

FINNIUS

Intent to raise the exemption from the obligation to publish a prospectus for SMEs

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🕒 1 MINUTE

Currently, SMEs are exempt from the obligation to publish a prospectus when they offer securities with a total amount less than 2,5 million (in a period of 12 months). The Dutch government intends to increase the exemption up to 5 million in combination with additional requirements, once [the new Prospectus Directive](#) enters into force ([link to the relevant Parliamentary Papers , in Dutch](#)) . The government deems the limit of 5 million as the maximum amount in which the benefits of the lower costs for the securities-issuing companies will outweigh the absence of a complete prospectus for investors. However, the government intends to raise the exemption in combination with additional requirements. These additional requirements are considered essential to prevent abuse of the exemption limit. Therefore parties who will make use of this exemption will have a notification requirement as well as minimal information requirements. The AFM will receive an overview of the parties who make use of the exemption due to the notification requirement as to facilitate responsiveness to suspected cases of embezzlement. The minimum information requirements should improve investor protection but also simultaneously provide clarity for SME's as to what is expected of them. The information is to be provided before an issuance of securities.

In short, the increase of the exemption level is expected to facilitate funding for SMEs. However investor protection will also improve due to additional requirements of notification and minimum information.

The new Prospectus Directive is expected to enter into force this year. Issuers are expected to comply to the norms of the Directive twelve months after entry into force.