

## Chapter 2

# Drawing up the prospectus



2.1 General contents of prospectus

General contents of prospectus

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Article 6(1) and (2) of the *Prospectus Regulation* provides for the general contents of a *prospectus*:

Article 6

The prospectus

1. Without prejudice to Article 14(2) and Article 18(1), a prospectus shall contain the necessary information which is material to an investor for making an informed assessment of:

- (a) the assets and liabilities, profits and losses, financial position and prospects of the issuer and of any guarantor;
- (b) the rights attaching to the securities; and
- (c) the reasons for the issuance and its impact on the issuer.

That information may vary depending on any of the following:

- (a) the nature of the issuer;
- (b) the type of securities;
- (c) the circumstances of the issuer;
- (d) where relevant, whether or not the non-equity securities have a denomination per unit of at least EUR 100 000 or are to be traded only on a regulated market or a specific segment thereof, to which only qualified investors can have access for the purposes of trading in the securities.

2. The information in a prospectus shall be written and presented in an easily analysable, concise and comprehensible form, taking into account the factors set out in the second subparagraph of paragraph 1.

Summary

2.1.2

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Article 7(1) (first sub-paragraph) and (2) of the *Prospectus Regulation* provides:

Article 7

The prospectus summary

1. The prospectus shall include a summary that provides the key information that investors need in order to understand the nature and the risks of the issuer, the guarantor and the securities that are

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being offered or admitted to trading on a regulated market, and that is to be read together with the other parts of the prospectus to aid investors when considering whether to invest in such securities.

...

2.The content of the summary shall be accurate, fair and clear and shall not be misleading. It is to be read as an introduction to the prospectus and it shall be consistent with the other parts of the prospectus.

When a summary is not required

Article 7(1) (second sub-paragraph) of the *Prospectus Regulation* provides:

Article 7

The prospectus summary

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By way of derogation from the first subparagraph, no summary shall be required where the prospectus relates to the admission to trading on a regulated market of non-equity securities provided that:

- (a)such securities are to be traded only on a regulated market, or a specific segment thereof, to which only qualified investors can have access for the purposes of trading in such securities; or
- (b)such securities have a denomination per unit of at least EUR 100 000.

2.1.4

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Contents of summary

Article 7(3) to (12) of the *Prospectus Regulation* provides for how the contents of the *summary* are to be determined:

Article 7

The prospectus summary

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3.The summary shall be drawn up as a short document written in a concise manner and of a maximum length of seven sides of A4-sized paper when printed. The summary shall:

- (a)be presented and laid out in a way that is easy to read, using characters of readable size;
- (b)be written in a language and a style that facilitate the understanding of the information, in particular, in language that is clear, non-technical, concise and comprehensible for investors.

4.The summary shall be made up of the following four sections:

- (a)an introduction, containing warnings;
- (b)key information on the issuer;

- (c) key information on the securities;
- (d) key information on the offer of securities to the public and/or the admission to trading on a regulated market.

5. The section referred to in point (a) of paragraph 4 shall contain:

- (a) the name and international securities identification number (ISIN) of the securities;
- (b) the identity and contact details of the issuer, including its legal entity identifier (LEI);
- (c) where applicable, the identity and contact details of the offeror, including its LEI if the offeror has legal personality, or of the person asking for admission to trading on a regulated market;
- (d) the identity and contact details of the competent authority approving the prospectus and, where different, the competent authority that approved the registration document or the universal registration document;
- (e) the date of approval of the prospectus;

It shall contain the following warnings:

- (a) the summary should be read as an introduction to the prospectus;
- (b) any decision to invest in the securities should be based on a consideration of the prospectus as a whole by the investor;
- (c) where applicable, that the investor could lose all or part of the invested capital and, where the investor's liability is not limited to the amount of the investment, a warning that the investor could lose more than the invested capital and the extent of such potential loss;
- (e) civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of the prospectus, or where it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities;
- (f) where applicable, the comprehension alert required in accordance with point (b) of Article 8(3) of [the *PRIPs Regulation*].

6. The section referred to in point (b) of paragraph 4 shall contain the following information:

- (a) Under a sub-section entitled 'Who is the issuer of the securities?', a brief description of the issuer of the securities, including at least the following:
  - (i) its domicile and legal form, its LEI, the law under which it operates and its country of incorporation;
  - (ii) its principal activities;
  - (iii) its major shareholders, including whether it is directly or indirectly owned or controlled and by whom;

(iv)the identity of its key managing directors;

(v)the identity of its statutory auditors;

(b)under a sub-section entitled 'What is the key financial information regarding the issuer?' a selection of historical key financial information presented for each financial year of the period covered by the historical financial information, and any subsequent interim financial period accompanied by comparative data from the same period in the prior financial year. The requirement for comparative balance sheet information shall be satisfied by presenting the year-end balance sheet information. Key financial information shall, where applicable, include:

(i)pro forma financial information;

(ii)a brief description of any qualifications in the audit report relating to the historical financial information;

(c)under a sub-section entitled 'What are the key risks that are specific to the issuer?' a brief description of the most material risk factors specific to the issuer contained in the prospectus, while not exceeding the total number of risk factors set out in paragraph 10.

7.The section referred to in point (c) of paragraph 4 shall contain the following information:

(a)under a sub-section entitled 'What are the main features of the securities?', a brief description of the securities being offered to the public and/or admitted to trading on a regulated market including at least:

(i)their type, class and ISIN;

(ii)where applicable, their currency, denomination, par value, the number of securities issued and the term of the securities;

(iii)the rights attached to the securities;

(iv) the relative seniority of the securities in the issuer's capital structure in the event of insolvency, including, where applicable, information on the level of subordination of the securities and the potential impact on the investment in the event of a resolution under the UK law which implemented [the RRD];

(v)any restrictions on the free transferability of the securities;

(vi)where applicable, the dividend or payout policy;

(b)under a sub-section entitled 'Where will the securities be traded?', an indication as to whether the securities are or will be subject to an application for admission to trading on a regulated market or for trading on an MTF and the identity of all the markets where the securities are or are to be traded;

(c)where there is a guarantee attached to the securities, under a sub-section entitled 'Is there a guarantee attached to the securities?', the following information:

(i)a brief description of the nature and scope of the guarantee;

(ii)a brief description of the guarantor, including its LEI;

(iii) the relevant key financial information for the purpose of assessing the guarantor's ability to fulfil its commitments under the guarantee; and

(iv) a brief description of the most material risk factors pertaining to the guarantor contained in the prospectus in accordance with Article 16(3), while not exceeding the total number of risk factors set out in paragraph 10;

(d) under a sub-section entitled 'What are the key risks that are specific to the securities?', a brief description of the most material risk factors specific to the securities contained in the prospectus, while not exceeding the total number of risk factors set out in paragraph 10.

Where a key information document is required to be prepared under [the *PRIPs Regulation*], the issuer, the offeror or the person asking for admission to trading on a regulated market may substitute the content set out in this paragraph with the information set out in points (c) to (i) of Article 8(3) of [the *PRIPs Regulation*].

Where there is a substitution of content pursuant to the second subparagraph, the maximum length set out in paragraph 3 shall be extended by three additional sides of A4-sized paper. The content of the key information document shall be included as a distinct section of the summary. The page layout of that section shall clearly identify it as the content of the key information document as set out in points (c) to (i) of Article 8(3) of [the *PRIPs Regulation*].

Where, in accordance with the third subparagraph of Article 8(9), a single summary covers several securities which differ only in some very limited details, such as the issue price or maturity date, the maximum length set out in paragraph 3 shall be extended by two additional sides of A4-sized paper. However, in the event that a key information document is required to be prepared for those securities under [the *PRIPs Regulation*] and the issuer, the offeror or the person asking for admission to trading on a regulated market proceeds with the substitution of content referred to in the second subparagraph of this paragraph, the maximum length shall be extended by three additional sides of A4-sized paper for each additional security.

Where the summary contains the information referred to in point (c) of the first subparagraph, the maximum length set out in paragraph 3 shall be extended by one additional side of A4-sized paper.

8. The section referred to in point (d) of paragraph 4 shall contain the following information:

(a) under a sub-section entitled 'Under which conditions and timetable can I invest in this security?', where applicable, the general terms, conditions and expected timetable of the offer, the details of the admission to trading on a regulated market, the plan for distribution, the amount and percentage of immediate dilution resulting from the offer and an estimate of the total expenses of the issue and/or offer, including estimated expenses charged to the investor by the issuer or the offeror;

(b) if different from the issuer, under a sub-section entitled 'Who is the offeror and/or the person asking for admission to trading?', a brief description of the offeror of the securities and/or the person asking for admission to trading on a regulated

market, including its domicile and legal form, the law under which it operates and its country of incorporation;

(c) under a sub-section entitled 'Why is this prospectus being produced?', a brief description of the reasons for the offer or for the admission to trading on a regulated market, as well as, where applicable:

(i) the use and estimated net amount of the proceeds;

(ii) an indication of whether the offer is subject to an underwriting agreement on a firm commitment basis, stating any portion not covered;

(iii) an indication of the most material conflicts of interest pertaining to the offer or the admission to trading.

9. Under each of the sections described in paragraphs 6, 7 and 8, the issuer may add sub-headings where deemed necessary.

10. The total number of risk factors included in the sections of the summary referred to in point (c) of paragraph 6 and point (c)(iv) and point (d) of the first subparagraph of paragraph 7 shall not exceed 15.

11. The summary shall not contain cross-references to other parts of the prospectus or incorporate information by reference.

### 2.1.5

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Chapter I of the *Prospectus RTS Regulation* sets out the content and format of presentation of the key financial information referred to in Article 7(6)(b) and (7)(c)(iii) of the *Prospectus Regulation*:

Article 1

#### **Minimum content of the key financial information in the summary of a prospectus**

1. The key financial information in the summary of a prospectus shall be made up of the financial information laid down in the Annexes to [the *PR Regulation*].

2. Where any information referred to in the relevant tables set out in Annexes I to VI to this Regulation is not included in the financial statements of the issuer, the issuer shall disclose a corresponding item from its financial statements instead.

3. The issuer may include additional line items or alternative performance measures in the summary of a prospectus where these are key financial information on the issuer or on the securities being offered or admitted to trading on a regulated market. For the purposes of the first sentence, alternative performance measures shall be financial measures of historical or future financial performance, financial position or cash flows, other than financial measures defined in the applicable financial reporting framework.

4. Issuers who do not fall under any of the types of issuers identified in Articles 2 to 8 shall present the key financial information referred to in the tables that they consider correspond most closely to the type of securities issued.

5. The key financial information shall be presented for the number of years required by [the *PR Regulation*] for the type of issuance and the type of securities being issued.

### Article 2

#### **Key financial information for non-financial entities issuing equity securities**

Where the issuer is a non-financial entity issuing equity securities, the summary of a prospectus shall contain the key financial information referred to in the tables set out in Annex I.

### Article 3

#### **Key financial information for non-financial entities issuing non-equity securities**

Where the issuer is a non-financial entity issuing non-equity securities, the summary of a prospectus shall contain the key financial information referred to in the tables set out in Annex II.

### Article 4

#### **Key financial information for credit institutions**

Where the issuer is a credit institution, the summary of a prospectus shall contain the key financial information referred to in the tables set out in Annex III.

### Article 5

#### **Key financial information for insurance companies**

Where the issuer is an insurance company, the summary of a prospectus shall contain the key financial information referred to in the tables set out in Annex IV.

### Article 6

#### **Key financial information for special purpose vehicles issuing asset backed securities**

Where the issuer is a special purpose vehicle issuing asset backed securities, the prospectus summary shall contain the key financial information referred to in the tables set out in Annex V.

### Article 7

#### **Key financial information for closed end funds**

Where the issuer is a closed end fund, the summary of a prospectus shall contain the key financial information referred to in the tables set out in Annex VI.

### Article 8

#### **Key financial information for guarantors**

Where a guarantee is attached to the securities, the key financial information on the guarantor shall be presented as if the guarantor were the issuer of the same type of security that is the subject of the guarantee using the tables set out in Annexes I to VI. Where the guarantee is given for asset-backed securities, the key financial information on the guarantor shall be presented as if the guarantor were the issuer of the underlying securities.

### Article 9

#### **Format of the key financial information in the summary of a prospectus**



- 1.The key financial information shall be presented in tabular format in accordance with the tables of Annexes I to VI to this Regulation.
- 2.Any historical financial information in the summary of a prospectus, which is not extracted from the financial statements, shall be identified as such.
- 3.Where pro forma information to be included in the summary of a prospectus affects the key financial information referred to in the relevant table of Annexes I to VI to this Regulation, that pro forma information shall be presented in additional columns in the tables set out in Annexes I to VI to this Regulation or as a separate table. Where necessary for its understanding, the pro forma information shall be accompanied by a brief explanation of the figures presented in the additional columns or separate table.  
  
Where in the case of a significant gross change only qualitative information is included in the prospectus, a statement to that effect shall be included in the summary of that prospectus.
- 4.Where the issuer has a complex financial history as set out in Article 18 of [the *PR Regulation*], the key financial information in the summary of the prospectus shall be presented in a manner consistent with the prospectus and using the relevant tables in Annexes I to VI to this Regulation.

[Note: Annexes I to VI of the *Prospectus RTS Regulation* ([https://www.handbook.fca.org.uk/techstandards/PD/2019/reg\\_2019\\_979\\_oj/](https://www.handbook.fca.org.uk/techstandards/PD/2019/reg_2019_979_oj/))]

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