

AQSE Consultation Response

In August, AQSE published for consultation proposed changes to the Rules governing admission to the Access and Apex segments of the AQSE Growth Market.



AQSE thanks all those who responded to the consultation for their helpful and constructive comments. Responses were largely supportive of the proposals, with some thoughtful questions and suggestions.

Q1 Do you agree with the proposal to introduce a template format for additional information disclosures about the issuer and the securities?

There was support for this proposal, with respondents welcoming the move to simplify the admission document and ensure consistency of approach.

There were some requests for clarification. In particular, confirmation was sought that:

- no information currently required in the admission document could be excluded under the proposed new rules; and
- there is no change in terms of responsibility and accountability for the information provided in the template.

Additionally, respondents noted that the 5% threshold for disclosure of shareholders (4.1.1, "Major Shareholders") is not consistent with DTRs, where the threshold is 3%.

There were also requests that AQSE add a requirement to include a description of changes to the share capital in the 12 months preceding the date of the admission document as this is information of particular interest to investors in early-stage companies.

Disclosure of major shareholders

The 5% threshold for disclosure of major shareholders was intended to ease the burden of disclosure for issuers and is in-line with the Growth Prospectus disclosure threshold. However, having considered the comments made, AQSE can accept that inconsistency with the DTRs may lead to an additional administrative burden. For the sake of simplicity, AQSE therefore proposes to amend the disclosure threshold to include persons who have shareholdings representing 3% interest or more of capital or total voting rights.

Changes to share capital

AQSE has considered the requests to include a summary of changes to share capital in the 12 months preceding the admission document, in particular, whether such disclosure may be unnecessarily burdensome. However, given this information has been noted as of value to investors, AQSE has now included in the Additional Information disclosures a requirement that new issues of share capital, options and warrants to major shareholders and directors should be disclosed for the period covering 12 months prior to admission. In adding this requirement, we have sought to balance the benefits to investors and other market participants with the potential burden on issuers.

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Use of the additional information template

The additional information template is intended to provide consistency in terms of content and format, whilst maintaining the same standards of disclosure and accountability as the current Additional Information section of an admission document.

It is proposed that the template will be available to download from the AQSE website as a Word document and may either be incorporated in the admission document, replacing the current "Additional Information" chapter, or appended to the admission document.

For the avoidance of doubt, the disclosures contained in the template form part of the admission document and are subject to the same over-arching standards and responsibilities.

Q2 Do you agree with the proposal to remove the requirement to publish a Growth Prospectus for applications to the Apex segment, and to replace this with an AQSE Admission Document?

There was full support for this proposal.

Following the implementation of the revised Apex Rulebook, any issuers admitted to Access that meet the relevant eligibility criteria, including publication of a Corporate Governance statement, will be able to transfer to Apex. For the avoidance of doubt, this includes those issuers admitted to Access for under 12 months.

Q3 Do you agree with the revised eligibility criteria for the Access segment of the Growth market?

Corporate governance code to be adopted

There was support for AQSE's objective of raising reporting standards in terms of governance. However, a number of questions were raised about how the rule would apply in practice. It was suggested that, for many early-stage applicants, some principles of the QCA Code may not be relevant nor proportionate. There were concerns that the requirement to consult with the exchange on areas of non-compliance could become burdensome.

One respondent sought clarification as to whether the rule would be applied retrospectively to existing issuers or only to new applicants.

Minimum market cap of £2 million for new issuers

There was full support for this proposal.

There were requests for clarification of AQSE's intentions should the market capitalisation of issuers already admitted to market fall below £2million.

Minimum of 2 market makers to register at admission

There was full support for this proposal.

Ban on speculative securities

There was full support for this proposal. Some responses queried the rationale for setting a denomination or minimum investment of £100,000.

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Corporate governance:

Our research indicates that institutional investors and retail brokers favour the adoption of either the QCA or UK Governance Code as an indication of an issuer's commitment to good governance.

AQSE concurs with this view; however, having considered the feedback and the concerns raised on the practicality of implementing the proposed rule change, AQSE considers that it may be more proportionate to encourage the adoption of a governance code by Access issuers through guidance rather than through regulation. The proposed rule changes on corporate governance will therefore not be implemented.

Market capitalisation

AQSE confirms that the requirement for a minimum market cap of £2 million will apply only to new issuers at admission. Issuers will not be penalised should their market capitalisation fall below £2 million post-admission.

Speculative illiquid securities

In defining speculative illiquid securities, AQSE has considered the FCA's view that an instrument with a nominal size of £100,000 or more constitutes a "wholesale" instrument in which only institutional investors are typically able to participate. Institutional investors are better able to manage the risk of these types of securities.

Other Feedback

In addition to the changes considered as part of the consultation, some respondents provided additional thoughts on other areas of the rules. AQSE appreciates the response, and has taken the opportunity to adopt some of this feedback. These minor changes include:

- extending the definition of "start-up" to exclude issuers who undertake pre-IPO re-organisations involving a top-co without a trading history;
- moving forward the requirement to confirm to the Exchange the market makers at admission from midday before admission, to four days before admission;
- revision of the definition of securities not in public hands to exclude concert parties of shareholders holding 5% or more;
- clarify the quarterly reporting timetable in the event of a modified audit report; and
- require a fair and reasonable statement by unrelated directors on announcing related party transactions.

The additional amendments are not material, and AQSE does not propose to consult further on the additional changes.

Transitional Arrangements

In order to facilitate a smooth transition, AQSE will continue to accept admission documents that meet the requirements of Appendix 1 of the AQSE Growth Market Access Rulebook published December 2021 until 1 January 2023.

Furthermore, issuers admitted to Access that would have been eligible for Apex but for the fact that they did not prepare a Growth Prospectus will now be eligible for promotion to the Apex segment with immediate effect. AQSE will contact the AQSE corporate advisers of those issuers that may qualify.

The amended Apex and Access rulebooks, together with a mark-up against the consultation version, and the revised Additional Information form are published today and will be effective from 3 October 2022.