

AQSE Growth Market – Rulebook Consultation Response

In November, AQSE published for consultation proposed rulebooks for the new Access and Apex segments of the AQSE Growth Market.

Amendments were also proposed to the Aquis Stock Exchange Trading Rules to implement the restriction on short selling for securities admitted to the Apex segment.

AQSE was appreciative of the responses received and the thoughtful engagement. This paper sets out a summary of the responses and AQSE's conclusions.

Responses to Consultation

Generally, respondents were supportive of the new rules.

Of concern was the requirement on applicants to the Apex segment to publish a growth prospectus on IPO. Respondents were concerned that the FCA's review of the growth prospectus will add cost and time to the IPO process.

There was also concern that the entry requirements of Apex exceeded the requirements of the market's competitors, being AIM and the Standard List.

Respondents also suggested that the rules should allow AQSE to waive the requirement for an applicant to produce a prospectus in certain circumstances (if, for example, an applicant has a high free float or a direct listing is sought). Similarly, it was suggested that the rules should allow flexibility in the percentage of free float required if, for example, the applicant has a strategy in place to increase the free float post-admission.

Respondents suggested that AQSE should also allow for the exercise of discretion when undertaking the annual Apex constituent review and that the review should be six monthly rather than annually.

Most respondents were also unclear on the purpose of the Apex rule requiring the reporting of placing details to AQSE by an issuer after the announcement of a placing. Respondents queried the value of this rule given the information is to be provided to AQSE after the event.

AQSE Response

Growth Prospectus

AQSE recognises that an FCA approved growth prospectus will add additional regulatory scrutiny above that which may be applied by a corporate adviser in its review of an admission document.

AQSE's ambition is to develop a market segment that has retail participation as a cornerstone, and considers the publication of a growth prospectus a key part of this. An FCA approved growth prospectus will also set a new benchmark for the standard of information made available to investors at IPO; accordingly, AQSE continues to support the requirement that applicants produce a growth prospectus.

In 2021 AQSE will launch a number of initiatives that will help with the production of the growth prospectus and deliver cost efficiencies.

Apex free float

AQSE notes the respondents' request that some flexibility should be introduced when considering the percentage free float required of applicants to the Apex segment. AQSE is of the view that incorporating flexibility into the rules will lead to added complexity and uncertainty.

AQSE recognises that there may be exceptional circumstances where a market in an issuer's securities can operate properly with a lower free float percentage. For example, the market capitalisation of the applicant is expected to be significant or a large number of shares are in issue and the shares are sufficiently distributed to the public. In such circumstances, AQSE will consider a derogation request.

Apex constituent review

AQSE notes respondents' concerns that there may be circumstances where an issuer is no longer eligible for Apex due to short-term events impacting its market capital close to the June constituent review. However, AQSE believes the proposed 3-month review period should alleviate the impact of any short-term events.

AQSE notes the respondents' suggestion that the constituent review is undertaken every six months, rather than annually. AQSE agrees with this suggestion and has amended the rules to add an additional review period in December each year.

Placing Details

AQSE notes respondents felt it is unclear what is to be achieved by an issuer reporting details of placings to AQSE after the announcement.

The purpose of the rule was to allow stakeholders to consider how the placees came to subscribe. Was it only amongst family and friends? What impact has the placing had on the free float and liquidity?

Notwithstanding this purpose, AQSE recognises the scope of the rule and administrative burden may not deliver on the intended outcome, and has therefore removed this requirement from the Apex segment rules.

Next Steps

The final rulebooks, together with transitional provisions, are published today and are effective 14 December 2020.

Issuers currently admitted to the AQSE Growth Market that are eligible for the Apex segment will move into Apex under the transitional arrangements with effect from 14 December 2020.