

Simpler and cheaper prospectuses to open SMEs' access to finance

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Prospectuses published when securities are offered to investors or admitted to trading should be simplified and cheaper to help the businesses and especially SMEs to find diverse sources of capital across the EU. The uniform rules for prospectuses and the information they disclose should protect investors while creating an efficient single market for capital, said MEPs while voting on the common stance prior to the negotiations with the Council, on Thursday.

Prospectus requirements would cover equity securities such as shares in companies or right to acquire them and non-equity securities such as bonds offered to investors or admitted to trading on regulated markets in the UE except from non-equity securities issued by member states, regional or local authorities or central banks.

Help SMEs: EU Growth prospectus

One of the core objectives of Capital Markets Union, for which the prospectus regulation is an essential step, is to facilitate SMEs' access to finance. As such companies usually need to raise lower amounts than other issuers, the cost of drawing a full prospectus could be disproportionately high for them. MEPs want to establish a specific, standardised and lighter EU Growth prospectus regime available for SMEs, issuers on an SME Growth Market and other issuers who wish to raise smaller amounts of money. Once approved, such prospectuses would benefit from the passporting regime in order to be offered to the investors across the EU.

Defined exemptions and crowdfunding

Taking into account the different sizes of financial markets across the EU, member states would also have an option to exempt from the prospectus obligation offers of securities of a larger size, but MEPs want to set the threshold for such an exemption between 1 million and 5 million euro, over a period of 12 months. Moreover such securities should not be offered across borders.

MEPs want to increase the lower exemption threshold, under which no prospectus is required, to 1 million euro (compared to 500 000 euro in the Commission proposal) to provide crowd-funding platforms with more flexibility and lessen the administrative burden. At the same time, they believe that the Commission should look into harmonising and regulating crowd-funding practices across the EU.

Protect investors: key information and warnings

The prospectus should include an accurate, clear and short summary, providing the key information, in a national language, that investors need to understand the risks and make an informed decision. The summary should be consistent with other parts of prospectus and it should contain a clear warning of the risks involved, such as the risk of losing part or all of the investment and the risks in case of securities issued by banks that are subject to bail-in under a framework for recovery and resolution of credit institutions and investment firms (BRRD) which may cause heavy losses for an investor.

Press release

Next steps

The Plenary vote on Thursday established a mandate for three-way talks between the Parliament, the Council and the Commission in order to decide on a final shape of the rules.

Further information

- Adopted text will be available here (15.09.2016): <http://www.europarl.europa.eu/plenary/en/texts-adopted.html>
- Profile of the rapporteur: Petr Ježek (ALDE, CZ): http://www.europarl.europa.eu/meps/en/124707/mep_home.html

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