

AQSE Consultation

Changes to the Rules governing admission to the Access and Apex segments of the AQSE Growth Market.

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In line with its objectives of streamlining the application process for issuers and facilitating access to a broader range of investors, AQSE proposes to introduce a number of amendments to the rules governing admission to both the Access and Apex segments. We are now consulting on those proposed amendments and invite comment from market participants.

Proposed amendments

1 Simplification of the Admission Document

As part of our continuous effort to improve the efficiency of an IPO process without compromising integrity and standards, we proposed to template by way of a standardised form the “Additional Information” section of the admission document, allowing investors to obtain key disclosures relevant to their investment decision in a simpler, consistent way.

A revised Table A setting out the content requirement of an Admission Document, together with the proposed template for additional information, is appended to this consultation paper for review. It is proposed that the new additional information form will attach to an Admission Document and replace the typical “additional information” chapter.

Complex issuers (such as issuers with complex corporate structures or unique shareholder rights) will not be eligible to use the simplified disclosure structure.

2 Removal of the requirement to publish a growth prospectus on admission to the Apex segment

When we created the Apex segment in 2020, we included a requirement that companies publish a growth prospectus on admission, prepared in accordance with the Prospectus Regulation and approved by the FCA. This was one of a range of measures introduced to allow companies to access a broader range of investors, including retail investors.

In March 2022, HM Treasury published the outcome of its review into the UK Prospectus Regime. In the paper, the Government announced that it intends to add to the list of exemptions against public offerings of securities, offers which are or will be admitted to trading on certain venues, such as the AQSE Growth Market. It also announced the Government will develop a mechanism by which admission documents published in accordance with the rules of markets, such as the AQSE Growth market can be treated as a type of prospectus. Once implemented, we anticipate the revised regulations will allow issuers to raise funds directly from retail investors with an AQSE Admission Document.

AQSE therefore proposes to remove the requirement for issuers applying to the Apex segment to publish a growth prospectus. Instead, issuers will publish an AQSE Admission Document.

A mark-up of the AQSE Growth Market Apex Rulebook with the necessary changes to introduce this policy is appended to this consultation paper. A new schedule setting out the content requirements of an Admission Document has been added to the rulebook.

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

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?

3 Revised eligibility criteria for the Access segment

Governance

The feedback we receive from institutional investors and retail brokers consistently emphasises the adoption of either the QCA or UK Governance Code as an important indication of an issuer's commitment to good governance.

We therefore propose to amend the eligibility criteria for Access such that issuers will be required to adopt, as far as possible, either the QCA or UK Governance Code.

In line with this, we also propose to amend Rule 4.14, requiring issuers to include on their website a statement of compliance, identifying and explaining any departures from the principles of their chosen Code.

Minimum market capitalisation

We propose to increase the minimum market capitalisation at admission to £2 million for all new Access issuers. Our experience is that issuers with a market cap below this level may not be suitable for a public market and often do not have a sufficiently large investor base to adequately support a secondary market and meet the demands of being a public company.

The proposed requirement for a minimum market capitalisation of £2 million will not be applied retrospectively to issuers already admitted to the Access segment.

Minimum number of market makers

We have been encouraged by the development in the Access segment in terms of market maker engagement and improved liquidity, such that we propose to raise the standard and increase the minimum number of market makers required to register at admission to two.

Speculative Bonds and Preference Shares

Aquis Stock Exchange has been closely monitoring the work undertaken by the FCA to ban the promotion of speculative mini-bonds to retail consumers. These products have been identified as particularly high-risk investments and concerns remain that these types of products are being promoted to retail investors who don't necessarily understand the risk involved, nor could afford the potential financial losses.

In response to these concerns, AQSE has introduced a new requirement, clarifying that "speculative securities" are

not eligible for admission. We propose that "speculative securities" will cover bonds, debentures or preference shares which:

1. have a denomination or minimum investment of less than £100,000; and
2. have been issued, or are to be issued, in circumstances where the issuer or a member of the issuer's group uses, will use or purports to use some or all of the proceeds of the issue directly or indirectly for one or more of the following:
 - a. the provision of loans or finance to any person other than a member of the issuer's group;
 - b. buying or acquiring investments including any asset, right or interest (whether they are to be held directly or indirectly);
 - c. buying real property or an interest in real property (whether it is to be held directly or indirectly);
 - d. paying for or funding the construction of real property.

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

- a. Corporate governance code to be adopted
- b. Minimum market cap of £2 million for new issuers
- c. Minimum of 2 market makers to register in the shares
- d. Ban on speculative securities

4 General

In addition to the changes above on which AQSE is seeking feedback, we have taken the opportunity to conduct a general review of the Rules to address a number of areas where clarification or minor update is required, as shown in the mark-up to the rulebooks appended to this consultation paper.

Next Steps

We very much look forward to receiving your comments. We ask that responses are directed to: aqsebusinessdevelopment@aqis.eu by no later than 2 September 2022.