

Corporate Finance Regulation

Edition 16 Workbook Addendum

The following changes have been incorporated into Edition 16 of the Corporate Finance Regulation Workbook.

Chapter 2, Section 4.1

This section has been replaced to read as follows:

The Prospectus Directive was implemented in the UK in 2005, primarily through the introduction of the Prospectus Rules. The Directive applied to all companies when issuing transferable securities within the European Union (EU). The Prospectus Rules were later amended and replaced in the FCA Handbook by the Prospectus Regulation Rules (PRR) – which are located in the ‘Listing, Prospectus and Disclosure’ block of the FCA Handbook.

Following Brexit, the retained EU law version of the PRR was ‘onshored’ with some amendments and has applied since 2021.

These amendments included the transfer of powers from the European Securities and Markets Authority (ESMA) to the FCA, and from the EU commission to HM Treasury. No passporting is permitted or relevant.

On the 16 January 2026 the following new requirements came into effect, they are referred to as the POATR (Public Offers and Admissions to Trading Regime). The FCA’s PRR (Prospectus Regulation Rules) sourcebook was deleted from the Handbook and replaced with the PRM (Admission to Trading on a Regulated Market) sourcebook.

In line with other measures by the UK government to revitalise UK capital markets, these new rules are aimed to increase the attractiveness of the UK market by reducing the regulatory burden and simplifying the process to raise new capital, as well as reducing costs.

The New Prospectus Rules in the PRM have been prepared following a series of public consultations and consist of the Public Offers and Admissions to Trading Regulations 2024 as well as the Prospectus Rules: Admission to Trading on a Regulated Market (also known as the new FCA sourcebook).

The key changes to the Prospectus requirements include:

- For secondary issuances, the threshold at which a prospectus is required is increased from 20% of existing share capital to 75%
 - for closed-ended investment funds (CEIFs), to 100%.
- New MTF admission prospectus for admission to trading on a primary MTF
 - which includes the AIM Market.
- Introduction of PFLS (protected forward looking statement) relating to prospectus disclosures with a higher liability standard to encourage more useful and accurate disclosures from issuer companies.
- Additional measures to increase retail participation, including reducing the period on an IPO during which the prospectus must be made available to the public from six working days to three working days.

When a Prospectus is required?

- Under the previous UK prospectus rules, the requirements for a prospectus were:
 - an offer to the public of securities and/or
 - admission to trading on a UK-regulated market.
- The requirements under the ‘New Prospectus Rules’ (as noted in the PRM) requires Prospectus to be produced where there is an admission to trading on a UK-regulated market or a primary MTF.
 - Further, an offer of securities to the public is prohibited unless an exemption applies (ie, this is no longer a requirement to publish a prospectus).
 - Therefore, there will no longer be an option to proceed with an offering of securities to the public that does not benefit from an exemption by simply publishing a prospectus.

The New Prospectus Rules – Offers to the Public

- The general rule is that offers to the public of securities are prohibited unless an exemption applies.
- The list of available exemptions has expanded. While exemptions under the old prospectus rules have largely been retained
 - including the exemptions for offers made only to qualified investors and offers to fewer than 150 persons in the UK (excluding qualified investors).
- Significant new exemptions including:
 - offerings of securities that are admitted to trading on a UK-regulated market or primary MTF, effectively creating a much simpler regime in many cases where now only the admissions to trading rules apply (where previously the offers to the public rules also applied)
 - offerings in connection with a takeover offer (subject to certain conditions)
 - offers to persons already connected to the issuer, such as existing shareholders, and
 - offerings made via a regulated public offer platform ('POP'), which is a new type of venue for raising capital that has been introduced by the FCA under separate rules to dovetail with the New Prospectus
 - the threshold of the minimum offering size exemption has been reduced from €8 million – to £5 million:
 - offerings in excess of £5 million (that cannot rely on any other exemption) will have to be made via a POP
 - in addition, the minimum denomination threshold has been reduced from €100,000 to £50,000.

The New Prospectus Rules – Admission to Trading

- As is the case with offers to the public, prospectuses will be required in mainly the same situations under the New Prospectus Rules in the PRM when an issuer is seeking admission to trading on a UK-regulated market.
- The exemptions from Article 1(5) of the UK Prospectus Regulation have been retained (including the exemptions for securities arising from conversion and securities offered to employees or directors). However, three key areas of change include the following.

Secondary Issuances

- As highlighted above, the further issuance of securities already admitted to trading. The threshold at which a prospectus is required has been increased from 20% of existing share capital to 75%
 - this brings the UK position closer to EU requirements, the EU Listing Act reformed the EU Prospectus rules.
- The position for CEIFs has been relaxed, where new funds raised will be managed in line with the CEIF's investment policy, prospectuses would only be required for issuances of ordinary shares or C shares (shares that typically convert into ordinary shares after a specified period) greater than 100% of the existing capital of that class of share
 - where a prospectus is not required under the New Prospectus Rules in the PRM for a secondary issuance, the issuer (whether a company or a CEIF) may still decide to publish a voluntary prospectus. In this situation, the issuer will have discretion to publish a full or simplified prospectus and will not require FCA approval.

Takeovers

- The New Prospectus Rules in the PRM retain the existing exemption from the prospectus requirements if a takeover exemption document describing the transaction and its impact on the issuer is published.
 - The FCA provided further guidance with regards to the form and content of the document (in October 2025).
 - The FCA clarified that the use of 'takeover exemption' documents will be available to transactions structured as either contractual offers or schemes of arrangements.
 - The FCA guidance prescribes the form and content of the takeover exemption document in situations where the takeover is not subject to the Code.
 - FCA approval of the exemption document will only be required in respect of takeovers involving securities that are not fungible with those already admitted to trading, or where the takeover is a reverse acquisition takeover.

Admission to a Primary MTF (eg, AIM Market)

- For the first time, a prospectus will be required for initial admission to trading on primary MTFs.
 - this will include reverse takeovers where the acquisition leads to the cancellation of the company's admission to trading but will not extend to offers made to qualified investors only or to secondary issuances.
 - an MTF prospectus will not need to be approved by the FCA.
 - Content, format and authorisation processes will fall within the domain of the MTF primary operator (in the case of the AIM Market this will be the LSE),
 - but MTF prospectuses will be subject to the same 'necessary information test' as prospectuses for admission to trading on a UK-regulated market
 - MTF operators will have significant discretion over how this operates in practice and they will also determine the sanctions that issuers may face if they fail to publish a prospectus.

What do the New Prospectus Rules (in the PRM) mean in Practice?

IPOs

- A prospectus will still be required for an IPO on a UK-regulated market (including the LSE), and, for the first time, an MTF admission prospectus will be required for an IPO on a primary MTF (as noted above).
 - the aim is to view to encourage retail participation
 - the new regime also reduces the amount of time a prospectus must be made available to the public from six working days to three working days
 - this is aimed at mitigating the risks, and assuaging concerns, associated with market fluctuations in the lead-up to the IPO.
- The timelines for an MTF prospectus may be different due to the individual MTF operator's discretion as to the process for reviewing and approving prospectus documents.
 - the aim is that the MTF admission prospectus will lead to increased retail participation in IPOs on the AIM Market as opposed to issuers limiting their offering to a low number of participants or qualified investors.

Secondary Issuances

- The New Prospectus Rules in the PRM introduce a significant change to secondary issuances by allowing companies to issue up to 75% of their existing share capital without the need for a prospectus.
 - the removal of the prospectus requirement for most secondary issuances makes it simpler to raise capital in the UK markets and will facilitate takeover offers with share-for-share consideration.
- The New Prospectus Rules in the PRM, coupled with the changes to the UK Listing Rules, are intended to reduce red tape around the listing process for secondary issuances.
- In respect of secondary issuances on primary MTFs (such as the AIM Market), the operators of the relevant MTF will have discretion to decide whether an MTF admission prospectus will be required.

Takeovers

- Takeover exemption documents (in place of a prospectus) will only be required where the takeover involves a UK bidder offering over 75% of its share capital listed on UK-regulated markets as consideration.
- Where the consideration offered by a UK bidder is less than 75% of its share capital listed on UK-regulated markets, exemptions to the requirement to publish a prospectus are achieved through an (at times, complex) interaction of the exemptions in the New Prospectus Rules in the PRM as follows:
 - a takeover through a scheme of arrangement will fall within:
 - a specific exemption to the prohibition on an offer to the public, and
 - an exemption to the admission to trading prospectus trigger provided the consideration shares have already been admitted to trading and the new secondary issuances exemption applies (ie, less than 75% of existing share capital).
 - a takeover through a contractual offer will fall within:
 - an exemption to the prohibition on an offer to the public provided it involves (even, in part) consideration in the form of shares listed on a UK-regulated market or primary MTF, as it will be considered an admission to trading, and

- an exemption to the admission to trading prospectus trigger provided the consideration shares are of a class already admitted to trading and the new secondary issuances exemption applies (ie, less than 75% of existing share capital).
- Similar to the previous rules, the New Prospectus Rules (in the PRM) only apply to 'transferrable securities'. Therefore, we expect market practice in respect of stub equity deals on public to private transactions to remain the same – being that no prospectus is required if the unlisted shares in the offeror vehicle contain sufficient transfer restrictions such that they would not be considered 'transferrable securities'.

Unlisted Companies and Prospectuses

- Private companies and unlisted public companies can no longer offer securities (worth over £5 million) to the public by simply publishing a prospectus (unless they fall within one of the exemptions).
- Such offerings will instead have to make use of a POP.

PFLS: Protected Forward-Looking Statements

- PFLS introduces the concept of different liability standard for certain forward-looking statements, in particular in respect of future financial performance and sustainability objectives.
 - if a forward-looking statement meets the criteria of a PFLS it will be subject to a fraud or recklessness liability standard (as opposed to the lower negligence standard)
 - this aims to reduce issuer concerns about the liability burden and encourage disclosure of information that investors will find useful in making informed investment decisions.
- Not every statement is considered to be a PFLS, and to qualify as such the statement must be:
 - clearly identified as forward-looking
 - estimate when the events or circumstances mentioned are likely to occur
 - contain information a reasonable investor would use to decide investment decisions, and
 - contain financial or operational information about the issuer, with figures or information that is empirically verifiable.
- The FCA stated that PFLS should be prepared so that they are understandable, representative of the issuer's actual plans and strategies, and comparable.
- Examples of types of PFLS (provided that specific timeframes are referenced) would include financial forecasts, strategic plans, capital expenditure plans and sustainability goals.

Other Changes

- The permitted length of a prospectus summary will increase from seven to ten pages and allow cross-referencing to other sections.
 - the need for a financial annex will be removed, allowing cross-referencing to relevant financials instead.
- The requirement for a working capital statement for a prospectus is retained.
- Additional requirements in respect of climate-related disclosures have been introduced which apply to issuers of equity securities (and depositary receipts representing equity shares).
 - CEIFs, open-ended investments companies (OEICs) and shell companies have been explicitly excluded.

As noted above, some of the 'previous exemptions' are still applicable under the new regime.

A prospectus may not be required in certain circumstances, in particular:

- for units/shares issued by an OEIC
- for a bonus or capitalisation issue
- for issues of money market instruments with maturities of less than 12 months
- for the exercise of conversion rights or warrants, when this represents less than 20% of the issued share capital in any 12-month period
- for shares issued in place of shares already listed, so long as the total nominal value does not increase as a result, eg, a share split or consolidation
- with small issues of already-listed securities, which will not increase the class of securities in issue by 20% or more over a year. (The 20% per 12-month period is a combined total of small issues of securities and the exercise of conversion rights and warrants with effect from July 2019)

- small issues of less than €1 million over a period of 12 months, and
- for securities already admitted to trading on one regulated market, which will not require a prospectus to seek admission to trading on additional markets, providing that they have a minimum trading history of more than 18 months.

While gilts are technically exempt from the prospectus requirements under the Financial Services and Markets Act 2000 (FSMA) due to being issued by a government body, the DMO produces a prospectus for every gilt auction to provide essential details of the stock. The Gilt prospectus (often titled 'Offering Circular') provides full details on the terms under which a specific gilt is issued, including coupon rate, maturity date, and auction date and are typically published one week in advance of a gilt auction.

Qualified Investors

Qualified investors (Qis) comprise:

- professional clients, and
- eligible counterparties

Example

XYZ plc is proposing to seek admission to AIM. Its nominated adviser tells it that, if it floats through a placing of shares to institutional investors, it can produce an admission document (instead of a prospectus). If, instead, it makes an offer to retail investors, it must produce a prospectus (to be approved by the FCA, and to be compliant with the prospectus rules), unless it is seeking to raise less than £5 million. This will also be the case if XYZ subsequently raises additional capital through a rights issue; this is because it cannot limit this offer of shares to fewer than 150 persons, or to qualified investors, and cannot take advantage of the exemption for non-regulated markets, or it is raising less than £5 million in any 12-month period.

Chapter 2, Section 11

Deleted text:

- Regulators' powers – fines of up to €5 million for individuals and 15% of firms' annual turnover.

End Of Chapter Questions

The questions have been amended to read as follows:

10. When is a Prospectus Required?

In general, a prospectus is required when there is an admission to trade (trading) on a UK regulated market or a primary MTF. Further, an offer of securities to the public is prohibited unless an exemption applies. Therefore, there will no longer be an option to proceed with an offering of securities to the public that does not benefit from an exemption by simply publishing a prospectus.

Answer reference: Section 4

11. Is a prospectus required for the issue of gilts?

While gilts are technically exempt from the prospectus requirements under the Financial Services and Markets Act 2000 (FSMA) due to being issued by a government body, the DMO produces a prospectus for every gilt auction to provide essential details of the stock.

Answer reference: Section 4.1.1

Glossary

Deleted term:

Prospectus Regulation Rules (PRRs)

Contained in the Financial Conduct Authority (FCA) Handbook, the PRRs implement the Prospectus Regulation and provide the rules as to when a prospectus is required, its contents and format, and the process for its approval by the FCA.

New terms added:

Prospectus Rules: Admission to Trading on a Regulated Market (PRM)

Contained in the Financial Conduct Authority (FCA) Handbook, the PRM implements the requirements in relation to when securities can be offered to the public in the UK, also contain the requirements as to when a prospectus is required, its contents and format, and the process for its approval by the FCA.

Public Offers and Admissions to Trading Regulations (POATR)

The POATR replaced the UK's EU-derived prospectus regime to modernise capital raising, enhance London's competitiveness, and facilitate retail investor participation. It prohibits general public offers unless exemptions apply, such as admissions to regulated markets (eg, LSE Main Market) or primary MTFs (eg, The AIM Market). Refer to PRM as to how this has been implemented into the Financial Conduct Authority (FCA) Handbook.

Multiple Choice Questions

Question 15 has been amended to read:

15. In which of the following circumstances is a Prospectus required?
- A. Issue of shares where the company is seeking to raise £5 million
 - B. Where the offer is made to 100 persons in the UK
 - C. Issue of money market instruments with a maturity up to 18 months
 - D. Where the offer is made to an eligible counterparty

15. A Chapter 2, Section 4.1

Option A is correct, the threshold exemption where a prospectus is not required under the PRM rules (Admission to Trading on a Regulated Market) is £5 million from January 2026. With regards to option 'B', the limit is up to 150 persons in the UK. For option 'C', a prospectus would not be required for money market instruments up to 12 months maturity. For option 'D', there is no such exemption, a client 'classifications' as per MiFID is not relevant.