



AIM: Director Share Purchases: No need for correction

Recent press coverage of directors' dealings on AIM has emphasised the importance of making sure that an RNS announcement gets it right first time. If the announcement is ambiguous or confusing then a further announcement may well be required to deal with questions from investors and the press. The resulting uncertainty is, at best, likely to act as a drag on the share price. It may well result in a significant fall in the share price and lingering investor distrust.

The announcement should comply with the requirements of AIM Rule 17 and disclose:

- the name of the director;
- the number of shares bought or sold;
- the date of the transaction and the price;
- the aggregate number of shares held by the director following the transaction; and
- the other information listed in Schedule Five to the AIM Rules for Companies.

However, if the underlying arrangement which the director has entered into is complex, more detailed consideration will be required. Some obvious **guidelines** include:

- if shares are being sold and purchased then both parts of the transaction should be disclosed;
- if the overall effect of the transaction is to reduce the aggregate holding of the director then this should be clear from the announcement;
- if security has been granted over shares as part of the arrangement, then this should be disclosed in the announcement together with details of whether the security holder can:
 - sell the shares; and
 - exercise the voting rights attached to those shares; and
- the statements made in the announcement and terminology used to describe the dealing should be consistent with the terms of the underlying agreements.

Following these guidelines should ensure that investors understand the nature of the underlying transaction and are comfortable with the quality of the disclosure made by the company.

When reviewing and discussing draft announcements with AIM companies, nomads should remember that regulatory actions taken against nomads have highlighted that a nomad should take reasonable care to ensure that an AIM company's management is appropriately challenged on the contents of announcements, especially where the nomad has information indicating that the announcement may be inaccurate or incomplete.

Further Information

If you would like any further information or a copy of our checklist for dealings by directors then please speak to your usual contact at Burgess Salmon or:



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Relevant rules and regulations

AIM Rules for Companies

AIM Rule 17 states that “An AIM company must issue notification without delay of: any deals by directors disclosing, insofar as it has such information, the information specified by Schedule Five”.

Schedule Five

“Pursuant to rule 17, an AIM company must make notification of the following:

- (a) the identity of the director concerned;
- (b) the date on which the disclosure was made to it;
- (c) the date on which the deal or relevant change to the holding was effected;
- (d) the price, amount and class of the AIM securities concerned;
- (e) the nature of the transaction;
- (f) the nature and extent of the director's interest in the transaction;

- (g) where a deal takes place when it is in any close period under rule 21, the date upon which any previous binding commitment was notified or the date upon which the Exchange granted permission to deal in order to mitigate severe personal hardship; and
- (h) where the notification concerns a related financial product, the detailed nature of the exposure.”

FSMA 2000

AIM companies should also consider the application of:

- section 90A (*Liability for issuers in connection with published information*) of FSMA 2000; and
- section 118 (*Market abuse*) of FSMA 2000,

to announcements of this nature.

FSA 2012

In some situations the provisions of section 89 (*Misleading statements*) of the Financial Services Act 2012 which impose criminal liability may also be relevant.