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Update: London Stock Exchange Publishes Final Rulebook for High-Growth Segment

Fast-growing European companies can now apply for admission to trading on the new segment of the LSE's Main Market.

On 27 March, the London Stock Exchange (LSE) published the final version of the rulebook¹ for the high-growth segment of its Main Market (Rulebook). The LSE has also confirmed that companies, and potential key advisers on their behalf, may now apply for admission to trading on the new segment.²

The main changes to the draft version of the Rulebook—introduced as a result of the feedback received from a range of stakeholders—include the following:

- Rule 2.3: The formula used to demonstrate compound annual growth in revenue of at least 20% over the prior three financial years has been clarified. A four-year range of financial data is required to calculate the growth in revenues. The definition of “Compound Annual Growth Rate” has also been amended to provide further clarity.
- Section B5: Rules on reverse takeovers have been revised to require issuers to seek shareholder approval of a reverse takeover, rather than seek approval for a cancellation of admission. Such approval will require distribution of an explanatory circular to shareholders, setting out all relevant information to enable them to make an informed decision. The circular will need to be updated if any material changes to the terms of the transaction arise at any time before completion of the reverse takeover.
- Annex 3 (Key Advisers): Where a key adviser wishes another member of its group to carry out any part of its role, the key adviser should seek prior written permission of the LSE's Primary Market Regulation Team.

In addition to the Rulebook, the LSE has also published on its website the following documents in relation to the high-growth segment:³

- Application form for potential key advisers
- Eligibility letter for submission by a key adviser ahead of potential admission
- Issuer declaration in relation to admission
- Key adviser declaration in relation to admission

1. View the rulebook at <http://www.londonstockexchange.com/companies-and-advisors/main-market/companies/hgs/hgsrulebook-march2013.pdf>.

2. For a detailed background on the new high-growth segment, view our 15 February 2013 LawFlash, “London Stock Exchange Publishes Draft Rulebook for New Fast-Growth Segment,” available at http://www.morganlewis.com/pubs/BF_LF_LondonStockExchangePublishesDraftRulebook_15feb13.

3. View the high-growth segment documents at <http://www.londonstockexchange.com/companies-and-advisors/main-market/companies/hgs/hgs.htm>.

- Updated Form 1,⁴ which should be used for all applications for admission to trading for all markets (other than AIM) from 27 March 2013

Implications

As the high-growth segment is a segment of the LSE's Main Market, it is an EU-regulated market. Accordingly, in addition to the Rulebook, issuers will be required to comply with the Financial Conduct Authority's Disclosure and Transparency Rules and the Prospectus Rules. Furthermore, companies will be required to comply with the LSE's Admission and Disclosure Standards. However, because the new high-growth segment will not be a listed segment, securities admitted to it will not be admitted to the Official List and will not be subject to the Listing Rules.

The new segment of the Main Market extends the primary markets offering for high-growth companies that would not qualify for admission to the premium listing segment. It provides issuers with a transitional route to the Official List and is intended to help them prepare for the listed markets over time, while also aiming to ensure that appropriate standards of investor protection are maintained.

Contacts

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4. View the updated Form 1 at <http://www.londonstockexchange.com/companies-and-advisors/main-market/documents/application/form1march2013.doc>.