



## Plenary 4

Capital Markets and Economic Development -  
New Avenues for the Financing of Small and Medium  
Enterprises (SMEs)

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# AIM - New Avenues for SMEs

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Deputy Head of AIM

IOSCO April 2007



*London*  
**STOCK EXCHANGE**



The importance of funding innovation

The risk capital financing chain in London

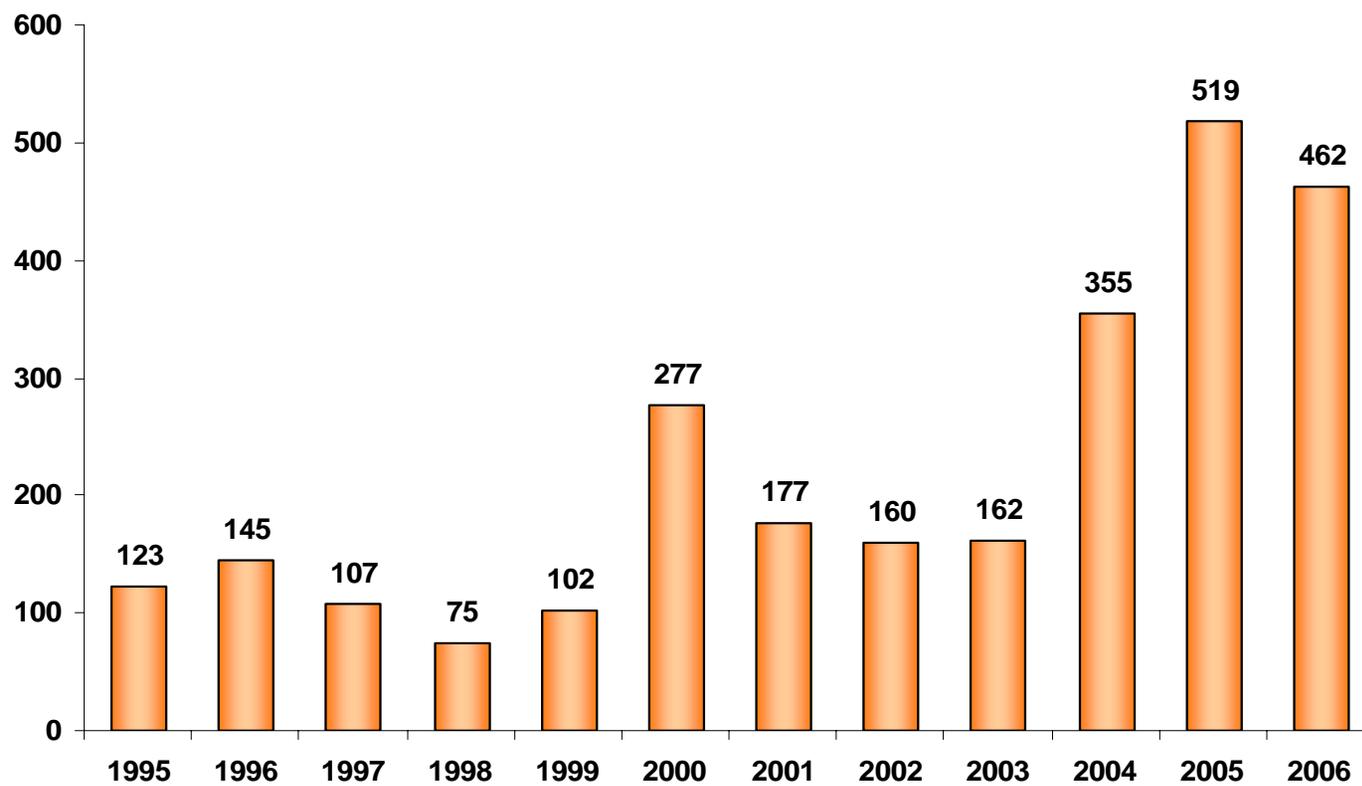
What Exchanges can do to ensure innovation and growth is funded efficiently

**Small and Medium Sized Enterprises (SMEs)**

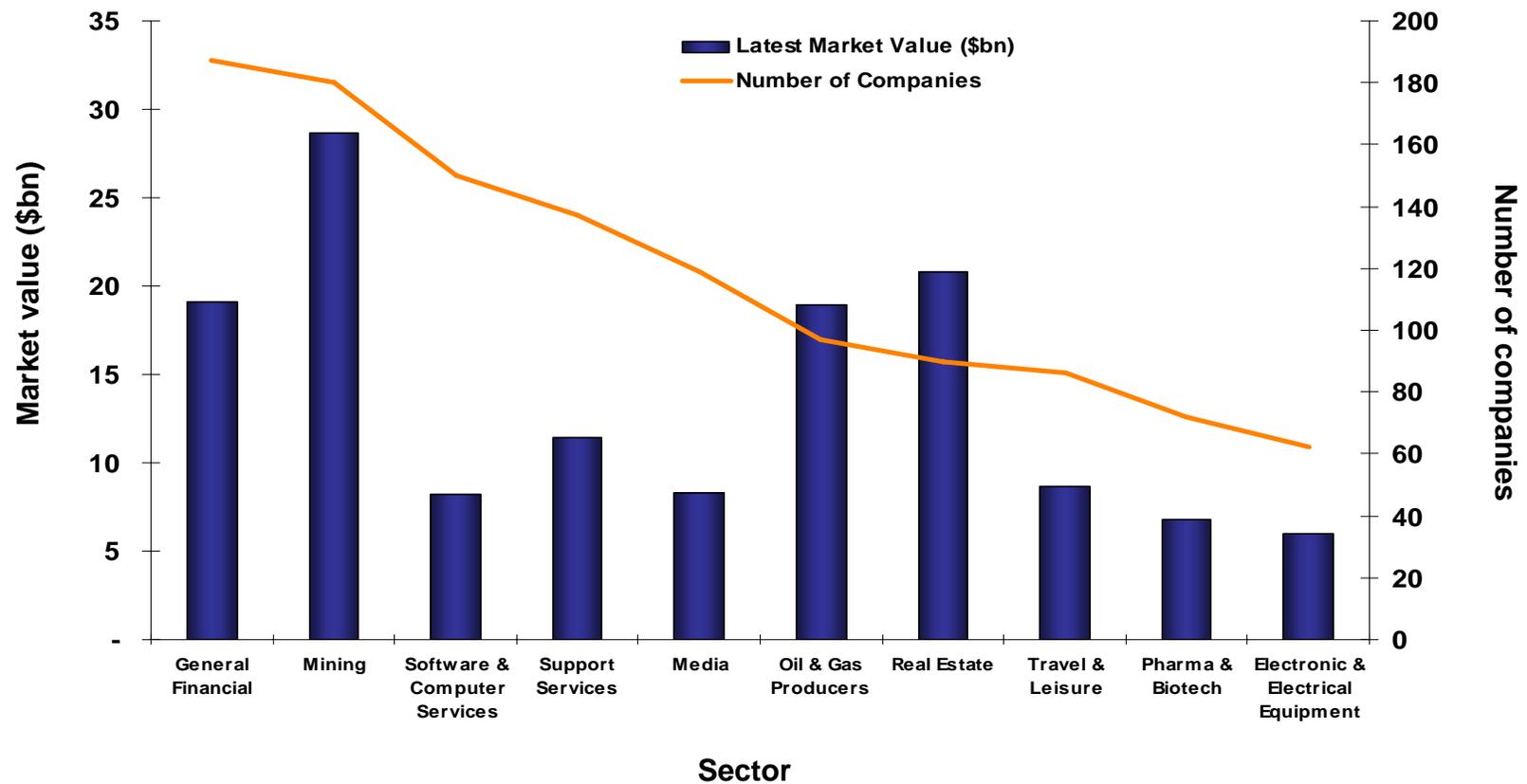
A recent OECD paper found that:

- SMEs account for between 95% and 99% of businesses in OECD Economies
- SMEs account for between 60-70% of net job creation
- SMEs are vital for economic growth and development in both industrialised and developing countries
- Financing gaps more of a problem in emerging markets

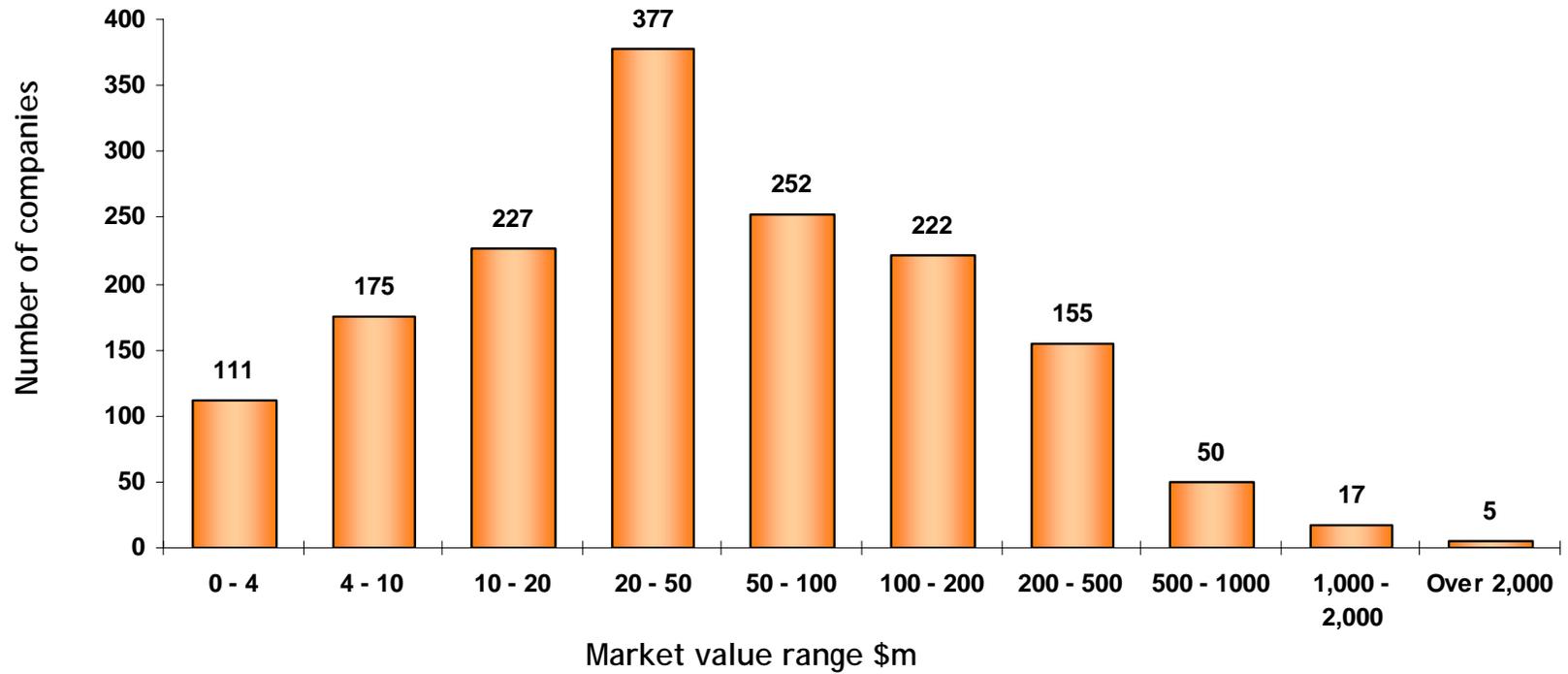
## Number of admissions 1995 to 2006



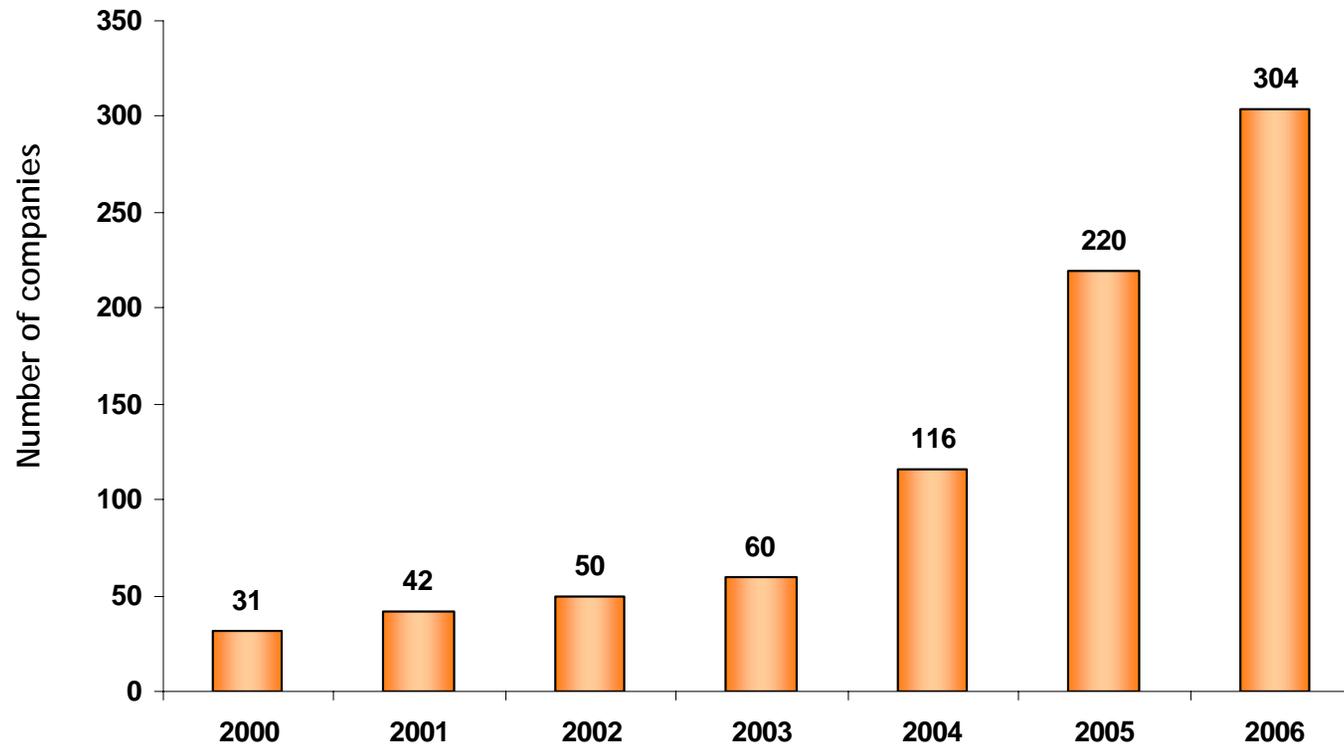
## Top 10 sector distribution of AIM companies by market value



### Distribution of companies by equity value \$m

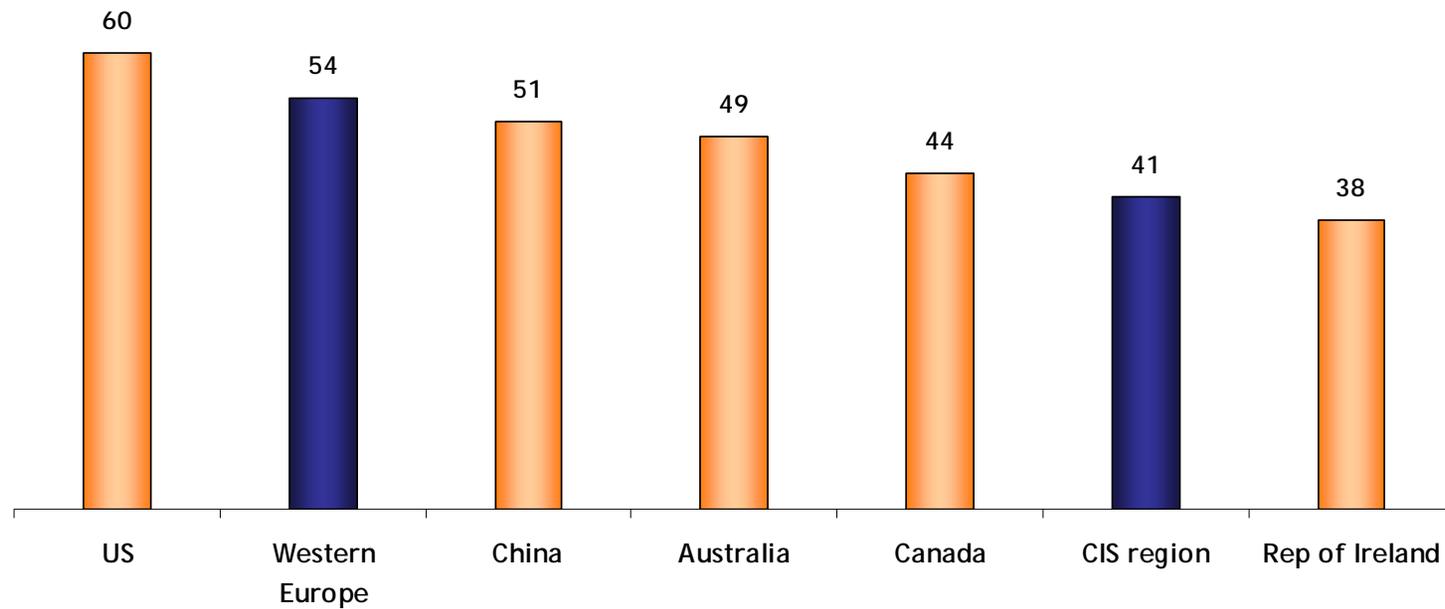


## International profile



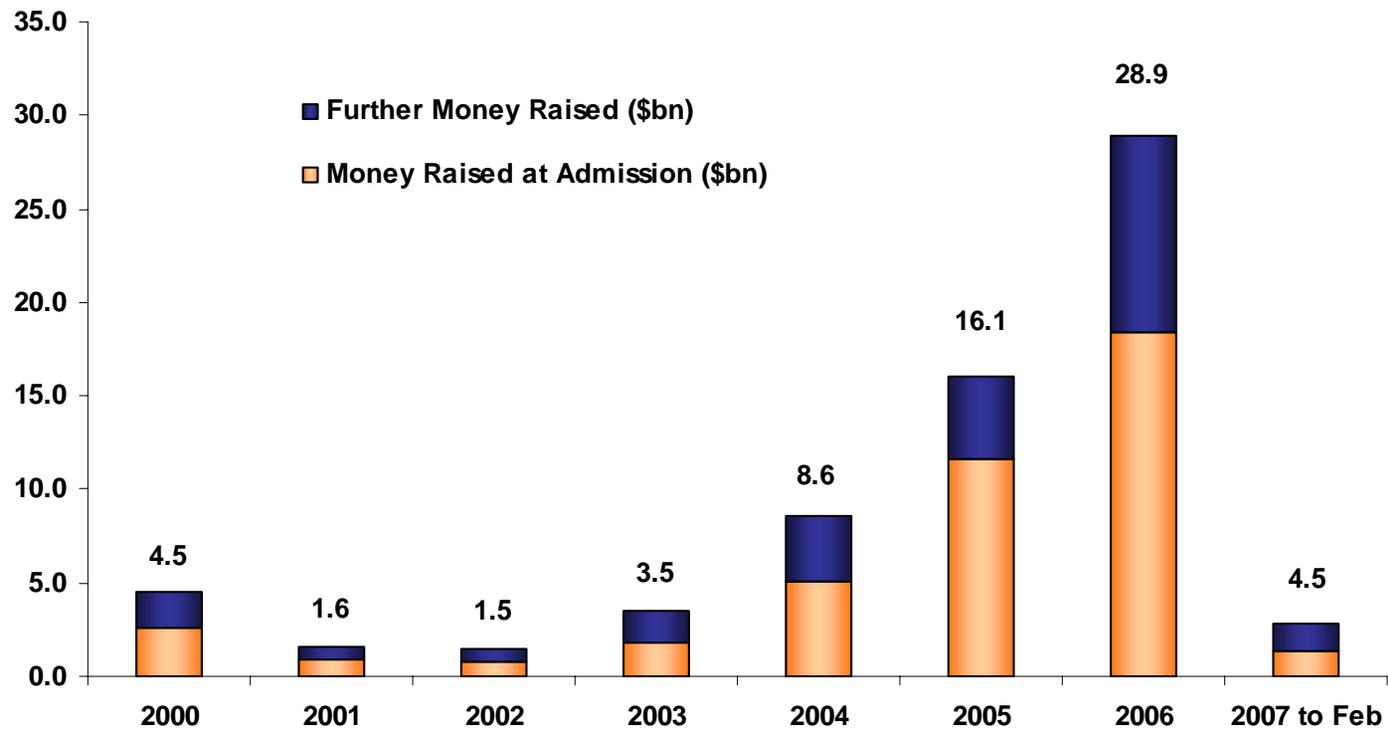
*International companies on AIM account for 18% of the total by number and 34% of the total by value*

## Main international regions by no. of companies on AIM (includes topcos and investment companies)



*19% of all AIM companies are incorporated overseas - many more have an overseas business but join via a UK holding company*

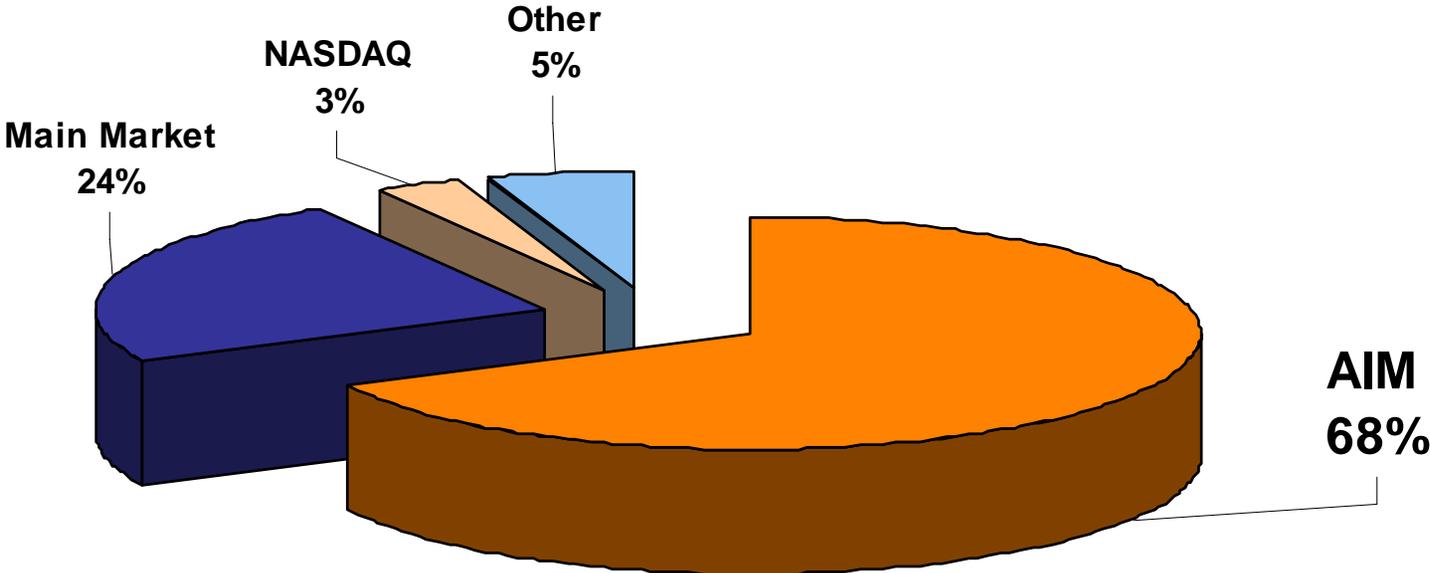
## AIM profile by money raised



*In 2006, companies on AIM raised 77% more capital than in 2005*

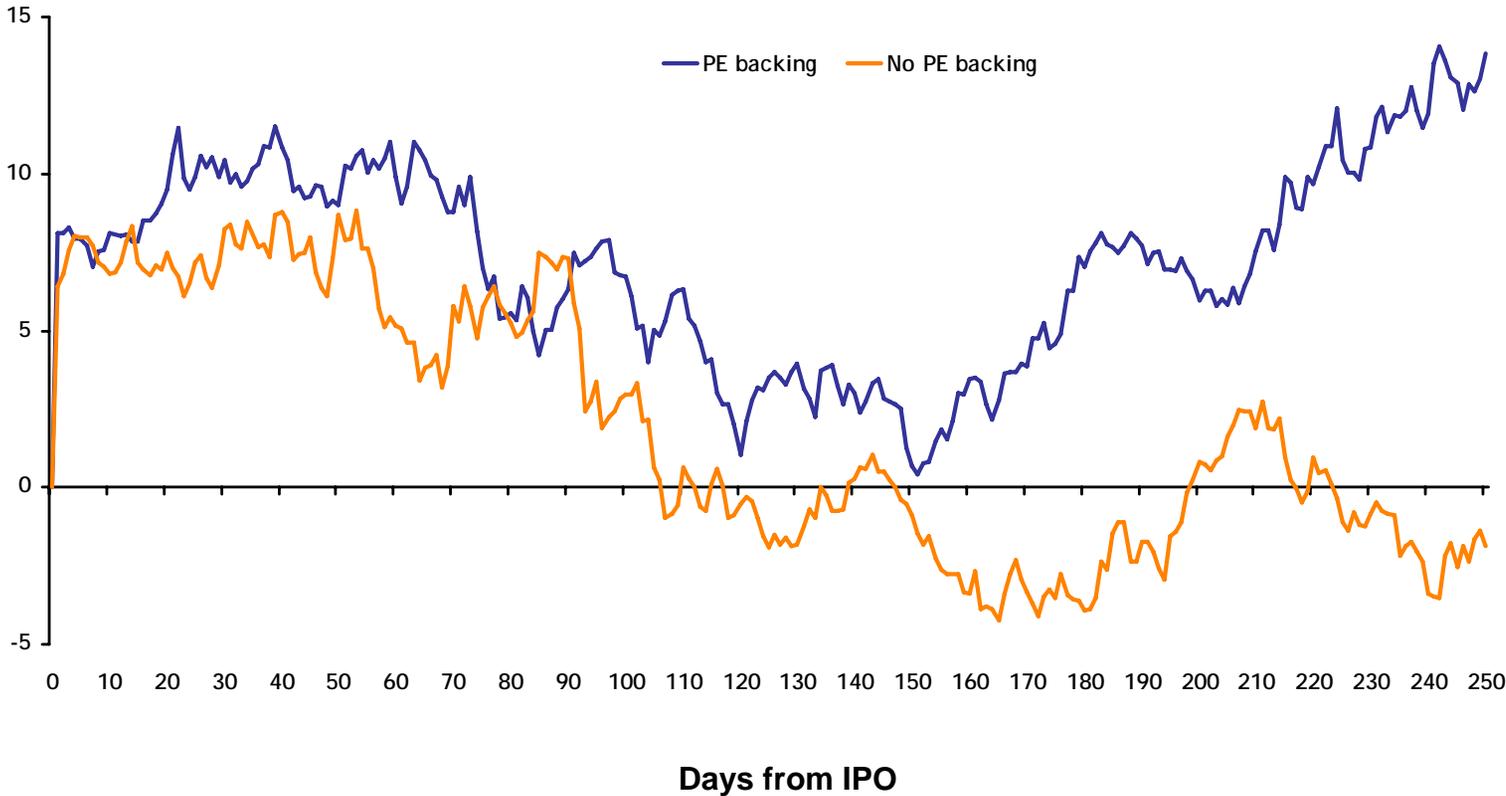
Preferred stock market of UK private equity-backed companies looking to List

Percentage of respondents



Source: PWC

# Comparison of first-year returns of PE and non-PE backed IPOs



Source: average returns weighted by market value; Thomson Financial Datastream



### Admission Rules



No minimum size to be admitted



No trading record required



No minimum amount of shares to be in public hands



In most cases, no prior shareholder approval required for transactions



Admission documents not pre-vetted by Exchange or UKLA but by Nominated Advisor



Nominated Advisor required at all times



## Continuing obligations



Nomad to be retained at all times



All price sensitive information announced in a timely manner



Half yearly and annual report and accounts required



All directors accept full responsibility for the AIM Rules



Directors and key employees subject to share dealing code



Investors require UK Corporate Governance standards



## Evolution of the AIM Rules

→ AIM's "market driven" regulation is widely considered to be the key to its success

→ AIM perceived as well-regulated market with very few company failures

→ AIM is the only major growth market not to prescribe minimum free float or impose size restrictions

→ Scope for greater visibility of company information

### Codification of Nomad rules

- Clarification of Nomad responsibilities for assessing suitability and ongoing compliance with AIM Rules
- Implemented through rule amendments and supplemented by guidelines
- Nomad Annual Return introduced

### Enhanced disclosure of company information

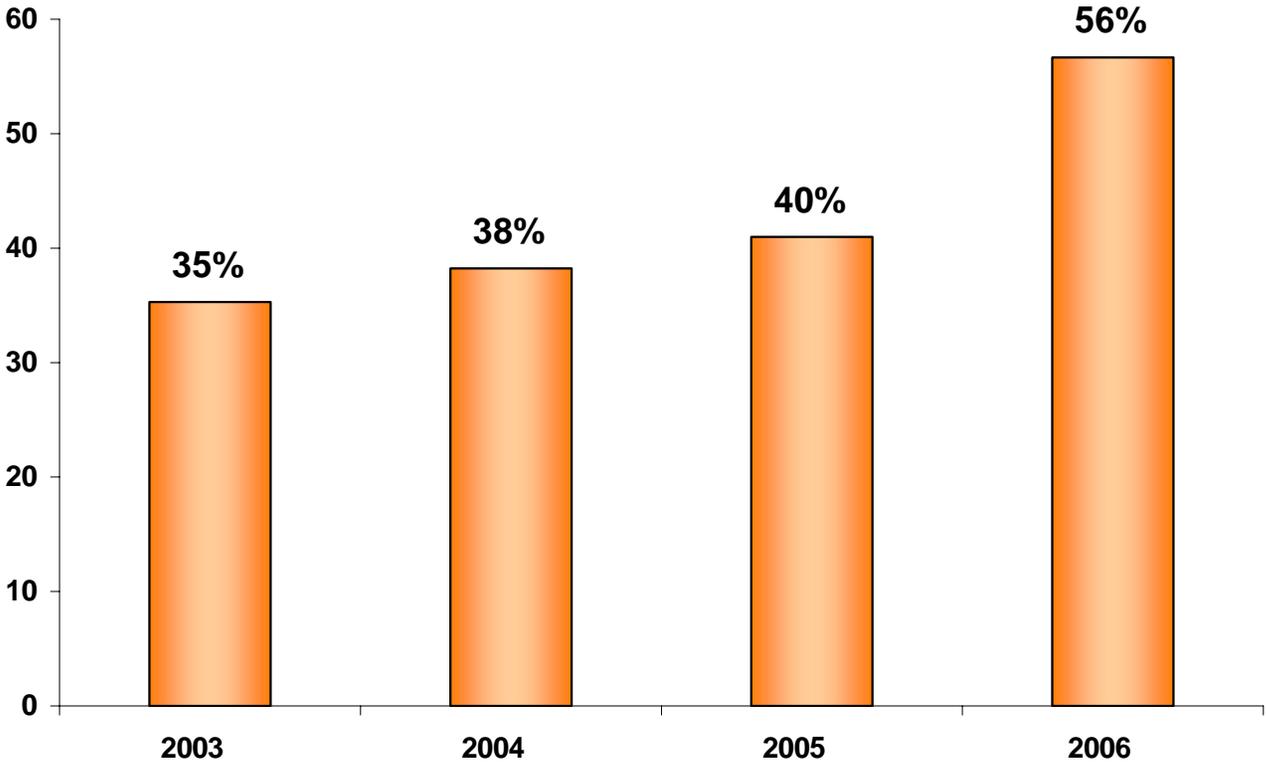
- All AIM issuers to display core information on a website to include board details, latest announcements, financials, recent documentation

*Both measures are designed to reflect market best practice and protect AIM's unique regulatory framework for the future*



# A growing base of institutional investors

Institutional investment in AIM as a % of total investment



## Our strategy for developing AIM:



Steering AIM through its unprecedented growth period



Greater internationalisation



Broadening and deepening the investor base



Maintaining quality and integrity as we go