

New Prospectus Regulation offers more flexibility, but restricts some security conversions

April 12, 2017

The European Parliament [adopted](#) the Prospectus Regulation on 5 April 2017. Since the Council is expected to formally adopt the regulation shortly, we expect entry into force in summer 2017. Although most provisions will only come into effect 24 months after the regulation enters into force, two exemption provisions which are particularly relevant for share issuers will enter into effect immediately.

New securities within 12-month rolling period

The current 10% exemption from the prospectus requirement for the listing of new securities within a 12-month rolling period will be extended to permit the listing of 20% of new securities without a prospectus within a 12-month rolling period. The widened exemption gives listed companies more flexibility when making stock-for-stock acquisitions and raising equity capital generally. However, this exemption does not cover the prospectus requirement for new securities offerings. Accordingly, for each transaction, an analysis needs to be made of whether a separate exemption is available for the offering of new shares.

New shares resulting from security conversion

The current unlimited exemption from the obligation to prepare a prospectus for the listing of new shares that result from the conversion of other securities (such as convertible bonds, dual class of shares and non-employee options) will be restricted to 20% during a 12-month rolling period. This restriction may be relevant for listed companies with outstanding large or multiple convertible bonds. It does not apply to existing convertible securities, or convertible securities that were offered or listed based on a formal prospectus.

Last month we participated in a European Commission workshop to provide input for the detailed rules that are expected to be released towards the end of 2018. In this workshop, we raised practical questions and wishes based on our experiences in capital markets practice on a daily basis.

For an overview of the other amendments in the Prospectus Regulation, please see our article in the [December 2016](#) In context.
