BENEFITS OF DUAL LISTING IN THE UK

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WHY A DUAL LISTING?

In an increasingly globalised financial market, companies listed on their local markets often seek a dual listing abroad to maximise international investor exposure. Listed companies with an appetite for rapid growth need the right investment platform to continue their development and enhance their brand. A London dual listing may be the very solution.

See a 2021 updated version of this article, including AQSE, **here**.

London hosts the largest percentage of international companies compared to other financial centres, with 38% out of a total of over 2,000 issuers being international, from over 100 countries. In fact, dual-listed or traded companies comprise over a quarter of all companies which are listed.

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WHEN IS THE RIGHT TIME FOR MY COMPANY?

The timing of listing on a market is key to obtaining the greatest benefit possible; this is particularly true at times where markets are volatile.

Whilst it is never possible to time the market completely, stronger companies which are able to plan and implement listings during uncertain times have the opportunity of gaining heightened visibility and access to a larger degree of capital than they otherwise might in “normal” circumstances.

Alternatively, a listing effected by way of an introduction (without an accompanying capital raising) may be sought while markets are difficult and, by de-coupling the listing and fundraising, it can bring greater certainty to achieving the listing and provide a strong platform for a future capital raising event.

Another point to bear in mind is the strength of the home market. Whatever the state of the markets generally, a dual listing in London provides greater access to capital and a good hedge for any home market concerns.

WHAT IS THE RIGHT MARKET FOR MY COMPANY?

It is important for a home-listed company to choose the right market for its current needs and future development strategies. The main reasons for choosing London include its global reach and reputation. London offers companies access to major international funds, as well as also to unique sources of capital including UK-specific smaller company funds, special situation funds and private clients. This results in increased liquidity and access to funding sources, as well as greater acceptance of London-listed shares for acquisitions. London can also provide a useful hedge against volatility in local markets.

When deciding to join the London Stock Exchange (the "LSE"), companies will normally choose between the Main Market (Premium or Standard Segment) and AIM – see Figure 1 for a comparison of the key points to consider. Companies will also need to consider costs, levels of regulation, types of investors, and the right jurisdiction for their business.

THE MAIN MARKET

The Main Market is one of the most well-known international capital markets. It usually attracts developed and larger companies. The Main Market is also synonymous with prestige and high media coverage which helps boost company profile.

A company will generally have a choice of a Premium Listing or a Standard Listing on the Main Market. A Premium Listing is only open to certain types of equity shares and has more stringent requirements, also known as the UK's "super-equivalent rules". A Premium Listing also provides potential access to the FTSE indices. A Standard Listing meets the EU's harmonised minimum requirements and therefore tends to be the more popular route for companies wishing to achieve a dual listing, unless potential access to the FTSE indices is a short-term goal.

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EU Regulation 2017/1129 (the "Prospectus Regulation") gives issuers that are already listed on an EEA regulated market or multilateral trading facility the option of issuing an annual universal registration document ("URD"). Once this has been approved by the relevant competent authority for two consecutive years, the issuer is able to file further annual URDs without prior approval. Issuers that file an annual URD will also benefit from fast track prospectus approval in any member state in which they choose to list securities (of five, rather than ten, days). The URD therefore works as a form of "shelf" registration for issuers that may want to list securities on other EEA markets in the future. The Prospectus Regulation/URD rules will apply in the UK during the Brexit implementation period, currently expected to last until 31 December 2020 at 11:00pm. It is also anticipated that these harmonised rules will continue beyond the Brexit implementation date in some form, although that is not yet certain.

AIM

AIM was launched in 1995 to facilitate smaller and growing companies raising equity for growth, since then it has become the leading market for European growth capital. Over 3,000 companies from around the world have chosen AIM, from early stage companies to venture capital backed companies. AIM has attracted companies from major sectors such as oil & gas, mining & metals, technology, health care, telecommunications, and consumer services.

The AIM Designated Market Route (the "ADM Route") is a streamlined route available to "quoted applicants" which have had their securities traded on an AIM Designated Market ("ADM") for at least 18 months prior to admission to AIM. Current ADMs are the top tier markets of ASX, JSE, NASDAQ, NYSE, SIX Swiss Exchange, TMX Group, UKLA Official List and any EU Regulated Market or SME Growth Market as defined and registered under MiFIDII. Companies which have satisfied the eligibility criteria for listing on one of the ADMs are unlikely to find it difficult to comply with AIM listing requirements. Further, the ADM Route means that the quoted applicant will not be required to produce a full admission document, unless it wishes to for broader marketing reasons or falls within the scope of the Prospectus Rules. For many quoted applicants seeking a dual listing on AIM, there will therefore be a significant time and cost saving.

Figure 1:

		LSE Main Market (Premium)	**LSE Main Market (Standard)**	**AIM**
Eligibility criteria	Minimum free float	25% minimum	25% minimum	No minimum, but nominated advisor required to assess suitability
	Control of assets	The issuer must control the majority of its assets and have done so for at least 3 years	N/A	N/A
	Market capitalisation	Expected aggregate market value of all securities to be listed must be at least £700,000	Expected aggregate market value of all securities to be listed must be at least £700,000	N/A
	Pre-vetting of admission documents by the FCA's primary market functions?	Yes	Yes	N/A
Supervision	Advisors	The issuer must appoint a sponsor	N/A	Nominated advisor required

		LSE Main Market (Premium)	LSE Main Market (Standard)	AIM
Ongoing obligations	Shareholder approval for significant transactions required?	N/A	Yes	Yes, reverse takeovers and transactions representing a fundamental change of business require approval
	Annual information update	Yes	Yes	No, all notifications made by the issuer in the previous 12 months must be available on its website
	Annual financial report published	Within 4 months of end of financial period	Within 4 months of end of financial period	Within 6 months of end of financial period
	Insider lists	Yes	Yes	Yes

DUAL LISTING BENEFITS

The table below sets out some of the main benefits of a dual listing on the Main Market and on AIM and some other questions worth considering.

Main benefits of a dual listing on the Main Market

	Benefit	What this means in practice
1.	Access to the deepest capital pool of international investors in Europe.	More liquidity and increased ability to raise funds or use shares for acquisitions.
2.	Designed for larger more established companies.	Tailored to suit the company's investment needs.
3.	Enhanced relationships with current and potential UK/European investors.	Better relationships increase the opportunity for future co-operation.
4.	Recognised standards of regulation.	Increased investor confidence.
5.	High media coverage and increased profile.	Greater liquidity.

Main benefits of a dual listing on AIM

	Benefit	What this means in practice
1.	No minimum market capitalisation. Working capital available to the company must be sufficient for its present requirements for at least 12 months.	Less stringent admission criteria.
2.	The admission document is not reviewed by the LSE/FCA (unless a prospectus is required).	Streamlined admission process.
3.	AIM-traded shares can attract various UK tax reliefs/exemptions (e.g. inheritance tax "business property relief", Enterprise Investment Scheme ("EIS") reliefs and stamp taxes exemptions) provided that the other listing/admission does not disqualify the shares (e.g. shares traded on an ADM may breach the EIS condition that none of the company's shares be listed on a recognised stock exchange).	Valuable tax benefits if the relevant conditions are satisfied.
4.	No minimum percentage of shares which must be in public hands.	An ability to maintain a certain level of control.
5.	Continuing obligations are generally less restricted and easier to comply with than most primary markets.	Lower costs and effort for ongoing compliance/compliance monitoring.

Some questions to consider before proceeding with a Main Market or AIM dual listing

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Potential questions	What this means in practice

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1.	Costs associated with a dual listing.	Initial costs include instructing local counsel and financial advisors and ongoing costs include increased regulatory compliance. These are outweighed by greater access to capital and potentially lower commissions than on other exchanges.
2.	Liabilities associated with listing requirements such as warranties, indemnities and ongoing obligations.	The dual listing process and related systems put in place are designed to minimise potential issuer/director liabilities.
3.	Liaising for cross-market releases.	Processes are put in place to make and monitor public announcements.
4.	Potential changes to the board of directors, company constitution and corporate governance considerations.	It is preferable for at least one director to be based in the UK and have LSE/AIM experience, both to increase UK investor profile and to help ensure compliance with corporate governance.
5.	Potential time demand on management.	Significant time/presence in the UK will be required to capitalise on the opportunities that a London dual listing has to offer.

POTENTIAL CONCERNS FOLLOWING BREXIT

There has been concern that Brexit may affect EU recognition of UK public markets and therefore restrict trading in shares listed in both London and elsewhere in the EU. It is anticipated that these harmonised rules will continue beyond the Brexit implementation date in some form, although that is not yet certain.

CONCLUSION

A dual listing in the UK is an obvious choice for any listed company with an international business or asset base that is looking to increase its global presence and investor base.

For a more detailed and tailored analysis of how a dual listing might benefit your company and how to achieve a successful listing, please get in touch.

Trainee Simon Jennings also contributed to this article.

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