

Good news for SMEs – prospectus exemptions relaxed

With effect from 31 July 2011, the prospectus requirements will be amended to:

- increase the number of investors to whom an offer of securities may be made before a prospectus is required, from 100 to 150 investors; and
- double the total size of the offer that may be made before a prospectus is required, from €2.5 million to €5 million.

These amendments are being made by the Prospectus Regulations 2011, and implement part of a directive (the “**Amending Directive**”) to amend the EU Prospectus Directive. See our alert “[The Prospectus Directive: what’s on the horizon?](#)”, issued in July 2010, for further background. The remaining provisions of the Amending Directive must be implemented by member states by 1 July 2012.

The Government has decided to implement these two elements of the Amending Directive early on the basis they will be beneficial to companies, particularly SMEs. This follows on from the Government’s consultation “Financing a private sector recovery” - one of the issues raised by respondents was that listing requirements led to compliance costs which were disproportionately high for SMEs.

These changes will be good news for smaller companies, particularly those which have until now been put off raising equity finance due to the disproportionate cost of producing a prospectus compared to the amount of funds being raised, and the time involved.

The Government continues to look for ways to encourage investment in small and start-up businesses with high growth potential, through the reform and simplification of the Enterprise Investment Scheme and Venture Capital Trusts, and to support seed investment through the tax system through its proposed Business Angel Seed Investment Scheme (Basis).

If you have any questions or require specific advice on any matter discussed in this alert, please contact:

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