



## New Regime for Debt Prospectuses: Ready, Set, Go!

***Debt capital markets players are entering into the Prospectus 3 era, with three major changes impacting debt prospectuses.***

Debt capital markets players are entering into the Prospectus 3 era. The Regulation (EU) 2017/1129 (the "Prospectus Regulation") is fully coming into force on July 21, 2019, and thereby repealing in its entirety Directive 2003/71/EC (the "Prospectus Directive").

Pursuant to the Prospectus Regulation, the Commission Delegated Regulations (EU) 2019/979 and (EU) 2019/980 (the "Delegated Regulations"), and the guidelines of the European Securities and Markets Authority ("ESMA"), three major changes will be experienced in debt prospectuses.

1. **Specific, material, and concise risk factors.** Materiality for taking informed investment decisions is key. Risk factors will no longer serve as disclaimers or contain mitigating language compromising their materiality. Risk factors will have to address the potential negative impact on the issuer or its securities. The materiality of a risk factor will have to be corroborated with information contained somewhere else in the prospectus. Risk factors will be presented across categories with a suggested maximum of 10 categories with the most material risk factor within that category placed at the beginning.
2. **Concise and understandable summary.** For retail debt securities, the format of the summary will be composed of the introduction, key information on the issuer, key information on the securities and key information on the offer. The summary will be in Q&A style and shall be no longer than seven A4 paper sides.
3. **New form of final terms.** For a base prospectus allowing retail issuances, the summary of the individual retail issue will have to be annexed to the final terms and be subject to the same requirements as the final terms.

All prospectuses approved before July 21, 2019, in accordance with the national laws transposing the Prospectus Directive will continue to be governed by such national laws until the end of their validity or for a period of one year following July 21, 2019, whichever occurs first. Debt market participants are now working on getting their prospectuses compliant with the Prospectus Regulation with the help of the Delegated Regulations and the ESMA guidelines. Some issuers have decided to update their prospectuses before July 21, 2019, while others are now adopting the new requirements and addressing the Prospectus 3 comments from the national regulators. Out with the old prospectus, in with the new.



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