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Inside AIM

Regulation S, Category 3 Securities

Due to certain restrictions under US securities laws, equity securities issued by US companies and other companies that do not qualify as "foreign private issuers" under US securities laws were historically not eligible for electronic settlement in the CREST system operated by Euroclear UK & Ireland ("EUI"). Such securities were generally settled in certificated form and flagged as Regulation S, Category 3 securities in the trading system ("Regulation S, Category 3 securities").

The introduction of the EU Regulation on Central Securities Depositories (Article 3(2)) requires transactions in transferable securities that take place on a trading venue (such as AIM) to be recorded in book entry form in a CSD (i.e. settled electronically). Accordingly, the Exchange has been working with EUI and other relevant parties for a resolution that will allow such securities to be able to be settled electronically.

The Exchange welcomed the publication by EUI on 11 May 2015 of its [whitebook](#) relating to its proposed "Euroclear UK & Ireland: Regulation S Category 3 Settlement Service". The service provides issuers of Regulation S, Category 3 securities with an electronic settlement service through CREST.

We expect all existing Regulation S, Category 3 securities to be eligible for electronic settlement by no later than 1 September

2015. We have updated the Rules of the London Stock Exchange for member firms (rule 1550) and accompanying guidance to the rule, which relates to all member firms trading Regulation S, Category 3 securities.

For further details see Stock Exchange Notice N17/15 published on 7 August 2015.

New AIM applicants that propose to issue Regulation S, Category 3 securities are reminded to request a derogation from Rule 32 of the AIM Rules (transferability of shares) prior to admission and clearly disclose on the AIM Application form whether they are Regulation S, Category 3 securities, as they will be identified as such on the trading system with the letters "REG S". It should be noted that derogations from Rule 36 of the AIM Rules will no longer be available for such securities.

Further background can also be found in [AIM Notice 41](#) published on 7 August 2015.

