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The European Commission adopts a Capital Markets Recovery Package

On 24 July 2020, the European Commission adopted a Capital Markets Recovery Package, as part of the Commission's overall COVID-19 recovery strategy. These measures are intended to assist capital markets in supporting European businesses when recovering from the crisis.

The package comprises adjustments to the Prospectus Regulation, MiFID II and securitisation rules. All amendments are at the heart of the Capital Markets Union project aimed at better integrating national capital markets and ensuring equal access to investments and funding opportunities across the EU.

Targeted amendments to the prospectus regime – the EU Recovery Prospectus

The Commission is proposing the introduction of an “EU Recovery Prospectus” – a short-form prospectus for companies that have a track record in the public market. This temporary prospectus would be easy to produce for companies, easy to read for investors, and easy to scrutinise for national competent authorities. The intention is to assist companies to raise capital by means of equity securities, thereby reducing their debt-to-equity ratios and helping them remain solvent. The second targeted amendment to the Prospectus Regulation aims to facilitate fundraising by credit institutions that play an essential role in financing the recovery of the real economy.

Main features of the EU Recovery Prospectus

In order to be an efficient tool that effectively supports the recovery of listed companies, the EU Recovery Prospectus will be a single document limited to thirty pages, focusing on [essential information](#) that investors need in order to make an informed decision. It will be available for issuers that have been listed for at least 18 months and that want to issue shares. The EU Recovery Prospectus will benefit from the EU passport mechanism, meaning that all investors from the EU will be able to finance such companies should they wish to do so.

Other proposed measures

The Commission is also proposing two other sets of targeted amendments to relieve pressure on financial intermediaries (such as commercial banks or investment banks):

The first one relates to the “supplement”, which is a supplemental document to a prospectus that must be published, under certain conditions, when a significant new factor, material mistake or material inaccuracy relating to the information included in a prospectus arises.

The proposed amendments clarify the scope of investors that should be contacted by financial intermediaries once a supplement is published and detail the extended timeframes within which they should be contacted.

The second set of amendments aims at supporting credit institutions, which institutions have been active in supporting companies that required financing during the crisis and are expected to be a fundamental pillar of the recovery phase. In order to help smaller credit institutions, the Commission proposes to make it easier to raise additional funds on a regular basis without the necessity of issuing a new prospectus each time the bank raises additional funds. The Commission is therefore proposing that an offer of non-equity securities issued in a continuous or repeated manner by a credit institution under certain conditions shall not be subject to the obligation of publishing a prospectus if the total consideration is less than €150 million per credit institution over a period of 12 months. The Commission's targeted increase of the threshold from the current €75 million to the proposed €150 million shall be available for a limited period of 18 months.

Ensuring investor protection

The EU Recovery Prospectus will focus on the essential information (including risk factors) that investors need to make informed decisions. In addition, the EU Recovery Prospectus will only be available for issuances of shares and for listed issuers that already have an 18-month disclosure track record on capital markets.

Furthermore, it is being proposed that the same day deadline for the financial intermediaries to contact investors when a supplement to a prospectus is published is extended to one working day following the publication of the supplement. In parallel, the two working day deadline for investors to exercise their withdrawal rights when a supplement is published is also to be extended to three working days.

Next steps

Following agreement by the European Parliament and the Council to the [proposed legislative texts](#), and once the package is adopted and has entered into force, the changes to the Prospectus Regulation will apply directly in the Member States.

Contacts

Should you have any queries regarding the above, please do not hesitate to contact us on listings@mfsa.com.mt.