



AIM JOURNAL

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

The 2023 Autumn Statement – did it contain sharp insight as to how HMG see markets of the future?

Last month's Autumn Statement may have been thin on the ground when it came to headline grabbing give-aways. In a mini-budget that seemed focused on offering incentives to get benefit claimants back to work, there were however some interesting moves that have the potential to bolster the UK's popularity as a listing venue. The changes to Inheritance Tax didn't transpire – and for equity markets that's probably no bad thing – but we did see some subtle changes announced when it comes to Stamp Duty and Stamp Duty Reserve Tax. This levy is often seen as an unnecessary impediment to trade and of course is something that AIM market listed shares are already exempt from. The proposed change will however allow FCA regulated MTFs operated by investment firms and approved as "recognised growth markets" by HMRC to access the "growth market exemption" without needing to be recognised stock exchanges. So that's a boost for institutional investors who may be able to access a wider cohort of assets that can be traded without incurring Stamp Duty. The cost to Treasury is touted as being negligible – a suggestion that few issuers would move from a current regime where there is a stamp duty liability down to a venue where the growth market exemption would apply. However, with around half of Europe's MTFs reported as being based in the UK, this offers another clear signal that current regime is committed to doubling down on its efforts to attract more capital raising activity to take place here.

The increase in company market capitalisation level to £450 million from the previous £170 million also served to expand choice as to whether entities falling into this bracket will decide to position themselves on a recognised growth market and access the exemption, something that offers a potentially important sub-text over how capital market structures are set to evolve in the years ahead. The detailed regulations will be key to understanding the application of the proposals.

Extending from that, much has been written over the last couple of years highlighting the general dearth of IPO activity, with the finger of blame often being pointed at rising interest rates suppressing risk appetite and general investor enthusiasm. However, with the total number of companies listed on the London markets being in long term decline – a pattern that is repeated across many established venues across the globe – it's worth noting that issuers appear to be actively seeking out the alternatives that are available to them. Technology, along with an implicit understanding that unlisted or off market assets often attract far more justifiable valuations than their main board counterparts, has fuelled significant growth here.



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With that in mind, the decision by the UK Government to push through what may on the face of it look like a modest change in taxation policy for smaller issuers could indeed be interpreted as them being in front of the curve - and worthy of greater fanfare. Not only should this help cement the UK's position as the MTF location of choice in Europe, but it also has the potential to give issuers more flexibility. And whilst that will in turn force the AIM Market to ensure it remains at the top of its game, this brings us conveniently back to the Inheritance Tax exemption that listings benefit from.

However, regardless of overlying market venues, there's going to be a common theme for the majority of the buy side that UK securities are settled on its sole domestic CSD, CREST. As we get close to the 10th anniversary of the CSDR - which envisaged a choice of multiple digital settlement venues - only a few attempts have been made to provide alternate market infrastructure. And it's perhaps surprising we haven't seen even greater fragmentation given the evolution of new technology, but national CSD settlements monopolies prevail across the world. Does this simply reflect the path of least resistance in the markets, or is it illustrating how much of a challenge it is to open up choice in the back end infrastructure?

Regardless of the challenges, we offer UK securities core registry services and a pathway into CREST and other national CSDs. Whether these are mainstream issuers looking to list in London or elsewhere internationally, speak to us to explore the solutions available.

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