



SHAPING THE FUTURE OF AIM

Issued 20 June 2025

ICAEW welcomes the opportunity to comment on the discussion paper, *Shaping the Future of AIM*, published by the London Stock Exchange on 7 April 2025, a copy of which is available from this [link](#).

There is a place for public markets in the range of sources of growth capital.

The LSEG's reform initiative for AIM requires radical action to address an existential crisis. Amending AIM rules and regulations can play only a small part in enhancing the attractiveness of AIM.

Positioning and differentiation of AIM together with enabling regulation will support risk-taking by AIM directors and businesses as well as by investors.

The LSEG must bring together businesses with AIM investors and lead in market education on risk and growth.

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This response of 20 June 2025 has been prepared by the ICAEW Corporate Finance Faculty, with input from the Corporate Reporting, Audit and Assurance and Tax faculties.

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KEY POINTS

Promoting growth and balancing risk

1. As a significant part of the economy, the UK's capital markets have a significant role in the country's growth agenda. While underpinned by economic policy, with emphasis on tax, flourishing capital markets depend on proportional regulation (and legislation to create conditions of corporate governance and stewardship, safeguards for consumers and investors, and transparent and reliable information flows. Government's direction is to be more open to risk in the pursuit of growth. Regulators are looking at the balance between burden and protection in their how they regulate. A chain effect on the market requires regulators to be explicit about their expectations for the risk approach of those they regulate. This is pertinent to the LSEG's initiative to reform AIM – how to simplify the regime while keeping its value and maintaining its credibility.
2. The LSEG's paper describes many of the challenges facing AIM. Since AIM's formation, UK and other capital markets have developed other sources of equity and non-equity risk capital. Our members believe that there is a place for a public market in the growth capital landscape, however, AIM is seen as facing an existential crisis with fewer good companies joining and low returns in addition to low liquidity. Many of those we have consulted believe that the LSEG needs to consider radical steps to demonstrate its commitment to AIM.
3. The route to AIM for good businesses that require growth capital needs to be smoother, but tweaking and adapting the LSEG's rules and regulations is expected to play only a small part in shifting in the attractiveness of AIM. Risk-taking by directors and business owners as well as by investors requires their clear understanding of the nature and role of AIM, and to be enabled by proportionate regulation that protects enough but not too much. The LSEG must own responsibility for creating conditions that support entry and admission and inform investment decisions. The [Government's policy](#) for regulation and growth would appear to recognise that:

'Our regulatory approach has become too risk averse. Incentives on politicians and regulators to avoid criticism when regulation fails to fully mitigate risks has encouraged excessive risk aversion in the system. Rules-based frameworks can limit regulator discretion making it difficult to strike the right balance between risk and growth and managing the risk of legal challenge. Regulators must be attuned to the challenges facing businesses and be able to adapt to new industries, the challenges posed by new technologies and avoid disproportionate risk-averse behaviour.'

Where the LSEG will have greatest impact

4. Priority steps for the LSEG that are in its gift to take are:
 - redefine and differentiate the place and value of AIM as a source of growth capital for diverse companies;
 - recalibrate its regulatory approach including being clear on its expectations of nomads and businesses;
 - contain admission costs;
 - continue pressing for capital markets to be at the heart of Government policy, including for certainty of incentives to reward risk capital.
5. The LSEG should be reaching out directly and listening to what **AIM investors** have to say (a) about its current proposals and (b) on an ongoing basis. It should introduce a reframed narrative for AIM to a broader and diverse investor base. Its reforms should take into account

what investors want and enhance their confidence that they will receive transparent, reliable and useful information.

6. The LSEG should step up its efforts to explain how AIM may be appropriate for **companies seeking growth finance**, to make it attractive and easier for different types of company to join and remain on the market. Boosting its understanding of diverse and innovative business models and their corporate governance needs, including by learning from the nomad community. Leading and promoting education on risk and growth markets among businesses and the wider community of intermediaries. Bringing together businesses with AIM investors. Ensuring its regulatory regime is not overwhelming. Containing the costs of admission and keeping ongoing costs low.
7. **Regulation of AIM** is important to businesses and investors. It is able to support responsible and informed risk taking. However, experienced nomads perceive the AIM approach as being intolerant of risk. Members with firsthand experience of some very successful periods in AIM's history report that regulation then was conducive to the market thriving. The LSEG ought to review how its past regulatory approach combined principles for flexibility and diversity with rules that provided certainty and consistency in safeguards. In the reforms it adopts the LSEG must be mindful that nomads and directors must be confident embracing changes that increase risk (or remove a protection). To promote and instil a cultural shift, the LSEG needs to be explicit about its commitment to a principles-based approach that encourages risk-taking with appropriate safeguards that include transparent and reliable information.
8. **Tax policy** influences decisions and growth. Fiscal incentives are vital for investment in AIM but if tax efficiency was a principal reason for holding AIM shares, following the Budget in November 2024, that strategy may no longer work as effectively. The LSEG must continue to press Government for certainty in the direction of tax policy.
9. To reframe the AIM proposition so that it reflects the profiles of its companies and investors, the LSEG needs to step up **engagement** with those who have an interest in factors that detract from AIM – including with **regulators** like the FRC on matters such as audit, reporting and governance and the FCA on capital market regulations, investor protection and consumer duty.

ANSWERS TO SPECIFIC QUESTIONS

Market framework, Driving growth

Q1 Do you believe that recent initiatives to increase investment in equities, including the Mansion House Compact, the Government's Pensions Investment Review and review of the Local Government Pensions Schemes will be effective in increasing investment into AIM companies? Please state your reasons and any suggestions for additional changes.

10. The initiatives mentioned in the question highlight falling net investment in the UK's capital markets and lend greater urgency to finding solutions to reverse that trend.
11. The initiatives are creating collective interest in the opportunities of long-term investment, but it will take time and other factors before the impact on investment in equities can be measured. The same applies to shares in AIM companies. Mandating investment into equities will not increase returns. Investment fundamentals still apply. Interest in AIM company shares depends on how aligned their risk and liquidity profiles are relative to those of investors.
12. The LSEG has a vital part in ensuring positive outcomes from both the initiatives above and the wider reforms to UK capital markets. It should
 - convene meetings between funds that invest in AIM shares and the institutions involved in the initiatives

- engage with the FCA on appropriate regulatory requirements and safeguards for funds that choose invest in AIM shares
- initiate and encourage discussion about risk capital and growth markets
- contribute to public education about investing in shares.

Q2 Are there any changes that should be made to any of the fiscal incentives that we should be advocating for to support investment into AIM to make them more effective or to reduce uncertainty? Please provide views on the relative importance of the individual fiscal incentives, specific evidence and / or case studies to demonstrate the value of the incentives.

13. There is no doubt that fiscal incentives have been vital to supporting investment into AIM and the smaller, high growth but riskier companies on that market. Fiscal incentives help AIM companies compete for investment with other assets of similar risk profile.
14. Changes in tax policy have a demonstrable effect on investment. While it may be premature to be able to quantify the impact of the prospective reduction in business property relief for AIM investments, the uncertainty before a decision on sunset dates for tax-advantaged venture capital schemes did have a negative effect on such investments. We recommend that governments provide early indication as to the continuation or expiration of existing tax reliefs and incentives.
15. The LSEG should continue advocating for stability and certainty in the fiscal incentives for investment in AIM. In its business tax roadmap, the government committed to making no significant changes to the structure of the corporation tax system and protecting key reliefs, such as for R&D, and allowances, which we have welcomed. Certainty enables business planning and appraisal of investment with greater confidence. A similar commitment from the government on the trajectory of fiscal incentives for investing in AIM would therefore help attract patient and sustainable investment in high-growth, riskier businesses. Certainty could also be achieved through simplification of the qualifying conditions for both companies and investors in relation to EIS, SEIS and VCT investments.

Q5 We would appreciate thoughts on the positioning and marketing of AIM and the AIM brand and any specific ideas about how it should evolve in the future to ensure AIM retains a central position in the wider funding continuum, both in the UK and internationally.

16. To a large extent, the challenges facing AIM mirror the difficulties of public equity markets to attract and retain companies seeking funding. Since AIM's formation, UK and other capital markets have developed other sources of equity and non-equity risk capital. Our members believe that there is a place for a public market in the growth capital landscape, however, AIM is seen as facing an existential crisis. We agree that there is a pressing need for the LSEG to better articulate the place and value of AIM in funding innovative, high growth companies and differentiate it from other sources of growth capital.

The role of AIM in UK capital markets and its value

Members have reported instances where deregulatory reforms to the Main Market regime have prompted companies to apply for a Main Market listing rather than continue with an application to AIM. The LSEG's efforts to recalibrate and future-proof the AIM rules, which this paper suggests it is open to, will help to re-confirm AIM's growth market credentials.

17. The LSEG must also rectify the public lack of clarity of what AIM can offer growth companies in comparison with private capital as well as other public markets. It needs to explain what differentiates AIM from other sources of capital and services. The LSEG must articulate and promote a much more compelling narrative – supported with case studies - about the space

AIM provides for growth companies and how the market facilitates their trajectory. The economic and social value that AIM companies contribute to the economy is part of the narrative.

18. The LSEG's approach as a regulator is also a significant factor that will influence companies' decisions to join AIM. Regulating companies for which one size does not fit all is easier to achieve for an approachable and agile regulator - that is explicit about its expectations of companies and their advisers - than for one that is considered adversarial (including by some parties to our discussions).
19. ICAEW's discussions with members in business are not featuring the topic of admission to AIM. From members in advisory we have heard that the Main Market is more interesting to businesses that would be potential applicants to AIM. Our members agree there that there is a place for a growth market in the UK and that the LSEG needs to address positioning of AIM. This is not all though. AIM is seen as facing an existential crisis (fewer good companies joining and low returns in addition to low liquidity) and the LSEG needs to improve its communication of what differentiates AIM from other sources of capital. Radical steps will demonstrate the value to the LSEG of AIM and its future.
20. The positioning of AIM should take into account the development of PISCES which the LSEG acknowledges has led many to question the continuing role of AIM.

The Regulatory Design of AIM

Q6 Please rank the following areas, from high to low, that contribute to cost or friction and act as a potential impediment to companies joining AIM or impact companies admitted to AIM:

- **Auditing and financial advisory costs in preparing the admission document**
- **Legal and due diligence costs in preparing the admission document**
- **Ongoing auditing fees**
- **Nominated adviser fees in connection with the admission process**
- **Nominated adviser fees on an ongoing basis**
- **Exchange fees**
- **Ongoing disclosure and associated compliance costs**
- **Corporate governance expectations and associated costs**
- **Capital raising costs**
- **Costs of engaging with investors**
- **Equity research fees**
- **Availability of capital**
- **Liquidity and / or volatility**

Other costs associated with the admission process and ongoing obligations (please provide details and rank accordingly)

21. Across our engagement with members, including nomads, advisers and companies, and in our discussions with other market participants, the following were most frequently mentioned as detracting from the attractiveness of AIM (though not ranked):
 - Availability of capital
 - Capital raising costs
 - Liquidity and/or volatility
 - Corporate governance expectations and associated costs
 - Auditing and financial advisory costs in preparing the admission document

22. Other comments touched on the disincentive to companies and investors that the high visibility of share prices has, and the dramatic fluctuations that are driven by low liquidity. The LSEG should do more to help contextualise major shifts in share price on a growth market.
23. ICAEW is aware that the definition of a Public Interest Entity (PIE) creates a challenge for many of the companies, including AIM companies, that are subject to ongoing audit requirements for PIEs that are intended for larger and more complex entities. We consider that a future extension to the PIE definition that is based on size thresholds should also take into account qualitative indicators of public profile and public interest.
24. In our view, auditing standards that prescribe what is needed for an auditor to form a high-quality audit opinion, are not proportional or scalable for SMEs. We have most recently urged¹ the FRC to take action to ensure that auditing standards are fit for audits of all sizes.
25. Related to the area of ‘Auditing and financial advisory costs in preparing the admission document’, ICAEW is exploring how the reporting accountant’s role could evolve to continue to support investor confidence in changing capital markets. A paper on the role of the reporting accountant in the context of capital market transactions will be published later this month.

Market framework, The regulatory design of AIM

Q7 Please provide views on the regulation of AIM and areas where we can support the nominated adviser in providing guidance to reset market practice that has evolved over time to be unhelpful and unnecessarily burdensome.

26. The nomad community’s risk appetite is influenced by the regulatory approach of AIM, and market practice tends to be developed to help manage risk. The LSEG needs to be mindful of this if it concludes that aspects of market practice are unnecessary and can be reset. The LSEG must be explicit about its expectations and what it considers acceptable practice. Nomads will need reassurance and consistency from such guidance to give them confidence to operate in a recalibrated regulatory environment.
27. Guidance for AIM must support “sufficient, not overwhelming” disclosure that informs and empowers investors. The effect of unwieldy guidance or complexity is greater on smaller entities. To accommodate additional guidance on its expectations, the LSEG should consider consolidating the forms in which it currently publishes guidance for nomads and companies, ie notes, Rules, *Inside AIM*. Streamlining its communications will aid understanding and compliance.

Q8 Please provide details of any reports that are part of the admission document process that are either duplicative or the cost outweighs the value. Are there other areas of the admission process that can be simplified?

28. The LSEG could re-evaluate the need for information on directorships in the previous 5 years and the section on Additional Information.

Q9 Please provide views on the nominated adviser role including:

- i. key aspects of the role that continue to provide value to companies and confidence to investors;*
- ii. any aspects that result in disproportionate burden for the nominated adviser and / or company that outweigh the benefit; and*

¹ ICAEW REP 036/25 FRC SME audit market study

- iii. areas of the work performed by the nominated adviser that are duplicative with other advisers and where the nominated adviser's corporate finance experience is not necessary.**
- iv. in respect of the Qualified Executive role.**

29. In respect of iii, there may be work carried out by the nomad in relation to that of another adviser but we would caution against automatically treating all such work as duplicative. The nomad may need to interrogate others' work in order that they discharge their obligations, and these areas should be evaluated case by case.

Q11 We would welcome views on whether the current choice of corporate governance codes meets the needs of all AIM companies. We also welcome specific feedback:

- i. from investors, the areas of the existing commonly used corporate governance codes that are important to you.**
- ii. from companies, the areas of these codes that are challenging to comply with and why.**

30. From our members' observations, companies are not troubled by the current choice of codes, but they do not perceive that explaining (rather than complying) will be acceptable to investors. The LSEG could be more helpful about this in guidance for companies applying for admission, and on the extent of associated notification it expects of nomads following companies' admission.

Development of the AIM Rules, AIM admission documents

Q13 Please advise what you consider are:

- i. the key elements of the current admission document that investors value; and**
- ii. the areas of the preparation of the admission document that should be modified or are not necessary (if any).**

31. Advisers report that regular investors in AIM companies are principally interested in the company's business plan and its management team. However not all potential investors will make decisions on or have access to roadshows. There is value in the admission document explaining the features of the business, with an executive summary, audited accounts and section on risk factors. There should be key information on directors and major shareholders. Historical Financial Information (HFI) can be incorporated by reference.

Q14 If you consider that the option of a simplified admission document would be appropriate, please provide details of what it should look like.

32. We have no further comment beyond our response to Q13.

Q15 If you agree with the use of incorporation by reference, please provide details of information in the admission document that should be permitted to be incorporated in this way.

33. Historical Financial Information (HFI) can be incorporated by reference.

Q16 If you do not agree with the use of incorporation by reference, please explain the reasons for your view.

34. Not applicable.

Q17 Are there any further changes that could streamline the admission document contents, its format and / or style including the use of proforma/template sections (where applicable) that we should consider? Please provide details.

35. We have no further changes to propose.

Development of the AIM Rules, Working capital statements

Q18 Please state which of the following approaches to working capital disclosure you consider most appropriate for AIM admission documents and the reasons why:

- i. Applying the new Main Market equivalent requirements;**
- ii. A statement in line with that currently required by applicants admitting to AIM via the ADM route; and / or**
- iii. No working capital in specific circumstances.**

36. We encountered broad support among some members for the current working capital regime. Most members would prefer to consider the alternatives when the outcome is known of the FCA's considerations about disclosure of the significant judgements made in preparing the working capital statement. They recognise however that automatic alignment with the Main Market may not be appropriate.
37. There was no support for the statement required under the AIM Designated Market route as it was felt that it is not well understood by boards.
38. Our members also consider the working capital statement would not be needed in very few, specific circumstances. There is a preference for these to be codified rather than being a matter for the nomad's judgement.

Q19 If you agree that there are circumstances where no working capital statement should be required, please provide the circumstances you consider appropriate.

39. As mentioned in response to Q18, we consider there will be very few circumstances where no working capital statement should be required. One example could potentially be where the statement on going concern is dated on the date of the company's admission document. Another example could be an investment company with minimal working capital needs compared to amounts being raised.

Q20 If you agree with there being no working capital statement where reliance is instead placed on the going concern statements included in past financial statements:

- i. Do you agree that 3 years of 'clean' audited accounts is sufficient to rely upon?**
- ii. When do you consider the last audited accounts would become stale for the purposes of relying on the going concern statement contained within the 'clean' audit report, noting that the AIM Rules allow the balance sheet date of the last audited accounts no older than a maximum of 18 months from the date of the admission document?**

40. We do not believe that reliance on the going concern statements included in past financial statements is appropriate.

Development of the AIM Rules, Reverse takeovers

Q21 Do you agree with the proposal that we can dispense with an admission document and instead require AIM Rules Schedule Four disclosures, where a company is making an acquisition that is larger than itself but which does not result in a fundamental change of business? If you agree, please provide details of:

- i. any further disclosures that would be appropriate in addition to those set out in AIM Rules Schedule Four;*
 - ii. whether a shareholder vote on the acquisition is necessary where the company is not undertaking a fundamental change of business and, if yes, please explain why; and*
 - iii. any thresholds / factors considered relevant to determining whether an [acquisition gives rise to a fundamental change of business.*
41. Our members broadly agree that an admission document can be dispensed with in a reverse takeover that does not result in a fundamental change of business. No further disclosures in addition to those in Schedule Four were suggested as being necessary to be prescribed but the LSEG may consider including some principles.
42. There was also support for not requiring a shareholder vote where the company is not undertaking a fundamental change of business. As regards thresholds or other factors, it was suggested that the LSEG could helpfully codify what does not constitute a fundamental change.

Q22 Please provide details of any other changes in relation to reverse takeover rules that could make it more efficient for AIM companies to undertake transactions.

43. We have no additional suggestions.

Development of the AIM Rules, Accepted Accounting Standards

Q23 Please state which of the following approaches to permitted accounting standards you consider most appropriate for AIM (in addition to the use of IAS):

- i. Allow all local accounting standards, as permitted by the respective country of incorporation (which would include local accounting standards falling outside of those currently prescribed in the AIM Rules); or*
- ii. Limit the list of local accounting standards to a prescribed list in the AIM Rules based on equivalency to IAS.*

Q24 If you consider the list of permitted accounting standards should be prescribed in the AIM Rules, please provide details of the local accounting standards you consider acceptable and why.

Q25 We welcome views on whether requiring a comparison of local standards against IAS would create costs that outweigh the benefits of providing companies the flexibility to use local accounting standards.

44. The current approach of permitting certain local accounting standards recognises the importance of flexibility for AIM companies. It recognises that AIM is a growth market for international companies and international investors.
45. Comparability for investors is important. Equivalence of permitted frameworks to IAS enables comparability without the need for companies to carry out a comparison of local standards against IAS. To boost flexibility while retaining comparability at no additional cost to the company, the LSEG could permit further local standards that are internationally aligned.
46. For example, the LSEG could facilitate UK-based companies applying to AIM by permitting UK GAAP. UK GAAP has been an internationally aligned framework for some time. Furthermore, changes coming into effect in 2026 are set to bring the treatment of revenue and leasing under UK GAAP in line with equivalent changes introduced under IAS in recent years.
47. Another benefit of UK GAAP that is pertinent to AIM companies is that the financial reporting standards support proportional financial reporting eg, simplified requirements by removing

choices of accounting treatments and fewer disclosure requirements, to reflect the size and nature of the company. In our view, requiring a comparison against IAS would negate this benefit, while also resulting in additional costs for the company.

Development of the AIM Rules, Admission requirements for second lines of securities

Q26 Do you agree that admission of second lines of security to trading on AIM companies should not require the publication of an admission document? Please explain your views and whether it differs depending on the type of security.

Q27 Are there any further regulatory changes we should consider which may make it easier for AIM companies to admit to trading second lines of security on AIM?

48. Our members were of the view that the principle of continuous disclosure should remove the need for publication of an admission document for second lines of security on AIM.

Development of the AIM Rules, Dual-Class Share Structures

Q30 If you do not agree that AIM should adopt an equivalent route for the admission of dual-class shares as for Main Market companies, please explain the basis for your view. Otherwise, please provide details of any changes to the Main Market approach to dual-class shares, that you would recommend for AIM companies.

49. We agree that AIM should adopt an equivalent route for the admission of dual class shares as for Main market Companies.

Development of the AIM Rules, Related Party Transactions

Q31 Do you agree with the proposed AIM Rule 13 exemptions set out above, where there are other existing shareholder safeguards, in relation to:

- i. the grant of options in accordance with a share scheme which has been approved by shareholders; and*
- ii. a transaction that consists of granting an indemnity to a director in accordance with the Companies Act 2006. Are there other similar circumstances where existing shareholder safeguards are already in place that exemptions could be introduced?*

50. We agree with the proposed AIM Rule 13 exemptions for the specific situations referred to.

Q32 Do you agree that AIM Rule 13 should not apply to directors' remuneration but should be left to the corporate governance committee? Please explain your answer.

51. We agree. This is a matter for the corporate governance committee that has responsibility for directors' remuneration.

Q34 If you agree that changes in remuneration can generally be left to governance committees:

- i. do you consider that companies should notify a change of directors' remuneration without delay, or should the company be able to update this in the next annual accounts?*
- ii. are there some specific circumstances where AIM Rule 13 protection should be retained, for example bonuses / share options arrangements not contingent on business-related performance? Are there other circumstances where it should apply on a limited basis?*

52. Changes in remuneration that are not exceptional can be notified in the next annual accounts.

Development of the AIM Rules, Application of class tests

Q36 Please provide views on whether the threshold for a substantial transaction should be changed to 25%? Please explain your view.

53. Our members observe that companies are typically keen to convey news of transactions but nonetheless support changing the substantial transaction threshold so that it is no more burdensome or complicated than the Main Market equivalent.

Q37 Please provide views on whether the Profits Test remains a relevant test for AIM transactions? If so, please explain why.

54. We agree with the LSEG's analysis.

Q38 Do you agree with the proposed change to the Gross Capital test to a pro-rated gross capital calculation where a company is only acquiring a minority stake? If you do not agree, please explain why.

55. We agree.

Q39 Are there other changes to the class tests you think we should consider?

56. We have no further suggestions.