

January 2016

Follow [@Paul\\_Hastings](#)



## *Changes to AIM Rules for Investing Companies*

By [Ronan O'Sullivan](#), [Matthew Poxon](#) & [Sam Holdsworth](#)

***With effect from the 1 January 2016, investing companies listed on AIM, the London Stock Exchange's junior market, will now be required to meet higher fundraising thresholds for admissions to listing. Furthermore, the time period during which an AIM listed company must undertake a reverse takeover following a fundamental disposal has been shortened.***

Following on from a consultation conducted in October 2015 (AIM Notice 42), the London Stock Exchange has implemented changes to the AIM rules which affect investing companies and companies which make fundamental disposals.

The changes seek to ensure that companies can only access the benefits of an AIM listing if they have sufficient cash balances to make meaningful investments, and that AIM companies continue to enjoy investment from institutional investors whilst still being subject to appropriate levels of scrutiny.

### ***Increased Fundraising Thresholds for Investing Companies***

Under AIM rule 8, an investing company (a company which has as its primary business or objective, the investing of funds in securities, businesses or assets of any description) must now raise a minimum of £6 million as a condition of admission. This has doubled from the previous threshold of £3 million which was originally introduced in 2005.

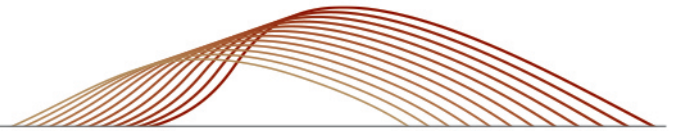
### ***AIM Rule 15 Cash Shell***

Changes have also been implemented in relation to the classification of AIM companies that have made fundamental disposals of their trading business or assets.

Under the old rules, a company that made a fundamental disposal was classified as an "investing company" and had twelve months following such a disposal to (1) evidence the implementation of an investment policy or (2) make an acquisition constituting a reverse takeover.

Under the new rules, however, such companies will no longer be automatically classified as investing companies but will instead be classed as "AIM Rule 15 cash shells". These companies will have a shortened period of six months to make an acquisition constituting a reverse takeover (as prescribed by AIM Rule 14). Becoming an investing company will, for the purposes of Rule 14, be treated as a reverse takeover and will be subject to the requirements of Rule 8, including the higher fundraising threshold.

The AIM Note for Investing Companies has been updated to clarify that the proceeds from a fundamental disposal will count towards the minimum fundraising threshold for investing companies.



If an AIM Rule 15 cash shell has not undertaken an acquisition within the prescribed six month period, the shares of that company will be suspended. Where a company does not intend to undertake the required acquisition it will be expected to seek shareholder approval for the cancellation of its AIM admission at the same time as it seeks permission for the fundamental disposal.

Grandfathering provisions apply, meaning any company that became an investing company before 1 January 2016 will be subject to the old rules, which stipulate a twelve month deadline for undertaking a reverse takeover or evidencing the implementation an investment policy.

### ***Note for Nomads***

Finally, the Guidance to the AIM Rules has been updated and now requires Nomads to notify the Exchange when an AIM company becomes an AIM Rule 15 cash shell, or when there is a possibility of such occurrence.



*If you have any questions concerning these developing issues, please do not hesitate to contact any of the following Paul Hastings London lawyers:*

Ronan P. O'Sullivan  
44.020.3023.5127

[ronanosullivan@paulhastings.com](mailto:ronanosullivan@paulhastings.com)

Matthew Poxon  
44.020.3023.5171

[matthewpoxon@paulhastings.com](mailto:matthewpoxon@paulhastings.com)

Sam Holdsworth  
44.020.3023.5143

[samholdsworth@paulhastings.com](mailto:samholdsworth@paulhastings.com)

---