



**The Quoted
Companies Alliance**

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Lucy Leroy
London Stock Exchange plc
10 Paternoster Square
London EC4M 7LS

Email: aimnotices@londonstockexchange.com

13 February 2009

Dear Ms Leroy,

STOCK EXCHANGE AIM NOTICE (AIM 30) – PROPOSED NEW AIM RULES FOR INVESTING COMPANIES AND OTHER CHANGES

INTRODUCTION

The Quoted Companies Alliance (QCA) is a not-for-profit membership organisation dedicated to promoting the cause of smaller quoted companies (SQC), which we define as those 2,000+ quoted companies outside the FTSE 350 (including those on AIM and PLUS) representing 85% of the UK quoted companies by number. Their individual market capitalisations tend to be below £500m.

The QCA is a founder member of EuropeanIssuers, which represents over 9,000 quoted companies in twelve EU member states.

RESPONSE

The QCA welcomes and supports the London Stock Exchange's approach and proposed new rules and approach for investment companies on AIM in the entirety, subject to some minor modification in respect of investment periods. In particular, the QCA welcomes the approach adopted by the London Stock exchange to follow the same principles used in chapter 15 of the Listing Rules, which relate to investment entities, with their emphasis on disclosure rather than prescription. We also welcome the incorporation of the guidance relating to mining, oil and gas companies into the AIM Rules for Companies (the "AIM Rules") as it had become confusing to describe what had in practice become the rules relating to such resources companies as "guidance".

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The proposed revision to AIM Rule 8 seeks to require annual shareholder approval where an AIM investment company has not substantially implemented its investment policy within 18 months. We would suggest that this prescriptive approach is arbitrary and inconsistent with the principles based approach of the AIM Rules which always seeks to favour disclosure over restriction. Setting an 18 month limit does not reflect the fact that investment in different asset classes may only be practically achievable over differing periods of time because of the specific nature of the asset class. For instance, a portfolio of highly-liquid FTSE 100 securities could be much more rapidly constructed than one of small, unquoted companies' shares. In the latter case we would draw an analogy with HMRC's rules for Venture Capital Trusts, which give a three year investment horizon.

Accordingly, we would propose that an AIM investment company be required as part of its investment policy to state the period required to substantially implement its investment policy with a failure to achieve this requiring such annual endorsement by shareholders. In this respect it would also be helpful if the investment policy sets out objective criteria by which a shareholder may easily determine when the investment policy has been substantially implemented. Probably the simplest way in which this objective might be achieved would be to give an outline of the weighting of the ultimate model portfolio by asset class. Further guidance could be given in the notes to the AIM Rules as to what reasonable time periods may be; for example, an investment horizon of between 12 and 36 months would most likely cover most foreseeable investment policies.

If you wish to discuss any of the comments, we will be happy to meet.

Yours sincerely,

A handwritten signature in black ink that reads "John Pierce". The signature is written in a cursive style and is underlined with a single horizontal line.

John Pierce
Chief Executive