

BETTER FINANCE Position
Proposal for an EU Recovery Prospectus
 (COM(2020) 281 final - 2020/0155(COD) - C9 0206/2020)

[BETTER FINANCE](#) welcomes the proposal put forward by the European Commission to simplify Prospectus disclosure rules for equity issuers in order to stimulate equity financing by companies in need and restore sustainable debt-equity ratios.

We believe that both Capital Markets Union (CMU) and COVID-19 recovery policies should be tailored to attract more EU households to directly invest in the real economy and rebecome the main owner of EU listed companies.¹

Considering the very low level of confidence non-professional investors have in financial institutions and stock markets, CMU and recovery policies should primarily aim to restore trust and impose a high standard of investor protection.

During the work of the [High-Level Forum on the Future of the Capital Markets Union](#), BETTER FINANCE has supported initiatives to alleviate Prospectus rules in order to improve the public markets ecosystem and help recreate an EU equity investing culture.

The table below lists BETTER FINANCE's preliminary position regarding granular provisions of the European Commission and European Parliament (ECON) amendments to the *EU Recovery Prospectus* (EURP) and *EU Summary Recovery Prospectus* (EUSR).

Topic	BETTER FINANCE position
Scope	<p>BETTER FINANCE believes that it is the listed small- and medium-sized enterprises (SMEs) that face difficulties in raising capital (<i>inter alia</i> compliance costs), not large capitalisation companies or blue chips. Therefore, we would prefer the proposal to focus on this (very) large part of the market (99% of businesses in the EU).</p> <p>Amendment 8 (ECON Report) attempts to expand the scope of the EURP to all offerors of securities admitted on regulated markets and SME Growth Markets, which would not be desirable both because it deviates from the scope of this proposal and because some securities are very risky and complex.</p> <p>We agree with the proposal to double the threshold for credit institutions offering non-equity securities.</p>
Time limitations	<p>While the EURP is a good initiative to stimulate recovery, it should be limited in time and not replace a simplification (if any) of Prospectus disclosure without prior and through impact assessments and stakeholder consultations.</p> <p>We agree with the 18-month limit and consider that extensions of this regulatory relief could only be considered after its review, based on thorough econometric analysis.</p>
Eligibility criteria	<p>We agree that only equity issuers, which have listed their instruments for at least 18 months on regulated markets and SME Growth markets, could use the EUSR and EURP for new share listings.</p>
Approval deadlines	<p>We agree and support the proposal to speed-up the approval deadlines to 5 working days.</p>
Supplements	<p>We agree with the two proposals concerning notifications (one extra day) and withdrawal rights (from 2 to 3 days) as regards supplements to the Prospectus.</p>

¹ See the BETTER FINANCE CMU Assessment Report 2015 – 2019 for an elaborated discussion on the need to re-equitize the EU economy and make EU citizens the main owner of EU companies: <https://betterfinance.eu/wp-content/uploads/CMU-Assessment-Report-2019.pdf>.

EU Summary Recovery Prospectus

The EUSR is a key for attracting more non-professional investors and enabling them to make informed investment decisions as it is the part most likely to be read and understood by them.

Drawing from the long-term experience with the Key Information Documents and Prospectuses for packaged investment products (UCITS, AIFs, PRIIPs), “retail” investors need clear, intelligible and concise information on the issuer, especially the past performance of the securities (stocks) and the past dividends if any.²

*length
content*

We agree, 2 pages is adequate

We agree with the proposed content (short and concise), but firmly advise to include long-term past performance disclosure on the share price and dividend yields, if any.

EU Recovery Prospectus

BETTER FINANCE agrees with the form and content of the EURP as it would alleviate the compliance burden for companies in need and still disclose the information necessary for investors to make informed investment decisions.

length

BETTER FINANCE supports the reduced maximum length of the EURP (30 pages, incl. the EUSR) but highlights inconsistencies with the proposed amendment of the ECON Committee of the European Parliament (Amendment 21) and the target length. We believe that proposed contents by the European Commission should not be supplemented, but replaced instead, in order to keep the EURP short and meaningful.

content

We agree with Amendments 18 (*risk factors*), 19 (*dividend policy*) and 21 (*statement of capitalisation and indebtedness*), but highlight the need to ensure that either the length of the EURP can be respected – without requiring a format that disincentivises investors to read it – and where possible shorten or simplify disclosures.

In addition, we believe that Amendment 10 correctly highlights the need to inform investors of the *rights attached* by acquiring shares, but it should be a sub-part of the essential information, not replace it.

Grandfathering

We agree that EURPs to continue to be valid until expiry or max. 12 months after the time limitation period ends.

Review and follow-up

We agree that the European Commission should undertake a review of the EURP, but a specific target (*propose legislative amendments*) should not be imposed as to pre-empt the findings of the review. Instead, it would help if the European Commission would have specific indicators in light of which to conduct the review (e.g. increase in equity offerings, increase of the “retail” sector participation).

Contact:

Guillaume Prache, Managing Director, prache@betterfinance.eu

Aleksandra Maczynska, Executive Director, maczynska@betterfinance.eu

Stefan Voicu, Research & Policy Officer, voicu@betterfinance.eu

Edoardo Carlucci, Research & Policy Officer, carlucci@betterfinance.eu

BETTER FINANCE, the European Federation of Investors and Financial Services Users

+32 (0) 25 14 37 77

² For a more elaborate discussion on information overload, key disclosure and the need for past performance, see BETTER FINANCE’s Response to the European Supervisory Authorities Joint Committee’s Consultation on the PRIIPs KID (2020): <https://betterfinance.eu/wp-content/uploads/BETTER-FINANCE-Response-ESAs-PRIIPs-Amendments-L2-FINAL.pdf>.