



AQUIS STOCK EXCHANGE MARKET CONSULTATION PAPER

Issued 15 June 2020

ICAEW welcomes the opportunity to comment on the Market Consultation published by Aquis Stock Exchange (AQSE) on 1 May 2020, a copy of which is available from this [link](#).

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MARKETS TAILORED FOR MICRO, SMALL/MEDIUM, AND LARGE GROWTH COMPANIES

1. ICAEW has an interest in promoting the range of finance options available to business, taking into account factors such as size, stage of growth and strategic plans. We have commented on a number of efforts and initiatives in recent years aimed at improving the attractiveness of fundraising on capital markets. For UK and European markets, measures including the EU's Capital Markets Union project have aimed at promoting IPOs and recalibrating the balance between regulatory requirements and investor protections, and business' risk profile. This is helpful for potential investors as well as for businesses considering how best to finance their plans. Our response focuses on the AQSE proposals for segmentation of its Growth Market.

SPECIFIC POINTS

Creation of APX and AXS

2. We broadly support segmentation by introducing APX (apex) and AXS (access) for its potential to contribute to choice for smaller or younger businesses, and for investors. To be additive to the UK's capital markets, AQSE must ensure that the AXS is not perceived as 'bottom tier' - whether due to the nature of companies admitted, or for its admission and disclosure rules.

Eligibility criteria

3. On the governance requirements for APX, we wonder whether a 'comply or explain' approach to a governance code would be more appropriate for growth market companies and, for overseas companies, whether there ought to be provision for compliance with non-UK recognised standards.
4. We note that 35% free float is higher than for other growth markets and a significant uplift for existing AQSE Growth Market companies. Some of members consider it is too high, while others accept it is needed to improve liquidity. For existing companies that are otherwise eligible and would benefit from joining APX, there may be grounds for a case-by-case staged increase in % of securities in public hands.
5. For AXS, the £2,000,000 minimum fund raise on admission of investment vehicles and companies without a two year trading history is, in our view, too high. A level of £1,000,000 would be both attractive to those institutions that tend to invest against the achievement of milestones, and will better accommodate a wider range of companies such as those in tech or resources.

Growth Prospectus and Admission Document

6. The Growth Prospectus for APX applicants will be attractive to institutions given their familiarity with prospectuses. It is, however, less obvious if it would encourage retail investors given the availability of platforms that enable retail participation in public company fundraisings (eg PrimaryBid). It is also difficult to predict if private clients who are typically offered participation by their brokers would be influenced by a prospectus.
7. The proposal for an Admission Document for AXS applicants is sensible. A template format will be useful as long as it will allow adaptation according to the circumstances of the company and require full disclosure of all material facts. These points are particularly pertinent to the suggestion that reduced adviser fees would be beneficial for applicants, investors and stakeholders. A professional adviser will form a view, based on various factors including risk and in consultation with the applicant, on the appropriate extent of work for a proportionate admission document that users may rely on. The presumption that low cost of advice and preparation for admission is beneficial risks encouraging a 'race to the bottom'.