EU Recovery prospectus and targeted adjustments for financial intermediaries to help the recovery from the COVID-19 pandemic

2020/0155(COD) - 11/02/2021 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 585 votes to 50, with 55 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 2017 /1129 as regards the EU Recovery prospectus and targeted adjustments for financial intermediaries to help the recovery from the COVID-19 pandemic.

As a reminder, the amendments to the Prospectus Regulation aim to create the EU Recovery Prospectus as a short form prospectus and to introduce targeted adjustments for financial intermediaries. The aim is to enable companies to quickly access new financing in order to contribute to economic recovery after the COVID-19 pandemic.

Parliament adopted its position at first reading in accordance with the ordinary legislative procedure by amending the Commission proposal as follows:

EU Recovery Prospectus

The new simplified prospectus, known as the ‘EU Recovery Prospectus’, while addressing to the economic and financial challenges specifically raised by the COVID-19 pandemic, should be easy to produce for issuers, easy to understand for investors, in particular retail investors, who wish to finance issuers, and easy to scrutinise and approve for the competent authorities.

Under the amended text, offerors of shares admitted to trading on a regulated market or an SME growth market without interruption for at least the last 18 months would be able to choose to draw up an EU recovery prospectus under the simplified regime.

The use of the EU Recovery prospectus should therefore be limited to offers comprising no more than 150 % of outstanding capital.

As the EU Recovery prospectus regime is limited to the recovery phase, that regime should expire by 31 December 2022.

Less information

The prospectus should contain the relevant reduced information which is necessary to enable investors to understand:

- the prospects and financial performance of the issuer and the significant changes in the financial and business position of the issuer that have occurred since the end of the last financial year, if any;

- its financial and non-financial long-term business strategy and objectives, including, if applicable, a specific reference of not less than 400 words to the business and financial impact of the COVID-19 pandemic on the issuer and the anticipated future impact of the same;

- the essential information on the shares, including the rights attached to those shares and any limitations on those rights, the reasons for the issuance and its impact on the issuer, including on the overall capital

structure of the issuer, as well as a disclosure of capitalisation and indebtedness, a working capital statement, and the use of proceeds.

Right of withdrawal

Where the prospectus relates to an offer of securities to the public, investors who have already agreed to purchase or subscribe for the securities before the supplement is published should have the right, exercisable within three working days after the publication of the supplement, to withdraw their acceptances, provided that the significant new factor, material mistake or material inaccuracy arose or was noted before the closing of the offer period or the delivery of the securities, whichever occurs first.

The supplement shall contain a prominent statement concerning the right of withdrawal.

In order to provide relief and free-up resources for financial intermediaries while maintaining a high level of investor protection, it is specified that financial intermediaries should contact investors who

purchase or subscribe securities at the latest at the closing of the initial offer period.

Evaluation report

Parliament specified that the report should include, inter alia:

- an estimate of the actual additional market capitalisation mobilised by EU Recovery prospectuses at the date of issue in order to gather experience about the EU Recovery prospectus for post-evaluation;

- an indication of the overall financial savings achieved and cost reductions still possible, and the total costs of compliance with the Regulation for issuers, offerors and financial intermediaries and a calculation of these costs as a percentage of operational costs;

- an analysis of whether it is appropriate to extend the duration of the EU recovery prospectus regime and whether the planned measures have achieved the objective of providing more clarity and flexibility for financial intermediaries and investors alike.