shares In Public Hands	Yes (25%)	Yes (25%)
Requirement to Appoint Sponsor	Yes	No

## CONTINUING OBLIGATIONS: PREMIUM AND STANDARD LISTING

### Disclosure of Inside Information (DTR 2)

The company will be subject to chapter 2 of the Disclosure and Transparency Rules (DTR 2) and have to disclose and control the circulation of inside information. This means that the company has to notify an **RIS** as soon as possible of any **inside information** which directly concerns the company. In brief, inside information is information that is likely to have a significant effect on the price of the company's financial instruments. The company must also publish such information on its internet site by the following business day. There are very limited circumstances in which an issuer can delay the disclosure of inside information.

### Periodic financial information (DTR 4)

If the UK is the company's **home state** it will have to comply with chapter 4 of the Disclosure and Transparency Rules (DTR 4) and produce:

- An annual financial report including audited financial statements prepared in accordance with IFRS, a management report and responsibility statements by the persons responsible at the company.

- A half yearly financial report covering the first six months of the financial year including a condensed set of financial statements, an interim management report and responsibility statements.
- An interim management statement in a fixed window during the first six months and second six months of the financial year. If the company reports quarterly, it will be taken as satisfying these requirements.

Where a company has depositary receipts admitted to listing and not shares, it will have to comply only with the requirements for an annual financial report.

Note that companies incorporated in Switzerland, the US or Canada do not have to comply with these requirements. This follows the FSA accepting that the requirements in these countries are equivalent to the DTR requirements (see the UKLA website, Equivalence of non-EEA regimes).

The company must also file an **annual information update** with the FSA that refers to or contains all regulated information that the company has published or made available to the public within and outside the EEA over the preceding 12 months. The update must be filed within 20 working days of the date on which the issuer files its annual accounts with the FSA.

## Notification of Shareholdings (DTR 5)

Again if the UK is its home state, the company will be subject to chapter 5 of the Disclosure and Transparency Rules (DTR 5). DTR 5 relates to the acquisition or disposal of major shareholdings and voting rights and requires major holders to notify the company when their holding or deemed holding reaches a certain size. DTR 5 also imposes certain requirements on companies including that they make monthly notifications to the market with details of their issued share capital.

For non-UK companies, the notification thresholds and time limits for notification are less stringent than for UK companies. Companies incorporated in the USA, Japan, Israel or Switzerland are exempt from DTR 5 as they are deemed to have a regime equivalent to that set out in DTR 5 (see the UKLA website, Equivalence of non-EEA regimes).

## Access to Information (DTR 6)

DTR 6.1 sets out certain information requirements for companies whose home state is the UK. These include that the company must treat its shareholders equally in providing information and ensure that they can exercise the rights attached to their shares and appoint proxies for voting. A company must notify the FSA and the relevant market when it wants to amend its constitution.

Note that companies incorporated in Switzerland do not have to comply with parts of DTR 6.1 as the FSA has accepted that the Swiss requirements are equivalent to the DTR requirements (see the UKLA website, Equivalence of non-EEA regimes).

## Corporate Governance Requirements (DTR 7)

Companies with either a standard or a premium listing have to comply with certain corporate governance disclosure requirements in DTR 7. Companies with a premium listing are now subject to a more onerous regime as discussed below and all listed companies must include a corporate governance statement in its directors' report explaining the corporate governance code to which it is subject or which it has voluntarily decided to apply. The company must also describe its internal control and risk management arrangements.

## Admission and Disclosure Standards

A company with securities admitted to any of the LSE's markets (except AIM) has to comply with the LSE's **Admission and Disclosure Standards**. These contain requirements on disclosure of information and communications with the LSE on top of the requirements in the Listing Rules and the DTR.

## Further Share Issues

A company with a standard or a premium listing will need to have approved and publish a prospectus not just if it wishes to offer its shares to the public in the UK but also if it proposes to issue shares which will result in its issued share capital increasing by 10 per cent or more in any rolling 12 month period. This latter obligation does not apply to companies listed on AIM.

## ADDITIONAL CONTINUING OBLIGATIONS FOR COMPANIES WITH A PREMIUM LISTING Listing Principles (LR 7)

A company with a premium listing of equity shares has to comply with the **Listing Principles** in LR 7. These are broadly drafted and are intended to ensure that companies pay due regard to the fundamental role they play in maintaining market confidence and ensuring fair and orderly markets. They are also designed to assist companies in identifying their obligations and responsibilities

under the Listing Rules and the DTRs.

The Listing Principles are as follows:

- Principle 1: A listed company must take reasonable steps to enable its directors to understand their responsibilities and obligations as directors.
- Principle 2: A listed company must take reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations.
- Principle 3: A listed company must act with integrity towards holders and potential holders of its listed equity shares.
- Principle 4: A listed company must communicate information to holders and potential holders of its listed equity shares in such a way as to avoid the creation or continuation of a false market in such listed equity shares.
- Principle 5: A listed company must ensure that it treats all holders of the same class of its listed equity shares that are in the same position equally in respect of the rights attaching to such listed equity shares.
- Principle 6: A listed company must deal with the FSA in an open and co-operative manner.

### Continuing Obligations Including Corporate Governance Requirements (LR 9 and DTR 7)

A company that has a premium listing of equity shares must comply with LR 9 which sets out a number of continuing obligations once a company is admitted to the Official List. These include:

- The company must have a share dealing code in place restricting share dealings by directors and certain senior executives.
- The company must notify changes in its capital structure and also changes to the board.

LR 9 also contains certain requirements on financial information to be published by companies which are in addition to the requirements in DTR 4. For example, if a listed company publishes any unaudited financial information in a **class 1 circular** or a prospectus or any profit forecast or profit estimate, it will have to republish these when it next announces financial information and report against actual performance for the relevant period.

There are certain modifications of the general obligations in LR 9 for overseas companies including that they do not have to comply with certain detailed disclosure requirements in their annual accounts. An overseas company:

- Has to include a statement in its annual accounts of how it has applied the Main Principles set out in the **UK Corporate Governance Code** in a manner that would enable shareholders to evaluate how the principles have been applied. It must also state whether it has complied with the relevant provisions set out in the UK Corporate Governance Code and explain where it has not so complied. This means overseas companies are subject to the same disclosure requirements as UK companies.
- Has to comply with the provisions regarding offering pre-emption rights to existing shareholders.

An overseas company with a premium listing which complies with the requirements above regarding the UK Corporate Governance Code will be taken to have complied with certain requirements of DTR 7.2.

### Pre-emption Rights

An overseas company with a premium listing proposing to issue equity securities for cash or to sell treasury shares that are equity shares for cash must first offer these to existing shareholders in proportion to their shareholdings unless shareholders agree otherwise.

### Significant Transactions (LR 10)

Under the Listing Rules a company with a premium listing has to notify shareholders of certain transactions and give them the opportunity to vote on the larger ones. LR 10 applies to “significant transactions” and sets out the different types of transactions and how and when shareholders should be notified. There are also rules regulating transactions with a **related party** such as directors and significant shareholders and in certain circumstances requiring these to be approved by independent shareholders.

## Continuing Obligations: Main Differences Between a Premium and a Standard Listing of Equity Shares

PROVISION	PREMIUM LISTING	STANDARD LISTING
Requirement for a Sponsor	Yes (in specified circumstances)	No
Listing Principles Apply?	Yes	No
Corporate Governance Requirements	Comply or explain against the UK Corporate Governance Code/Combined Code	Include corporate governance statement in directors' report
Compliance with Model Code	Yes	No
Significant transaction (class test) rules apply	Yes	No
Related party transaction rules apply	Yes	No
Obligation to disclose inside information as soon as possible	Yes	Yes
Obligation to maintain an insider list	Yes	Yes
Requirement for an annual information update	Yes	Yes
Major shareholding notification regime applies	Yes	Yes
Requirement for persons discharging managerial responsibilities to disclose deals	Yes	Yes
Requirement to offer pre-emption rights	Yes	Not under Listing Rules but company law may impose such a requirement
Prospectus required for further issues	Yes (in certain circumstances)	Yes (in certain circumstances)
Requirement for annual report and accounts	Yes	Yes
Requirement for half yearly reports	Yes	Yes
Requirement for interim management statements	Yes	Yes

## ADMISSION TO AIM

### Admission Criteria

A company wishing to join AIM must comply with the procedure set out in the *AIM Rules for Companies* (AIM Rules). The main requirement is that the company must be “appropriate” for market. This judgement is made by the company’s **nominated adviser** (nomad) who plays a key role in the admission process.

A company applying to AIM must:

- Appoint and retain a nomad at all times (*Rule 1, AIM Rules*). The nomad is responsible to the LSE for assessing the appropriateness of a company for AIM and for advising and guiding an AIM company on its responsibilities under the AIM Rules.

- Appoint and retain a broker at all times (*Rule 35, AIM Rules*). This may be the same firm as the nomad and must be a securities house that is a member of the LSE. The broker must try and match bargains notified to it in order to ensure that investors are able to trade their chosen stocks at the earliest opportunity.
- Have shares which are freely transferable and eligible for electronic settlement (*Rules 32 and 36, AIM Rules*).
- Admit all, and not some only, of the shares in the particular class to be admitted (*Rule 33, AIM Rules*).
- Prepare a prospectus in accordance with the Prospectus Rules if its shares are being offered to the public. Otherwise it has to prepare an admission document (*Rule 3, AIM Rules*). This must include all relevant information prescribed by the AIM Rules including information on the company and its activities, financial information covering the latest three financial years and any projections and details of all directors.
- If the company's business has not been independent and revenue-earning for at least two years, the directors of the company or any group company and the substantial shareholders (anyone holding an interest, directly or indirectly in 10% or more of the class of security to be admitted, or 10% or more of the voting rights relating to the company) or any applicable employees must enter into a one-year lock up from the date of admission of the securities (*Rule 7, AIM Rules*).

The table below highlights the main differences in the admission criteria for the Main Market and AIM.

MAIN MARKET	AIM
Minimum 25% shares in public hands.	No minimum shares to be in public hands.
Normally three-year trading record required.	No trading record requirement.
Prior shareholder approval required for Class 1 acquisitions and disposals.	No prior shareholder approval for Class 1 transactions. Approval only required for reverse takeovers or disposals resulting in a fundamental change of business (see Rules 14 and 15, AIM Rules).
Pre-vetting of prospectus by the FSA.	Admission documents not pre-vetted by the LSE or the FSA unless the offering involves an offer to the public and therefore requires a prospectus in accordance with the Prospectus Rules.
Sponsors needed for certain transactions.	Nomad required at all times.
Minimum market capitalisation of £700,000 for shares.	No minimum market capitalisation.

## Fast-track Admission Route

There is a fast-track admission route (also known as the AIM designated market route) available for companies with shares that have already been listed for at least 18 months on the top tier or main board of the Australian Securities Exchange, Deutsche Borse Group, Johannesburg Stock Exchange, NASDAQ, NYSE, NYSE Euronext, NASDAQ OMX Stockholm, the Swiss Exchange, the TMX Group or the UKLA Official List. For details see *Practice note, Fast track to AIM*.

## Continuing Obligations for AIM Companies

The continuing obligations for an AIM company are similar to those of a company admitted to the Main Market but not as onerous. Also AIM is not a regulated market meaning certain provisions imposed by EU law do not apply to companies admitted to AIM (for example the obligations in the Market Abuse Directive to disclose inside information to the market as soon as possible and to keep lists of those with access to inside information). The main continuing obligations are:

- An AIM company must notify an RIS without delay of any new developments which are not public knowledge concerning a change in its financial condition, its sphere of activity, the performance of its business or its expectation of its performance, which, if made public, would be likely to lead to a substantial movement in the price of its AIM securities (*Rule 11, AIM Rules*).
- An AIM company must also notify an RIS without delay of certain events set out in Rule 17 including:
  - Any share dealings by directors.
  - Any changes to the holding of a significant shareholder (being a shareholder holding 3% or more of any class of security (excluding treasury shares)) that increases or decreases such holding through a single percentage. AIM companies are not subject to the notification of major shareholdings rules in DTR 5 but the LSE encourages AIM companies incorporated in a jurisdiction that does not have similar provisions to DTR 5 to include provisions in

their constitutional documents requiring significant shareholders to notify the company of relevant changes in their shareholdings in similar terms to the DTRs (*Part 2 - Guidance Notes, AIM Rules*).

- The resignation, dismissal or appointment of any director.
- Any material change between its actual trading performance or financial condition and any profit forecast, estimate or projection included in its admission document or otherwise made public on its behalf.
- Any decision to make any payment in respect of its AIM securities.
- The resignation, dismissal or appointment of its nomad or broker.
  - Any change in the AIM company's legal name or registered office.
- An AIM company must maintain a website which makes available, free of charge, certain information in accordance with Rule 26 of the AIM Rules. In particular, overseas companies should note that they are required to have a statement on the website explaining that the rights of shareholders might be different from the rights of shareholders in a UK incorporated company. The company must also make available on the site specified detailed information on the company and its advisers including its latest annual report, circulars sent to shareholders within the last 12 months and current constitutional documents.
- There are restrictions on directors and applicable employees dealing in the company's securities during a close period.

## Financial Reporting Obligations

AIM companies must produce half yearly reports including at least a balance sheet, an income statement, a cash flow statement and comparative figures for the corresponding period in the preceding financial year.

The report must be published within three months of the end of the relevant period (*Rule 18, AIM Rules*).

Annual reports must also be produced and an AIM company incorporated in an EEA country, the Channel Islands or the Isle of Man must present its report in accordance with International Accounting Standards. An AIM company incorporated elsewhere has a choice between IFRS, US GAAP, Canadian GAAP, Australian IFRS and Japanese GAAP.

## Corporate Governance

AIM companies are not subject to the UK Corporate Governance Code (or the UK's Combined Code) but there are non-binding guidelines on corporate governance applicable to AIM companies. These are:

- Guidelines issued by the Quoted Companies Alliance.
- The Corporate Governance Policy and Voting Guidelines for AIM Companies published by the National Association of Pensions Funds (NAPF)

## Corporate Transactions

The rules on disclosure of corporate transactions are not as onerous as the ones for Main Market companies. However:

- An AIM company must notify an RIS without delay as soon as the terms of a substantial transaction is agreed - that is one that exceeds 10% in any of the specified class tests (*Rule 12, AIM Rules*).
- An AIM company must also notify an RIS without delay of a transaction with a related party that exceeds 5% in any of the same class tests (*Rule 13, AIM Rules*).
- An AIM company will have to obtain shareholder approval before it:
  - Enters into a transaction that amounts to a reverse takeover - that is an acquisition (or series of acquisitions in a 12 month period) that exceeds 100% in any of the class tests or results in a fundamental change of business, board or voting control (*Rule 14, AIM Rules*).
  - Makes any disposal which, when aggregated with any disposals in the previous 12 months, exceeds 75% in any of the class tests (*Rule 15, AIM Rules*).

## LISTING OF DEPOSITARY RECEIPTS

### Listing Depositary Receipts on the Main Market

One option for an overseas company is to apply to list depositary receipts representing shares on the Main Market of the LSE. Depositary receipts will have a standard listing and the relevant requirements for listing are set out in chapter 18 of the Listing Rules. This includes requirements both relating to the company and to the depositary that holds the relevant shares and issues the receipts.

## Summary of Requirements Compared to Requirements for Listing Shares

<p><b>REQUIREMENTS FOR LISTING</b></p>	<p>The requirements are broadly the same as those in LR 2 relating to shares. Note that:</p> <ul style="list-style-type: none"> <li>▪ The underlying securities must be fully paid and freely transferable.</li> <li>▪ There must be a sufficient number of certificates in public hands in one or more EEA states. A sufficient number will generally be 25% of the issue. Account may be taken of certificates held in non-EEA states where the certificates are listed.</li> <li>▪ There should be no obligations on the depositary except to the extent necessary to protect holders of certificates.</li> <li>▪ The depositary issuing the certificates representing securities must be a suitably authorised and regulated financial institution acceptable to the FSA.</li> </ul> <p>The depositary receipts will have a standard listing so the additional requirements applicable to companies with a premium listing will not apply. This means, for example, the issuer does not need a sponsor.</p>
<p><b>ADMISSION DOCUMENT</b></p>	<p>The company will have to prepare a prospectus as it is applying to admit securities to a regulated market. The prospectus must comply with the minimum disclosure requirements of the "GDR Schedule", set out in annex 10 of the Prospectus Regulations. If the GDRs have a denomination of less than EUR 50,000, the issuer must also include a summary setting out any risks associated with the issuer and the GDRs. The summary disclosure requirements are set out in the PR 2.1.</p>
<p><b>CONTINUING OBLIGATIONS</b></p>	<ul style="list-style-type: none"> <li>▪ The issuer must comply with certain limited continuing obligations including publishing its annual accounts within six months of the end of the relevant period and maintaining sufficient numbers of securities in public hands.</li> <li>▪ The issuer is subject to the requirements to announce inside information as soon as possible, to restrict access to inside information and to keep insider lists in accordance with DTR 2.</li> <li>▪ The issuer will not have to comply with DTR 5 (notification of major shareholdings) unless the underlying shares are admitted to a regulated market.</li> <li>▪ The issuer will be subject to less extensive notification and filing requirements: it must notify changes to its constitution, changes to the rights attaching to the securities and any new loan issues. It will have to comply with certain filing requirements in DTR 6.2.</li> <li>▪ The company will have to include a corporate governance statement in the directors report in accordance with DTR 7.2.</li> <li>▪ The company has to comply with the LSE's Admission and Disclosure Standards.</li> <li>▪ The company has to publish an annual information update.</li> </ul>
<p><b>FINANCIAL REPORTING OBLIGATIONS</b></p>	<p>The issuer will have to prepare its annual report in accordance with DTR 4.1 and publish this within four months of its year end.</p> <p>It does not have to comply with the other periodic reporting rules in DTR 4 (so there is no need to publish a half yearly report or an interim management statement).</p>

An applicant for admission to listing of depositary receipts must comply with LR 3, although in addition to the normal requirements it must also submit a letter to the FSA explaining how it satisfies the requirements in LR 2 and LR 18.2 and must also keep a copy of the executed deposit agreement for six years after the admission of the relevant securities.

### Listing Depositary Receipts on the Professional Securities Market

Another option for a company listing depositary receipts is to apply to list these on the LSE's Professional Securities Market (PSM). The PSM is the LSE's market for the listing of specialist securities, including debt, depositary receipts and convertible securities. It is not a regulated market so the company will not have to prepare a prospectus in order for the certificates to be admitted to listing provided they are not being offered to the public. One of the main differences for issuers choosing to list depositary receipts on the PSM is that they do not have to prepare financial information to IFRS or an equivalent standard.

## Summary of requirements compared to requirements for listing shares

<b>REQUIREMENTS FOR LISTING</b>	<p>The requirements are broadly the same as those in LR 2 relating to shares. Note that:</p> <ul style="list-style-type: none"> <li>▪ The underlying securities must be fully paid and freely transferable.</li> <li>▪ There must be a sufficient number of certificates in public hands in one or more EEA states. A sufficient number will generally be 25% of the issue. Account may be taken of certificates held in non-EEA states where the company has a listing.</li> <li>▪ There should be no obligations on the depository except to the extent necessary to protect holders of certificates.</li> <li>▪ The depository issuing the certificates representing securities must be a suitably authorised and regulated financial institution acceptable to the FSA.</li> </ul> <p>The depository receipts will have a standard listing so the additional requirements applicable to companies with a premium listing will not apply. This means, for example, there will not be any need for a working capital statement or a sponsor.</p>
<b>ADMISSION DOCUMENT</b>	<p>The company will have to prepare listing particulars for approval by the FSA in accordance with chapter 4 of the Listing Rules. Issuers of depository receipts are not required to report historical financial information to IFRS or an EU approved equivalent standard either in listing documents or as a continuing obligation requirement, as the FSA allows these issuers to use their domestic accounting standards.</p>
<b>CONTINUING OBLIGATIONS</b>	<ul style="list-style-type: none"> <li>▪ The issuer must comply with certain limited continuing obligations including publishing its annual accounts within six months of the end of the relevant period and maintaining sufficient numbers of securities in public hands.</li> <li>▪ The issuer is subject to the requirements to announce inside information as soon as possible, to restrict access to inside information and to keep insider lists in accordance with DTR 2.</li> <li>▪ The company will have to include a corporate governance statement in the directors report in accordance with DTR 7.2.</li> <li>▪ The issuer will not have to comply with DTR 5 (notification of major shareholdings) unless the underlying shares are admitted to a regulated market.</li> <li>▪ The issuer will be subject to less extensive notification and filing requirements: it must notify changes to its constitution, changes to the rights attaching to the securities and any new loan issues. It will have to comply with certain filing requirements in DTR 6.2.</li> <li>▪ The company has to comply with the LSE's Admission and Disclosure Standards.</li> </ul>
<b>FINANCIAL REPORTING OBLIGATIONS</b>	<p>The company does not have to comply with the periodic financial reporting requirements in DTR 4. In accordance with the Listing Rules, it must publish its annual report within six months of its year end. This can be prepared in accordance with local GAAP rather than IFRS.</p>

An applicant for admission of DRs must comply with LR 3, although in addition to the normal requirements it must also submit a letter to the FSA explaining how it satisfies the requirements in LR 2 and LR 18.2 and must also keep a copy of the executed deposit agreement for six years after the admission of the relevant securities.

## ADMISSION TO PLUS MARKETS

PLUS Markets is an independent stock exchange that markets itself as an alternative to the London Stock Exchange for small and mid-cap companies. It is possible to admit shares, debt securities and GDRs to PLUS.

PLUS Markets offers two options:

- The PLUS-listed market: a primary market for established companies who are seeking admission to the Official List and a presence on an EU regulated market. As with joining the Main Market of the LSE, the company will have a choice of a premium or a standard listing.
- The PLUS-quoted market: a recognised investment exchange aimed at growing companies seeking access to a public market for the first time. There is a simpler admission process which does not impose specific eligibility criteria but instead requires companies to meet certain basic standards.

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Authorised and Regulated by the Solicitors Regulation Authority SRA Number: 77786