

Prospectuses: ESMA consults on risk factors and exemptions for takeovers, mergers and divisions

ESMA is seeking stakeholders' views on the [proposed technical advice](#) on exempt documents produced for the purpose of offers/admission of securities connected to a takeover, merger or division. In addition, ESMA is seeking stakeholders' views in relation to its proposed guidelines on risk factors.

In particular, the first consultation paper contains draft technical advice on the minimum content of a document published in the context of offers/admission to trading of securities related to takeovers, mergers, and divisions while the second one sets out draft guidelines on risk factors featured in a prospectus.

The key draft proposals for consultation include:

Consultation Paper on minimum information content for prospectus exemption

Issuers may offer/admit securities connected with a takeover, merger or division without publishing a prospectus, provided that a document is made available to investors describing the transaction and its impact on the issuer.

ESMA is consulting on its draft technical advice regarding the minimum information content of this document, specifically in relation to:

- the offer of securities to the public or the admission to trading of securities on a regulated market; and
- the description and impact that a takeover, merger or division may have on the issuer's operational and financial activities.

ESMA, in addition, proposes the operative provisions that are necessary to ensure that exempted documents are fit for purpose and sets out the methodology followed in preparation of the technical advice. Furthermore, in a [letter](#) addressed to the European Commission, ESMA has highlighted the key issues related to the scope of the exemption.

Consultation Paper on guidelines on risk factors

The [draft guidelines](#) have been prepared to assist competent authorities (NCAs) in their review of risk factors included in a prospectus. The aim of these draft guidelines is to provide NCAs with a means of ensuring that risk factor disclosure is material and specific to the issuer concerned and that NCAs can ensure that risk factor disclosure is prepared in a concise and succinct form.

While these draft guidelines are directly addressed to NCAs, it is expected that financial market participants will, at all times, be cognisant of their

obligations enshrined in Article 16 of the PR when preparing a prospectus for submission to an NCA.

Next steps

The [consultations](#) close on 5 October 2018, and ESMA will deliver the technical advice to the European Commission and publish the final reports by 31 March 2019.