

# London Listing Considerations

## Introduction

The UK's Main Market Listing Rules were amended significantly on 29 July 2024, and the Prospectus Rules are currently undergoing a consultation process on some major changes, which will be implemented during early 2026. These changes apply predominantly to companies who are listed, or dual-listed, on the London Stock Exchange's Main Market but, to a certain extent, the Prospectus Rules changes will also affect companies listed on the AIM Market.

## Choice of Market

If a company is considering listing in London, all of these changes will need to be taken into account when choosing which market to list on. There are three choices of market in London:

- **AQSE**, which is aimed at micro-cap growth companies
- **AIM**, which is aimed at domestic and international growth companies
- **Main Market**, which is aimed at larger, more blue-chip companies, and also offers a 'no frills' dual listing category for overseas companies with an existing overseas listing. The Main Market has a minimum market capitalisation requirement of £30m.

Within the Main Market, there are a number of categories within which a company can list, the principal ones being:

- a '**Commercial Companies**' category, which replaces the previous 'Premium Listing' and 'Standard Listing' categories. This category would be an appropriate choice for a larger company seeking a primary listing in London;
- a '**Secondary Listing**' category, aimed at dual listed overseas companies – fundamentally, this has 'light touch' regulation so that a company choosing a secondary listing in this category should not have a materially higher regulatory burden than it has on its primary exchange; and
- a '**Shell Companies**' category, aimed at cash shells and SPACs.

The principal differences between the Commercial Companies and Secondary Listing categories are that for the Commercial Companies category companies must appoint a Sponsor on listing, adopt the UK Corporate Governance Code and will have detailed announcement obligations in relation to certain material and related party transactions. Larger companies looking for a dual listing in London are therefore more likely to choose the Secondary Listing category rather than the Commercial Companies category, unless they are particularly large and looking to re-focus their primary market presence to London.

In comparison with the Commercial Companies category, on AIM a company can choose which corporate governance code to adopt, and the requirements around material and related party transactions are lighter. For this reason, smaller companies, even those with a market cap in excess of the minimum £30m for the Main Market, may now be better suited to AIM.

For companies seeking a dual listing, the Main Market's Secondary Listing category has some distinct advantages over AIM for companies that exceed the minimum market capitalisation threshold. The Secondary Listing category should in practice be lighter touch than AIM, because with AIM a company is required to retain a Nominated Adviser on an ongoing basis, which increases ongoing costs. As stated above, the ongoing regulatory requirements and costs of the Secondary Listing category should not be any more onerous than a dual-listed company's primary market.

However, it should also be appreciated that a company's choice of market and listing category should not be driven solely by regulatory differences and costs – there may also be differences of perception by investors, peer group, and other stakeholders, which should be discussed with the company's chosen UK brokers and other advisers before a decision is made.

## Prospectus Rules changes

The changes to the **Prospectus Rules** should be implemented in early 2026. The current regulations, and the consultation documentation relating to the proposed rules, promise the following material changes:

- the share issuance threshold at which a Main Market listed company is required to publish a further prospectus will be increased from the existing threshold of 20% of issued share capital in a 12 month period, to 75%. This is a significant change. The low 20% threshold has historically been a serious impediment to listed companies (and in particular, dual-listed companies juggling two sets of rules) as the costs of, and timeframe for, producing a UK prospectus are substantial. This change will significantly reduce this burden. Additionally, it should be noted that once a company has been listed for more than 18 months a shorter form 'simplified' prospectus can be published; and
- limits on offers to the UK public by Main Market, AIM and AQSE listed companies (for example, retail offers, rights issues or open offers) will be removed. Currently there is a limit of €8m in any 12 month period, after which a prospectus must be published. This should increase the ability of companies to engage retail investors and their own shareholders, and thereby to increase liquidity. There will also be changes to the regulatory treatment of the listing documents for AIM and AQSE, putting them on an equal footing with a prospectus, and thereby enabling AIM and AQSE companies to involve retail investors in their IPO fundraisings.

We had hoped that there would be a 'fast track' route for companies with an overseas listing to join the Secondary Listing category without a full prospectus, which would greatly reduce the costs of listing. Whilst there have been brief references to this in the earlier government consultation, it has not been proposed in the latest consultation. By contrast, AIM does permit a fast-track admission from certain overseas exchanges.

Set out on the next page is a table comparing the key requirements of the new LSE Main Market Secondary Listing and Commercial Companies categories and AIM.

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## Comparison Table

|   | LSE Main Market   |   | AIM  |
|---|---|---|--|
|   | Secondary Listing Category  | Commercial Companies Category   |  |
| Minimum Market Cap  | £30m  | £30m  | None   |
| Country of Incorporation  | Must be a non-UK company  | Any   | Any  |
| Minimum Free Float  | 10%   | 10%   | Nominated Adviser discretion, typically 10-15%   |
| Requirement to retain an ongoing financial adviser                      | None (although typically one would be engaged for listing).   | Sponsor required for listing.<br><br>No requirement to retain post-listing, but Sponsor advice may be required in relation to certain significant or related party transactions.  | Nominated Adviser must be retained for listing and at all times thereafter.  |
| Listing Document for Primary Listing                                    | N/A   | Prospectus, approved by FCA.  | Admission Document, approved by Nominated Adviser.   |
| Listing Document for Secondary Listing                                  | Prospectus, approved by FCA.  | Prospectus, approved by FCA.  | A fast-track admission process for companies listed on certain overseas exchanges is available, but not often used, particularly where there is a significant fundraising.               |
| Corporate Governance Standard   | No additional UK governance code required – QCA Code or domestic code will suffice.   | UK Corporate Governance Code must be adopted.   | No additional UK governance code required – QCA Code or domestic code will suffice.  |
| Pricing restrictions on Further Fundraisings                            | None  | Discounts >10% must be approved by shareholders if not within existing pre-emption disapplication authority.  | None   |
| Prospectus requirements for Further Fundraising                         | Only if shares issued over 12 months exceed a specified percentage of issued capital - currently 20%, but will increase to 75% in early 2026. Over that threshold a simplified prospectus may be published if listed for more than 18 months. | Only if shares issued over 12 months exceed a specified percentage of issued capital - currently 20%, but will increase to 75% in early 2026. Over that threshold a simplified prospectus may be published if listed for more than 18 months. | None   |
| Prospectus requirements for retail offers, rights issues or open offers | Currently a prospectus is required for public offers >€8m in any 12 month period, but this limit is being removed, so no prospectus will be required for public offers by Main Market companies (unless exceeds                               | Currently a prospectus is required for public offers >€8m in any 12 month period, but this limit is being removed, so no prospectus will be required for public offers by Main Market companies   | Currently a prospectus is required for public offers >€8m in any 12 month period, but this limit is being removed, so no prospectus will be required for public offers by AIM companies. |

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|  | size threshold in previous point).   | (unless exceeds size threshold in previous point).   |  |
| <b>Significant Transactions</b>  | No shareholder approval or documentation required, and no prescriptive requirements for announcements.<br><br>RTO would require reapplication for listing.   | If exceeds 25% on class tests will require prescriptive announcement.<br><br>RTO would require reapplication for listing.  | No shareholder approval or documentation required unless a disposal constitutes a fundamental change of business, or upon RTO.<br><br>RTO would require reapplication for listing. |
| <b>Related Party Transactions</b>                                      | No shareholder approval or documentation required.   | If exceeds 5% on class tests will require prescriptive announcement.<br><br>Sponsor must confirm that arrangement is 'fair and reasonable'   | If exceeds 5% on class tests, Nominated Adviser must confirm that arrangement 'fair and reasonable'.   |
| <b>Continuous Disclosure Requirements</b>                              | Inside information must be announced without delay, subject to limited exceptions.   | Inside information must be announced without delay, subject to limited exceptions.   | Inside information must be announced without delay, subject to limited exceptions.   |
| <b>Trading Halts permitted</b>   | No – shares may only be suspended in limited circumstances.  | No – shares may only be suspended in limited circumstances.  | No – shares may only be suspended in limited circumstances.  |
| <b>Financial Reporting Requirements</b>                                | Annual and interim accounts  | Annual and interim accounts  | Annual and interim accounts  |
| <b>Restrictions on issuing shares or granting options to Directors</b> | None, provided company is not in a closed period and director does not have inside information.  | None, provided company is not in a closed period and director does not have inside information. If significant, may require 'related party transaction' disclosure, as above.  | None, provided company is not in a closed period and director does not have inside information. If significant, may require 'related party transaction' disclosure, as above.      |
| <b>Restrictions on Directors' Dealings</b>                             | Directors and other material management members may not deal in closed period of 30 calendar days prior to publication of annual and interim accounts.   | Directors and other material management members may not deal in closed period of 30 calendar days prior to publication of annual and interim accounts.   | Directors and other material management members may not deal in closed period of 30 calendar days prior to publication of annual and interim accounts.                             |
| <b>Disclosure of Share Ownership / Dealings</b>                        | Shareholders of non-UK companies – disclosure at 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75%.<br><br>Directors, other material management members and their associates must disclose all dealings in prescribed form. | Shareholders of UK companies - disclosure at 3% and every 1% thereafter.<br><br>Shareholders of non-UK companies – disclosure at 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75%.<br><br>Directors, other material management members and their associates must disclose all dealings in prescribed form. | Shareholders – disclosure at 3% and every 1% thereafter<br><br>Directors, other material management members and their associates must disclose all dealings in prescribed form.    |
| <b>Electronic Settlement</b>   | Simple depositary interest arrangement required to enable electronic settlement in CREST.  | Simple depositary interest arrangement required to enable electronic settlement in CREST.  | Simple depositary interest arrangement required to enable electronic settlement in CREST.  |

## Summary of Key Points

In summary, in our experience of advising overseas companies with a listing or dual listing in London (whether AIM or Main Market), the main impediments to listing and the most onerous ongoing obligations are as follows:

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|--|---|
| <b>Cost of Listing</b>                     | There is always a significant cost to listing on a new exchange, whether in London or elsewhere. This includes not only advisory costs, but also the initial and ongoing listing fees charged by the London Stock Exchange and the FCA. However, it is anticipated that this initial cost will be less for overseas listed companies seeking access to the new Secondary Listing category. In all cases, the one-off costs of listing must be balanced against a broader assessment of the benefits of a London listing for the particular company.   |
| <b>Ongoing compliance costs</b>            | <p>As above, initial and ongoing listing fees will be unavoidable, but should be lower for the Secondary Listing category.</p> <p>For the Secondary Listing and Commercial Companies categories, there is no need to retain an ongoing financial adviser, although certain material and related parties transactions may require a company listed in the Commercial Companies category to engage a Sponsor for the particular transaction. For AIM, a Nominated Adviser must be retained at all times.</p> <p>Additional reporting requirements should not be material.</p> <p>There are also ongoing obligations in relation to disclosure of price-sensitive information and director or senior management dealings, but once understood these are not burdensome.</p>  |
| <b>Corporate Governance</b>                | The Secondary Listing segment and AIM will allow companies to maintain their existing 'home' corporate governance code, and they will not need to adopt a UK code. The Commercial Companies category will require the adoption of the UK Corporate Governance Code, which will increase compliance costs.   |
| <b>Additional Board Members</b>            | There is no regulatory requirement for a Main Market or AIM listed company to have a UK director, but typically it would be expected that a NED with suitable UK experience would be appointed to the Board – not least, to liaise with UK investors. In particular, AIM would expect an experienced UK-based NED to be appointed to an AIM listed company.   |
| <b>Prospectus for further fundraisings</b> | This is perhaps the most bothersome ongoing obligation for companies with a Main Market listing, as the requirement to issue a further, FCA approved prospectus where a company is issuing more than 20% of its share capital in a 12 month period is a serious cost and impediment to capital raising. As this threshold will be increased to 75% in 2026, this impediment will be materially reduced. This restriction is not applicable to AIM.  |
| <b>Lack of liquidity in London</b>         | This is a common criticism of London, but is largely unfounded. The London Stock Exchange can provide ample data supporting the argument that London has plenty of liquidity. Overseas companies with a London listing or dual listing tend to struggle with this where they do not commit sufficient time and attention to the London listing, and building up their shareholder base and newsflow in London. It is strongly advised that companies raise funds in London when they list here, rather than simply 'compliance listing' and hoping that interest will build itself. Additionally, the relaxations on retail investor involvement that will be implemented in 2025 should underpin further improvements in liquidity. Ultimately with London, you get out what you put in, so the companies that do well here ensure that there is ample UK newsflow, engagement with the press and shareholders and that UK investors are included in all fundraisings. |

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