

# Targeted consultation on the reduced content and the standardised format and sequence of the EU follow-on prospectus and the EU growth issuance prospectus

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## What are the New Prospectuses and Why Do They Matter for Individual Investors?

An **EU Follow-on Prospectus** is a simpler, shorter document that an already listed company can use when it wants to issue more shares or bonds to the public. As these companies are already known to the market and have ongoing reporting obligations, the **Follow-on Prospectus** focuses only on what's new or changed, instead of repeating everything about the company. A full prospectus is required when a company lists for the first time, and must explain everything about the company, including its full history, structure and risks. The Follow-on Prospectus skips repetition - it is designed to save time and money for companies while still providing essential information to investors. **The Growth Issuance Prospectus** is a special, lighter prospectus format mainly for **small and medium-sized enterprises (SMEs)** that want to raise money by offering shares or bonds. It is simpler and less technical than a full prospectus, reflecting the smaller size and earlier stage of these companies. The summary of an EU Follow-on prospectus or of an EU Growth issuance prospectus are required to be as short documents written in a concise manner and of a maximum length of seven sides of A4-sized paper when printed.

### Why are these new prospectuses important for individual investors?

- They aim to make **investment documents shorter, easier to read**, and focused on what matters most for your investment decision.
- They can **reduce costs** for companies – which could mean more **diverse investment opportunities** for individual investors, including in SMEs.
- At the same time, it's important that the new prospectuses **still protect investors** by clearly explaining key risks, what the money will be used for, and any important changes in the company.

The Follow-on and Growth Issuance Prospectuses are meant to **make investing safer and simpler** - but only if they are properly designed to balance **transparency** with **accessibility**. BETTER FINANCE's response focuses on ensuring that **individual investors remain protected**, while also **supporting easier and fairer access** to investment opportunities across the EU, with shorter and more targeted templates.

## Executive Summary

BETTER FINANCE welcomes the introduction of the EU Follow-on Prospectus (Article 14a) and the EU Growth Issuance Prospectus (Article 15a) under Regulation (EU) 2024/2809, supporting efforts to reduce administrative burdens, enhance accessibility, and improve usability for investors. To better achieve these goals, BETTER FINANCE recommends:

- **Restructuring the format and sequence** of the prospectuses to start with a concise executive summary, followed by key offer terms, issuer strategy, material changes, risk factors, governance and ownership, business overview, and selected financial information.
- **Allowing modular and intuitive layouts**, focusing disclosures on material updates and avoiding unnecessary repetition of information already publicly available.
- **Rejecting alignment with the full prospectus structure**, which would undermine the objective of simplification and create unnecessary burdens for seasoned issuers and SMEs.
- **Simplifying narrative requirements**, using concise, fact-based disclosures aligned with the EU's Accounting Directive (2013/34/EU), and allowing cross-referencing where no material change has occurred.
- **Introducing flexibility** for non-equity prospectuses by permitting tailored formats for complex instruments and allowing issuers to limit disclosure to a registration document where appropriate.
- **Clarifying Annex IV, V, VII, and VIII requirements** to focus on truly material information, encouraging visual aids and standardised templates, and allowing exemptions for micro-issuers.

These proposals aim to strike a balance between ensuring investors receive clear and relevant information, while preventing excessive regulatory burdens that could discourage EU companies from accessing capital markets.

Question 1: Considering the new Prospectus Regulation provisions, what would be in your opinion the most efficient and less burdensome standardised format and sequence of the EU follow-on prospectus?

The most efficient structure would prioritize usability for investors and flexibility for issuers. A re-sequenced format should include:

- 1. Executive Summary** - summarising the offering, recent performance, and any material changes since the last public filing.
- 2. Key Offer Terms & Use of Proceeds** - including price range, number of shares, use of proceeds.
- 3. Issuer Strategy & Growth Plans** - overview of funding rationale, e.g. debt reduction, M&A, or growth investments.

**4. Material Changes Since Last Prospectus or Reporting Period** - avoiding repetition, focusing only on what's new.

**5. Risk Factors** - relevant only to the new issuance, e.g. "execution risk for a newly announced acquisition".

**6. Governance and Ownership**

**7. Simplified Business Overview** - for context, linking to prior filings.

**8. Selected Financial Information** - only recent and relevant metrics, with references to audited reports.

**Example:** A utility company issuing new shares to fund renewable projects shouldn't be required to re-disclose its entire regulated asset base. Instead, it should focus on the strategy behind the issuance and how it aligns with climate transition funding goals.

Question 2: Do you agree that the rules on format and sequencing for the EU follow-on prospectus should align with those for the full prospectus?

**No.** The follow-on prospectus is intended for an informed investor audience already familiar with the issuer. Aligning it with a full prospectus contradicts the objective of simplification.

**Example:** A full prospectus would require exhaustive disclosure of company history and strategy. A follow-on prospectus for the same issuer - e.g. a tech company already listed for 3 years - should instead summarize new developments (e.g. a product line expansion or new market entry) and provide links to prior filings for background.

Question 3: Do you agree that for an EU follow-on prospectus for non-equity securities there should be more flexibility on the standardised format and sequence requirement, for example that for an EU follow-on prospectus drawn up by a single issuer, the standardised format and sequence might be limited to the registration document? This would mean that more flexibility would be retained for the non-equity securities note (particularly for complex non-equity securities requiring compliance with multiple Annexes and for an EU follow-on prospectus, where used as a base prospectus).

**Yes.** Non-equity securities, especially structured or hybrid debt, often require bespoke disclosures aligned with product complexity. Issuers should be allowed to standardize only the **registration document** and retain flexibility for the **securities note**, particularly when dealing with multiple annexes or using base prospectuses.

**Example:** A bank issuing contingent convertible bonds (CoCos) should not be forced into a rigid sequence that mirrors an equity prospectus. Flexibility allows tailored risk explanations, e.g. trigger events or loss absorption mechanisms, in a clear, investor-centric format.

Question 4: Would it be useful if the delegated act outlined both a single annex (for cases where the EU follow-on prospectus is prepared as a single document) and two separate annexes – a registration document and a securities note – in cases where the EU follow-on prospectus is prepared as separate documents?

**Yes.** Offering both options enables proportionality across issuer types. SMEs and straightforward equity raises may benefit from a single annex, whereas larger, more complex transactions might warrant separation into a registration document and a securities note. In case of separation of documents, each part should include a link to the other part(s) that is easily identifiable by the reader (to avoid investors thinking that some information is missing or wasting time looking for it).

**Example:** An SME listing additional shares could use a compact single-annex format. A multinational enterprise issuing both equity and debt instruments may need dual annexes to address different investor profiles and product risks.

Question 5: Do you have any other comment on how to ensure that the standardised format and sequence of the EU follow-on prospectus could help investors in their investment decisions without creating burdens for issuers?

**Yes.** Investors benefit from clarity, issuers from efficiency. Delegated acts should:

- Allow **material changes to be flagged with summary tables or sidebars** (e.g., "what's new since last filing").
- Permit **hyperlinks to previously approved documents** (e.g., audited annual reports).
- Encourage **visual aids**, such as capital structure charts or use-of-proceeds diagrams.

**Example:** A biotech firm raising funds for a Phase III clinical trial could use a visual pipeline update and a brief "milestone summary" rather than re-explaining its R&D program in full.

The proposed amendments for the follow-on prospectus, i.e. reordering of prospectus sections to enhance investor usability without compromising the comprehensiveness required by the regulation, can ensure investors are helped with investment decisions without creating barriers for issuers. For instance, the revised Annex IV allows for the omission of certain information already disclosed in previous filings, provided there are no material changes. This supports the recommendation to highlight new or material updates prominently, aiding investors in quickly identifying critical information.

Question 6: Considering the new Prospectus Regulation provisions, what would be in your opinion the most efficient and less burdensome standardised format and sequence of the EU growth issuance prospectus?

A modular and intuitive layout is key. Suggested order:

- 1. Executive Summary**
- 2. Key Offer Terms & Use of Proceeds**
- 3. Issuer Strategy & Growth Plans**
- 4. Material Changes Since Last Prospectus** - optional and only included if relevant e.g., SME already listed or significant operational change.

5. **Risk factors**
6. **Governance and Ownership**
7. **Simplified Business Overview**
8. **Selected Financial Information** - key figures and trends; visual if possible.

This format supports investor decision-making without overwhelming SMEs with overly technical templates.

**Example:** A digital marketplace startup should explain how the new capital will expand its platform or user base - not reproduce its complete operational history, already known to the market.

Question 7: Do you believe the rules on format and sequencing for the EU growth issuance prospectus should align with those for the full prospectus?

**No.** The full prospectus is too detailed for SMEs and would create disproportionate costs. Growth prospectuses should reflect the unique needs of early-stage companies - conciseness, focus on growth strategy and on essential financial disclosures.

Question 8: Do you agree that for an EU growth issuance prospectus for non-equity securities there should be more flexibility on the standardised format and sequence requirement, for example that for an EU growth issuance prospectus drawn up by a single issuer, the standardised format and sequence might be limited to the registration document? This would mean that more flexibility would be retained for the non-equity securities note (particularly for complex nonequity securities requiring compliance with multiple Annexes and for an EU growth issuance prospectus, where used as a base prospectus).

**Yes.** SMEs issuing convertible notes or other hybrid instruments often operate lean and cannot afford legal teams to compile full annexes. Allowing more flexibility for the securities note facilitates innovation in SME financing.

**Example:** A clean tech company issuing green convertible bonds may only need to supplement its registration document with a 3-page note explaining bond structure, conversion terms, and use of proceeds.

Question 9: Do you have any other comment on how to ensure that the standardised format and sequence of the EU growth issuance prospectus could help investors in their investment decisions without creating burdens for issuers?

**Yes.** Consider:

- Standard **templates for key terms** (like a term sheet page).
- Optional **Q&A sections** to pre-emptively address investor FAQs.
- Support for **multi-language summaries** for cross-border investors.

**Example:** A pan-EU SME could present one standard English-language prospectus and annex a 1-page offer summary in German and French - aiding accessibility without adding complexity.

Question 10: Do you agree that Annexes IV and V to the Prospectus Regulation are overall sufficiently clear and that only certain items describing the securities would need to be further specified (could you specify which items)?

**Yes, but enhancements are needed.** Items like “material contracts” and “capital resources” require clearer definitions or examples. Disclosure of “known trends” could also be clarified - e.g. should this include market-specific factors like raw material price trends?

**Example:** An energy company should not need to include long-term power purchase agreements already disclosed in annual filings unless their terms have changed significantly.

Question 11: Do you have any comment on how to specify further the reduced content of the EU follow-on prospectus in delegated acts while making sure that the overarching burden reduction objective is achieved?

**Yes.** Recommended changes:

- Allow cross-referencing instead of full replication of financial data.
- Clarify thresholds for “material” (e.g. >10% impact on earnings).
- Permit simplified risk factor formatting, e.g. categorizing risks as operational, financial, or regulatory.

**Example:** A real estate firm should not be required to include a full building-by-building valuation table if there is no material change since the last half-year report.

Question 12: Do you agree that Annexes VII and VIII of the Prospectus Regulation are overall sufficiently clear and that only certain items describing the securities would need to be further specified (could you specify which items)?

**Yes, but simplification is still possible.** Clear examples should guide how to present “future funding needs” and “key trends”, particularly for SMEs with less predictable revenue streams.

**Example:** An early-stage MedTech firm could present cash runway as “months of operations remaining under current burn rate”, avoiding unnecessary financial jargon.

Question 13: Do you have any comment on how to specify further the reduced content of the EU growth issuance prospectus in delegated acts while making sure that the overarching burden reduction objective is achieved?

**Yes.** Consider:

- Replacing some narrative with **standardised tables** (e.g., top 5 shareholders, cap table).

- Exempting micro-issuers (e.g. <€10 million) from detailed narrative sections such as those found in the management report under the Accounting Directive (Directive 2013/34/EU), where they would add substantial cost but little material value.
- Clarifying that unaudited projections or strategic plans are optional, not mandatory.

**Example:** A SaaS startup offering €3 million in shares to accelerate user acquisition should not be forced to submit IFRS-compliant financial forecasts.

The amendments emphasize a more streamlined and proportionate disclosure regime for EU growth issuance prospectuses, focusing on material information and reducing repetitive content. This approach supports the proposed reordering of prospectus sections to enhance investor usability without compromising the comprehensiveness required by the regulation.

The updated Annex VII for EU growth issuance prospectuses introduces flexibility in presenting financial information, acknowledging the varying capabilities of SMEs. This aligns with the suggestion to permit simplified financial disclosures and the use of visual aids to convey key financial metrics effectively.

Overall, the regulatory changes endorse a more user-friendly and efficient prospectus structure, validating the proposed recommendations aimed at enhancing investor comprehension and reducing issuer burden.

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About BETTER FINANCE

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