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SAMPLE CHAPTER FROM OUR EQUITY FINANCE ELECTIVE GUIDE

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OPTIONS

FOR LISTING

If a company has considered the advantages and disadvantages of listing (*see above*), and decides to raise finance by way of an IPO, it has a number of decisions to make about how exactly to proceed. These decisions are not exclusive and can be combined. For example, it is possible to have an offer with both retail and institutional elements (*see the following page*).

STEP 1:	Choose whether to list on **AIM** or the **Main Market** (*see below*)
STEP 2:	Choose between making a **domestic** or a **global offer** (*see below*)
STEP 3:	Choose between making an **institutional** and/or a **retail offer** (*see below*)

So, for example, a large British retailer could decide to list on the Main Market, by way of a domestic offer to both institutional and retail investors. Or a specialist mining company with operations throughout Africa could choose to list on AIM by way of a global offer to institutional investors.

Following the Listing Rules reform which came into force on 29 July 2024, the rules relating to Main Market listings have changed significantly, including the removal of the distinction between "premium" and "standard" listings (replaced with the single ESCC category). The reforms also removed or simplified certain approvals and ongoing disclosure requirements, with the hope of attracting more market participants to list on the Main Market.

1: AIM OR THE MAIN MARKET?

ADVANTAGES OF AIM	ADVANTAGES OF THE MAIN MARKET
Although listing requirements on the main market have reduced, requirements on AIM remain lighter which may be attractive for some companies.	There are **more investors** on the Main Market, which means access to more finance.
Less regulation – Only **DTR 2, 3 & 5** apply. Instead the less onerous **AIM Rules for Companies** apply (with additional rules for investment, mining, oil and gas companies). For example, there is no minimum market capitalisation (£30m on the Main Market), nor minimum shares required to be in public hands. *A brief summary of the **AIM Rules** is overleaf.*	There is much higher **analyst coverage** of the FTSE than of other indices and markets. This means that the larger companies on the Main Market will be much more likely to be subject to buy/sell recommendations, which means more investors and so access to more finance.

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ADVANTAGES OF AIM	ADVANTAGES OF THE MAIN MARKET
As AIM is not a regulated market, an FCA-approved prospectus may not be required under **s. 85(2) FSMA** – an admission document is required instead, which **does not need FCA approval**.	Greater **publicity & prestige**
Audited **accounts** only need to be published within 6 months of the end of the financial year (compared to 4 on the Main Market).	**Greater liquidity** on the Main Market – if at least 10% of shares are in public hands then shares will change hands more often, and so **a more accurate share price** can be set.
More **suitable for specialist funds and companies** (e.g. there are a lot of mining companies on AIM).	**Only a sponsor is required** at certain times, whereas AIM companies require a "NomAd" (nominated adviser) and broker at all times. NomAds are corporate finance advisers (usually firms) approved by the LSE.

AIM RULES – BRIEF OVERVIEW

A company admitted to AIM is not technically a "listed" company. AIM is a Recognised Investment Exchange. As AIM is not an official list, the **LR** do not apply to a company's shares admitted on AIM. However, **UK MAR** and **DTR 2, 3 & 5** still apply.

It is easier for AIM-listed companies to fall within exemptions for prospectus requirements. As AIM is a "prescribed" rather than a "regulated" market, there is an exemption under **s. 85(2) FSMA** (though note that there may still be an **offer to the public**).

However, an **admission document** is still required under **AIM Rule 3** (although it would not need FCA approval). Note that the admission document may be in the form of a prospectus.

The conditions for admission to AIM are less onerous. Notable **AIM Rules:**

Rule 31	The NomAd must ensure that the company has the management, financial controls and reporting systems sufficient to discharge its obligations.
Rule 32	Shares must be freely transferrable for buyers and sellers on the AIM exchange. For example, transfers must not be restricted by the company's articles.
Rule 36	Appropriate arrangements must be made to settle shares electronically.
Sch. 2 para. C	The admission document must contain a statement from the directors that the company has sufficient working capital for at least the next 12 months from the date of admission.

NOTE: there is no minimum market capitalisation requirement.

The company must be incorporated as a **public** company.

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ADMISSION PROCEDURE

- The NomAd conducts due diligence with the lawyers, who also draft the admission document.
- At least 10 business days before intended admission the applicant must provide the LSE with the information listed in **Sch. 1** (**AIM Rule 2**).
- At least 3 business days before intended admission the applicant must submit the application documents to the LSE (**AIM Rule 5**).
- Admission will occur once the LSE has issued a notice.

AIM Rules 1 & 35 provide that a NomAd and Nominated Broker must be appointed and retained at all times.

The NomAd will:

i:	determine if the company is appropriate for admission to AIM;
ii:	manage the float process; and
iii:	provide guidance and advice throughout the company's listing and its AIM-listed life.

If a company ceases to have a NomAd its shares may be suspended (and after a month its admission may be cancelled). The Nominated Broker is responsible for fundraising on flotation and for ensuring a market for buyers and sellers of the company's shares.

Continuing obligations – notable **AIM Rules:**

Rule 10	Notifications must be through a RIS and must not be misleading, false or deceptive, or omit relevant information.
Rule 11	The issuer is obliged to notify the market without delay of developments which are not yet public knowledge (in terms of its financial condition, sphere of activity, performance of business and expectations of its performance) that are likely to lead to significant price movement in its shares.
Rule 17	The issuer must disclose without delay any change in significant shareholdings (anyone holding 3% or more shares), its accounting reference date and its name.
Rule 18	Half-yearly reports must be published no later than three months from the end of the relevant report.
Rule 19	Annual audited accounts must be published no later than six months after the end of the financial year.
Rule 21	The issuer must have in place a reasonable and effective policy on the requirements and procedures for directors' and applicable employee's dealings in AIM securities.
Rule 26	The issuer must maintain an up-to-date website which is accessible for free.
Rule 42	Sets outs disciplinary points for a failure to comply with the **AIM Rules** such as being issuing a warning notice, a fine or cancellation of AIM securities.

NOTE: remember that AIM-listed companies remain subject to the **DTR 5** disclosure requirements.

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2: DOMESTIC OR A GLOBAL OFFER?

A global offer is an offer to a **wider base of investors** around the world – the additional interest could sell more shares or raise the price when compared to a domestic offer. Domestic offers are within one country, so by definition are offered to fewer investors.

Global offers require **compliance with many different regulatory regimes** – which means more legal fees and other costs. To avoid this, shares are often only offered to selected overseas institutional investors, e.g. to Qualified Institutional Buyers ("**QIBs**") in the US. This reduces the burden of complying with regulation, as the regulations that are in place to protect consumers is generally more stringent than that which protects sophisticated institutional investors.

Global offers can **raise the public profile of the company** in the countries to which its shares are on offer, leading to more investment, but also to more business generally in those countries.

Global offers may **not be suited to companies which do not have a presence outside the UK**. Domestic offers would be more appropriate for such companies.

3: INSTITUTIONAL OR RETAIL OFFER?

RETAIL	INSTITUTIONAL
Costly – a Receiving Bank is required to deal with share applications, and more advertising is needed.	**Cheaper** – because shares are offered through an investment bank which brokers directly to institutional investors.
Takes longer – because more time is needed to process share applications and put out marketing.	**Quicker** – involves fewer investors and they are generally identified prior to launch (unless it is a Global offer *(see below)*)
Greater liquidity – a larger shareholder base with more people buying and selling means a **more accurate valuation of the shares**.	**Less liquidity** – an institutional offer will initially result in fewer shareholders each holding larger amounts of shares. This may mean a less accurate share price, but it may be **easier** for the Board to negotiate with a few large shareholders rather than with the public at large (but note that the opposite can also be true – it depends on who the large shareholders are and what they want).
Suitable for well-known companies in the public eye (e.g. retailers).	**Suitable for companies In specialist or niche sectors**, or for those with a low public profile.

Once the company has decided whether its offer will be on AIM or the Main Market and global or domestic and retail and/or institutional, it will have to make preparations for listing and decide on the particular offering method for its primary share issue (*this is discussed in the following chapters).*

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