

## Engagement Paper 6

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# Primary multilateral trading facilities

July 2023

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## Public Offers & Admissions to Trading

This paper is part of the FCA series of Engagement Papers on the draft Public Offers & Admissions to Trading Regime, which set out our emerging policy thinking on how we may use our rule-making powers under the new regime. Feedback on these papers will inform further development of our proposed rules, which we will consult on formally during 2024.

Other papers in the series are available on the FCA's website:

[www.fca.org.uk/markets/new-regime-public-offers-and-admissions-trading](http://www.fca.org.uk/markets/new-regime-public-offers-and-admissions-trading)

We would welcome comments and suggestions in response to this paper regarding our initial thinking about the rules we will make in relation to primary multilateral trading facilities. This paper relates to the draft statutory instrument that was published by HM Treasury on 11 July 2023.

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## Summary

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1. The Public Offers and Admissions to Trading Regulations 2023 (**POATRs**) will provide us with the power to ensure that certain multilateral trading facilities (**MTFs**) operating as primary markets require issuers to produce an MTF admission prospectus in specified circumstances. In the current draft of the POATRs, an **MTF admission prospectus** is defined as a document required by the rules of a Primary MTF operator and which is described by those rules as an MTF admission prospectus. These documents will be subject to the statutory liability and compensation scheme for prospectuses.
2. When designing our rules in relation to MTFs, we consider that we should seek to promote broader investor participation and to improve the quality of information that investors receive. Under the new regime, MTF issuers that publish an MTF admission prospectus will benefit from the amended liability standard for protected forward-looking statements, which is intended to encourage issuers to provide investors with more useful information on which they can base their investment decisions.
3. Where possible, we intend to preserve the existing regulatory model in which MTF operators set their own requirements in terms of the content of an admission document and how it is approved. Consequently, MTF operators will specify the detailed content requirements and process for validating and publishing an MTF admission prospectus, as they do currently for their admission documents, subject to our normal supervisory oversight of their activities.
4. This paper sets out our initial considerations regarding:
  - i. the circumstances in which MTFs operating as primary markets should require the publication of an MTF admission prospectus;
  - ii. who should be responsible for such a document;
  - iii. the circumstances in which a supplementary prospectus should be required;
  - iv. how and when withdrawal rights should be exercised; and
  - v. the requirements around the communication of advertisements.

### Request for comments and suggestions

We would welcome comments and suggestions in response to this paper regarding our initial thinking about the rules we will make in relation to Primary MTFs. In particular, we would welcome views on the following questions:

1. In what circumstances should our rules ensure that Primary MTF operators require the publication of an MTF admission prospectus?
2. Should Primary MTF operators have discretion in deciding whether an MTF admission prospectus is required in connection with a further issuance of securities that are fungible with securities already admitted to trading on the Primary MTF?
3. Should we end the voluntary prospectus regime to the extent it could apply to Primary MTFs?

4. Should we remove the option of using a UK Growth prospectus?
5. In what circumstances should we ensure that Primary MTF operators require the publication of a supplementary prospectus?
6. In what manner and circumstances should persons be able to exercise withdrawal rights in connection with admissions to trading on Primary MTFs?
7. Who should be responsible for an MTF admission prospectus?
8. Should we extend the existing advertising regime in the UK Prospectus Regulation to admissions to trading on Primary MTFs?

As a final point, we would welcome any data or evidence to provide insight into the likely costs and benefits of any changes which we may consider in relation to Primary MTFs. For example, any difference between the expected cost of preparing and publishing an MTF admission prospectus versus existing admission documents, or the potential impact on investor demand/access to securities at the time of admission to trading on a Primary MTF.

## Background

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### Primary MTFs

5. For the purpose of the Public Offers & Admissions to Trading Regime, an MTF is a UK multilateral trading facility as defined by Article 2.1.14A of the UK Markets in Financial Instruments Regulation.
6. The current draft of the POATRs, which was published on 11 July 2023, uses the concept of a "**Primary MTF**" to reflect that the regime will apply only to MTFs that carry on primary market activities. The definition of Primary MTF is set out in Box 1.
7. Primary MTFs are typically regulated by the exchange or firm through which they operate, subject to FCA oversight. The admission of transferable securities to trading on a Primary MTF is usually facilitated by an admission document produced by the issuer, the requirements for which are specified by the rules of the relevant Primary MTF operator.
8. Primary MTF issuers are not subject to rules relating to the admission of securities to trading on regulated markets, but they are subject to the existing requirements for public offers of transferable securities. Therefore, a prospectus is not currently required for the admission of securities to trading on a Primary MTF unless there is a non-exempt public offer or the rules of the Primary MTF operator require a prospectus. Primary MTF admission documents, however, serve a similar purpose to a prospectus in that they seek to address information asymmetry between an issuer that is admitting securities to a public market and prospective investors.

### Box 1: Definition of Primary MTF

In the current draft of the POATRs, "Primary MTF" means an MTF that meets the following conditions:

- a. that the operator of the MTF maintains rules which relate to each of the following—
  - i. the eligibility of issuers;
  - ii. the conditions for admission to trading, including information to be published; and
  - iii. requirements to be complied with in order to maintain the admission to trading; and
- b. that the issuers of transferable securities that are to be admitted to trading on the MTF are required to comply with those rules.

9. The UK's MTF growth markets include AIM, which is operated by the London Stock Exchange, and the AQSE Growth Market (comprised of two segments, Access and Apex), which is operated by the Aquis Stock Exchange. These markets enable small and medium-sized enterprises (**SMEs**) to access financing without being subject to the full suite of requirements that apply to issuers on regulated markets. These types of issuers attract investment from both professional and retail investors.
10. There are other Primary MTFs that allow access only to professional investors. An example is the International Securities Market, which is operated by the London Stock Exchange.
11. We will seek to make proportionate rules that balance the interests of all Primary MTF market participants to support market integrity and consumer protection while taking into account variations between the different types of MTF markets. The POATRs, as currently drafted, will also limit our power to require an MTF admission prospectus to those Primary MTFs that allow retail investor participation.

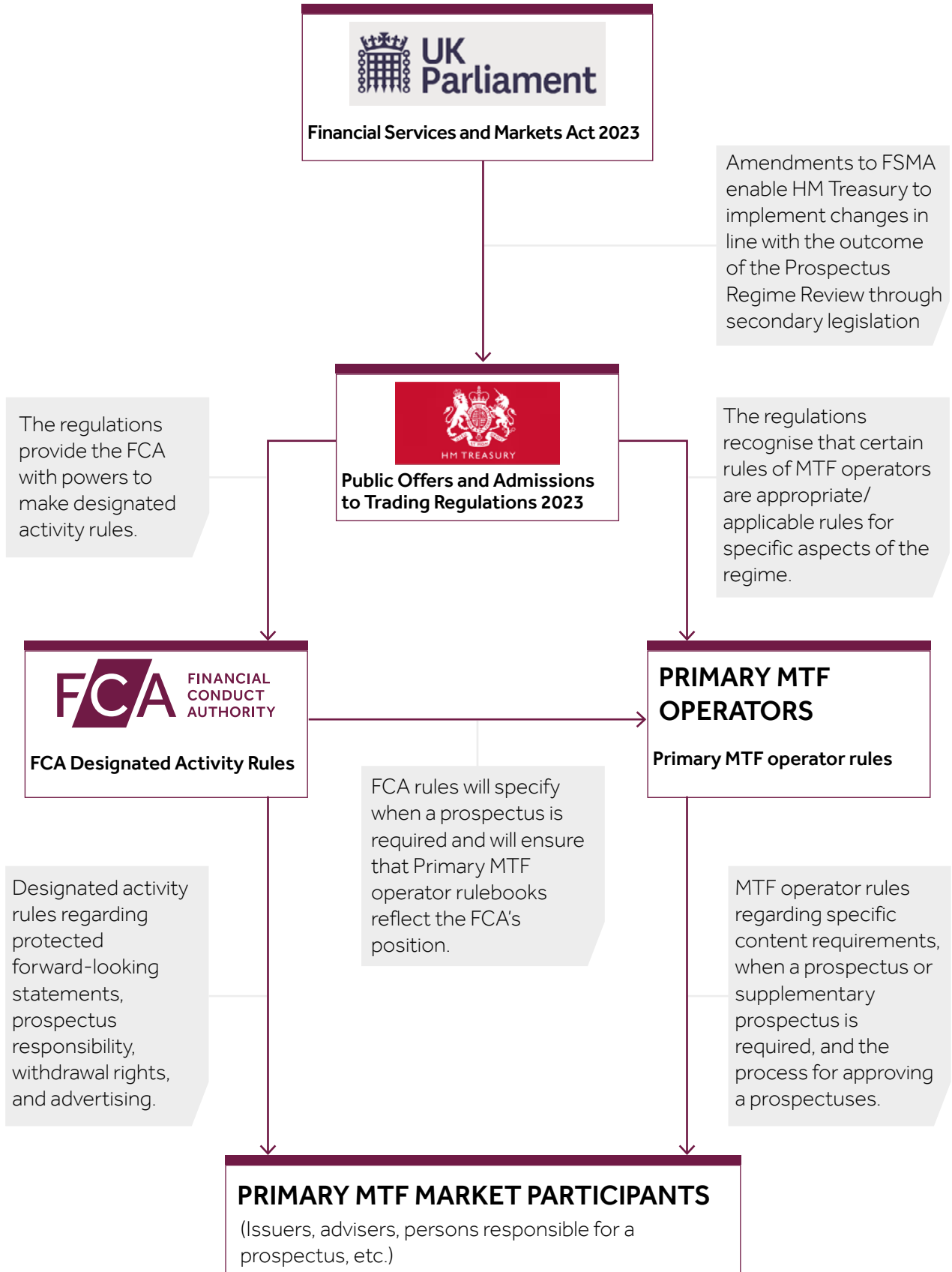
### Regulatory framework

12. The new regime will replace the current statutory prohibition on public offers of transferable securities in the UK without an approved prospectus with a general prohibition on such offers, subject to certain exceptions set out in Schedule 1 Part 1 of the current draft of the POATRs. For example, an exception will apply to offers that are conditional on the admission of the offered securities to trading on a Primary MTF or where the securities are at the time of the offer already admitted to trading on a Primary MTF. The same type of exception will also apply to regulated markets.
13. In the current draft of the POATRs, an MTF admission prospectus is defined as a document required by the rules of a Primary MTF operator (whether or not there is an FCA requirement for such a document) and which is described by those rules as an MTF admission prospectus. These documents will be subject to the liability and

compensation scheme created by the POATRs, which will: (i) replace section 90 and schedule 10 of the Financial Services and Markets Act 2000 (**FSMA**), insofar as they relate to prospectuses; and (ii) establish a separate liability regime for protected forward-looking statements (**PFLS**) which are discussed in more detail in [Engagement Paper 3](#).

- 14.** The POATRs will give us the power to make rules specifying the circumstances in which Primary MTF operators must require issuers to publish an MTF admission prospectus. This power will not apply to Primary MTFs that permit trading only by qualified investors (**QIs**) acting on behalf of: (i) themselves; (ii) other QIs; or (iii) clients that are not involved in making investment decisions (**QI-only MTFs**). For QI-only MTFs, the Primary MTF operator will have sole discretion in deciding whether an MTF admission prospectus is required.
- 15.** However, our powers in relation to MTF admission prospectus responsibility, withdrawal rights, and advertising will apply to all types of Primary MTFs, including QI-only MTFs.
- 16.** The figure below provides an overview of the regulatory framework for Primary MTFs in which we will be given power to make rules that either: (a) require Primary MTF operators to include specific provisions in their rules or (b) impose requirements directly on market participants.

## Regulatory Framework – Primary MTFs



## Policy considerations

17. We consider that we should seek to make proportionate rules that balance the interests of all Primary MTF market participants to:
  - i. promote broader investor participation; and
  - ii. improve the quality of information that investors receive.
18. Broader participation in initial offers of securities being admitted to trading on Primary MTFs could benefit issuers and investors in markets that allow retail investors but where retail participation is typically limited to secondary market trading.
19. Promoting access to a wider range of investment opportunities on public markets, such as AIM and the AQSE Growth Market, based on good-quality information, is consistent with our Consumer Investments Strategy, which aims to provide consumers with markets in which they can invest with confidence, understanding the risks involved and the regulatory protections provided. This will be supported by the introduction of the new Consumer Duty, which will set a higher level of consumer protection in retail financial markets. Therefore, although such investments involve risk, we consider broader participation in initial offers of securities being admitted to trading on Primary MTFs to be consistent with our operational objective of protecting consumers.
20. Improving the quality of information that investors receive, through the inclusion of forward-looking statements in prospectuses, should benefit all Primary MTF participants by encouraging greater disclosure of useful information, which will promote market integrity. Also, the information contained in MTF admission prospectuses will be subject to clearer liability standards, which may improve investor confidence in the information they receive and incentivise issuers to provide more detailed disclosures.
21. Our goals are aligned with the government's objectives, which are summarised below.

## *Wider participation in the ownership of public companies*

22. One of the government's key objectives is to facilitate wider participation in the ownership of public companies and to remove disincentives that currently exist for companies that wish to issue securities to broader groups of investors. The current prospectus regime discourages Primary MTF issuers from making offers to more than 150 persons (excluding QIs) because any such offer requires the production of an FCA-approved prospectus, which would otherwise not be required.
23. In the new regime, the use of an MTF admission prospectus, for which the specific content requirements will be specified by the Primary MTF operator, is intended to encourage wider participation in the ownership of public companies by enabling Primary MTF issuers to offer securities to the public without the burden of having to produce an FCA-approved prospectus.



### ***Matters to which the FCA must have regard when making rules relating to admissions to trading on a Primary MTF***

24. To support its objective, the government will include a provision in the POATRs that will require us to have regard to facilitating wider participation in UK public offers. Specifically, under the POATRs and the amendments to introduce section 138EA of FSMA by the Financial Services and Markets Act 2023, we will be required to have regard to any matters specified in regulations made by HMT. Such matters include the desirability of facilitating offers of transferable securities in the UK being made to a wide range of investors when making rules in relation to admissions to trading on Primary MTFs.

### ***Quality of information***

25. Another key government objective is to improve the quality of information that investors receive under the prospectus regime. MTF admission prospectuses will be a type of document to which the new prospectus liability and compensation scheme will apply. Primary MTF issuers will therefore benefit from the amended prospectus liability standard for PFLS, which will encourage them to include PFLS in their prospectuses. As a result, investors will be able to make better informed investment decisions. This topic is covered in greater detail in [Engagement Paper 3](#).

## **MTF admission prospectus**

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### **Requirement to publish an MTF admission prospectus**

26. The POATRs will provide us with the power to make rules specifying the circumstances in which certain types of Primary MTF operators should require the publication of an MTF admission prospectus. Where we decide this is appropriate, we will impose obligations on these Primary MTF operators that will require updates to their rulebooks.
27. Under the POATRs, our power to require an MTF admission prospectus will not extend to QI-only MTFs. For these types of markets, the Primary MTF operator will have sole discretion in deciding whether an MTF admission prospectus is required. Therefore, our rules for requiring an MTF admission prospectus will apply only to those markets where we can promote the objective of facilitating wider participation in the ownership of public companies.

### ***Initial admissions to trading and reverse takeovers***

28. Based on the objectives for the new regime, we are considering whether to require Primary MTF operators that allow retail participation to amend their rules to require the publication of an MTF admission prospectus for all initial admissions to trading. We are also considering whether this requirement may be appropriate for reverse takeovers that involve the admission to trading of newly issued securities. Under this approach, an MTF admission prospectus would be the only type of admission document for all new admissions to trading on Primary MTFs that allow retail participation.

- 29.** This approach (see Box 2) would simplify regulatory requirements for issuers and provide clarity for investors regarding the status of admission documents that are used for initial admissions to trading on Primary MTFs that allow retail participation. Primary MTF operators will have discretion to specify additional circumstances when an MTF admission prospectus is required.
- 30.** We are not seeking to materially increase the regulatory burden of admitting securities to trading on a Primary MTF. Given that existing MTF admission documents serve a similar purpose to a prospectus, in that both types of document seek to address information asymmetry, we would not expect there to be a material change in the steps involved in compiling and validating the information that is disclosed as part of an initial admission to trading.

### **Box 2: When an MTF admission prospectus should be published**

Our proposal would require an MTF admission prospectus for all initial admissions to trading on Primary MTFs that allow retail participation, even when there is no public offer. This approach would ensure that investors receive the same type of admission document (an MTF admission prospectus) whenever a company seeks to admit securities to trading for the first time.

Consequently, for all new admissions on Primary MTFs that allow retail participation:

- issuers and investors would benefit from the amended prospectus liability regime, which is intended to encourage the disclosure of PFLS to enable investors to make better informed investment decisions.
- initial public offers to retail investors would have the same regulatory burden as introductions and exempt offers, which may encourage Primary MTF issuers to make greater use of public offers to retail investors, thereby leading to wider participation in the ownership of public companies.

- 31.** By facilitating wider participation in the ownership of public companies, which will provide retail investors with more investment opportunities, we also anticipate there being a benefit for certain types of issuers from having access to a broader investor pool at the time of admission (whereas the current regime discourages non-exempt public offers, which narrows the range of investors). We also anticipate there being a reputational benefit for issuers from having a type of prospectus underpinning their admission.
- 32.** We recognise, however, that requiring a document which is subject to the prospectus liability and compensation scheme may result in increased costs, especially if an issuer seeks to offset such liability in agreements with advisers or other service providers, who may factor this legal risk into their fees. Therefore, notwithstanding the policy preferences and potential benefits set out above, we would welcome alternative suggestions as to when an MTF admission prospectus should be required.

33. We are particularly interested in views on whether existing securities being admitted to trading on a Primary MTF by an issuer for the first time (i.e. where private shareholders seek to admit securities on a public market but an issuer does not raise new capital) should be subject to a requirement by the MTF operator to produce an MTF admission prospectus.

**Q1: In what circumstances should our rules ensure that Primary MTF operators require the publication of an MTF admission prospectus?**

### *Further issuances of securities*

34. We are not intending to require operators of Primary MTFs that allow retail participation to update their rules to require the production of an MTF admission prospectus for further issuances of securities that are fungible with those already admitted to trading on the Primary MTF. To support secondary capital raising via Primary MTFs, and given the reduced risk of information asymmetry, we consider it appropriate to allow Primary MTF operators to have discretion in deciding whether an MTF admission prospectus should be required in the case of further issuances. MAR will continue to apply to Primary MTF issuers, which should ensure ongoing disclosure of material information to investors ahead of any further issuance of securities.
35. We recognise this approach goes further than the one being suggested for regulated markets (see [Engagement Paper 2](#)), and that different Primary MTF operators may exercise their discretion in different ways for similar markets. Therefore, we would welcome views on the proposed approach for further issuances.

**Q2: Should Primary MTF operators have discretion in deciding whether an MTF admission prospectus is required in connection with a further issuance of securities that are fungible with securities already admitted to trading on the Primary MTF?**

### **Content requirements and approval**

36. Where possible, we will avoid disrupting the regulatory models of Primary MTF operators. The specific content requirements for MTF admission prospectuses and the process for reviewing and approving such documents will be set by the relevant Primary MTF operator, subject to the requirements of the POATRs and our usual oversight.
37. The current draft of the POATRs states that our rules may not require an MTF admission prospectus, or a supplementary prospectus relating to an MTF admission prospectus, to be reviewed or approved by us. The approach taken in the legislation will enable Primary MTF operators to retain their ability to set content requirements tailored to their markets with a view to providing accessible and useful information to investors. In addition, Primary MTF operators will also define how MTF admission prospectuses are

prepared and validated, which may involve review and approval by third-party advisers. Therefore, investors should be mindful that MTF admission prospectuses will not be scrutinised by us, unlike other prospectuses.

### **Content requirements**

38. The POATRs will establish the general requirements to be met by MTF admission prospectuses. The necessary information that must be included in a prospectus (see Box 3) may vary depending on: (a) the nature of the issuer; (b) the type of transferable securities; (c) the circumstances of the issuer; and (d) whether the issuer already has transferable securities admitted to trading on a regulated market or Primary MTF.

#### **Box 3: Necessary information test**

The POATRs will require prospectuses to contain the necessary information which is material to an investor for making an informed assessment of: (a) the assets and liabilities, profits and losses, financial position and prospects of the issuer and of any guarantor; (b) the rights attaching to the transferable securities; and (c) the reasons for the issuance and its impact on the issuer.

39. The POATRs will not limit the ability of Primary MTF operators to set their own specific content requirements, but those requirements will not have a basis in legislation or in our designated activity rules. Nonetheless, they may be taken into account by a court asked to adjudicate on compliance with the necessary information test.
40. We will not have the power to set requirements for the general content of MTF admission prospectuses. We will, however, specify the types of information that can be considered PFLS for all types of prospectuses, including MTF admission prospectuses.
41. As is the case now, any concerns about a Primary MTF issuer's admission disclosures will be a matter for the Primary MTF operator to oversee and/or for investors to raise with the issuer. We will, however, retain our usual supervisory oversight of Primary MTF operators.

### **Voluntary prospectuses and the UK Growth prospectus**

42. To ensure that Primary MTF operators retain control over the content requirements for MTF admission prospectuses, and the process for reviewing and approving such documents, we do not intend to continue, for Primary MTFs, the voluntary prospectus regime which currently exists under Article 4 of the UK Prospectus Regulation. We consider that the use of FCA-approved prospectuses for Primary MTF admissions would be inconsistent with the objectives of the new regime and that it may cause confusion for investors if some MTF admission prospectuses are approved by us while others are subject to the process set out by the rules of MTF operators.

**Q3: Should we end the voluntary prospectus regime to the extent it could apply to Primary MTFs?**

- 43.** Similarly, as noted in Engagement Paper 1, we do not intend to retain the concept of a UK Growth prospectus, which is an option currently available to certain types of issuers, including those whose securities are traded or are to be traded on an SME growth market, such as AIM or the AQSE Growth Market. We consider that SME growth markets will remain attractive to SME issuers, and the use of an MTF admission prospectus, instead of a UK Growth prospectus, will be advantageous for all Primary MTF market participants because the content requirements will be tailored by the Primary MTF operators to their specific markets. We would nonetheless welcome feedback on our proposed approach to UK Growth prospectuses.

**Q4: Should we remove the option of using a UK Growth prospectus?**

**Supplementary prospectus for Primary MTFs**

- 44.** The POATRs will provide us with the power to specify the circumstances in which the publication of a supplementary prospectus is required. As with our power in relation to MTF admission prospectuses, this power will not extend to QI-only MTFs.
- 45.** Primary MTF operators, including QI-only MTFs, will have discretion to specify additional circumstances when a supplementary prospectus is required.
- 46.** The POATRs will create a liability and compensation scheme in which any person who fails to comply with a requirement relating to the publication of a supplementary prospectus is liable to pay compensation to any person who has (a) acquired securities of the kind in question, and (b) suffered loss in respect of them as a result of the failure.
- 47.** We are considering maintaining the current substantive requirements for publishing a supplementary prospectus, which are set out in Article 23 of the UK Prospectus Regulation. Therefore, with respect to Primary MTFs, our initial thinking is that a supplementary prospectus should be required whenever there is a significant new factor, material mistake, or material inaccuracy relating to the information included in an MTF admission prospectus which may affect an investor's assessment of the securities and which arises or is noted between the time when the prospectus is approved (in accordance with the rules of the relevant Primary MTF operator) and the closing of the offer period or the time when trading on the Primary MTF begins, whichever occurs later.
- 48.** We would welcome any feedback on whether we should change the requirements for supplementary prospectuses in relation to Primary MTFs.

**Q5: In what circumstances should we ensure that Primary MTF operators require the publication of a supplementary prospectus?**

## **Withdrawal rights**

- 49.** The POATRs will specify that a person who has agreed to buy or subscribe for securities that have been offered to the public may withdraw that acceptance in such circumstances and in such manner as may be specified in our rules.

## ***Current prospectus regime***

- 50.** Under the current prospectus regime, the requirements relating to withdrawal rights are set out in Articles 17 and 23 of the UK Prospectus Regulation. Both sets of requirements relate to public offers that involve the publication of a prospectus.
- 51.** Article 17 states that where the final offer price and/or amount of securities to be offered to the public cannot be included in the prospectus, the acceptances of the purchase or subscription of securities may be withdrawn up to two working days after the final offer price and/or amount of securities to be offered to the public has been filed, unless certain details regarding the offer are included in the prospectus.
- 52.** Article 23 relates to situations in which a supplementary prospectus is required because of a significant new factor, material mistake, or material inaccuracy relating to the information included in a prospectus which may affect the assessment of the securities and which arises or is noted between the time when the prospectus is approved and the closing of the offer period or the time when trading on a regulated market begins, whichever occurs later.
- 53.** If the prospectus in these situations relates to an offer of securities to the public, investors who have already agreed to purchase or subscribe for the securities before the supplementary prospectus is published shall have the right, exercisable within two working days after the publication of the supplementary prospectus, to withdraw their acceptances, provided that the significant new factor, material mistake or material inaccuracy arose or was noted before the closing of the offer period or the delivery of the securities, whichever occurs first. That period may be extended by the issuer or the offeror. Article 23 requires that the final date of the right of withdrawal shall be stated in the supplementary prospectus.
- 54.** Article 23 also requires that the supplementary prospectus include a prominent statement regarding withdrawal rights and that where the securities are purchased or subscribed through a financial intermediary, that financial intermediary shall inform investors of the possibility of a supplementary prospectus being published, where and when it will be published, and that the financial intermediary will assist them in exercising their right to withdraw acceptances in such case.

## ***Scope of the new regime***

- 55.** The new regime will allow for withdrawal rights in connection with all offers to the public, whether or not there is a prospectus/MTF admission prospectus or supplementary prospectus. This will include offers where there is no admission to trading on a regulated market or Primary MTF.

56. Consequently, our rules regarding withdrawal rights will be able to apply more broadly than under the current regime and will not depend on the existence of a prospectus or supplementary prospectus. In the case of Primary MTFs, therefore, we will be able to make rules regarding withdrawal rights for all Primary MTFs, including QI-only MTFs.
57. However, in the case of QI-only MTFs, we will not have the power to mandate Primary MTF operators to require the production of a supplementary prospectus. Nonetheless, in the current draft of the POATRs, Regulation 32 enables us to specify the circumstances and manner in which acceptances may be withdrawn.

***Circumstances and manner in which acceptances may be withdrawn under the new regime***

58. For Primary MTFs that allow retail participation, we are considering whether withdrawal rights should exist in situations that are equivalent those set out in Article 23(1) of the UK Prospectus Regulation. By retaining this approach, we can ensure that investors have all available material information that may affect their assessment of the securities being offered.
59. We are also considering requiring Primary MTF issuers (including prospective MTF issuers) to inform investors, in the circumstances set out in Article 23(1) (whether or not the securities are purchased or subscribed directly from the issuer), about the availability of withdrawal rights and how to exercise them, which would be similar to the existing requirements in Articles 23(2) and 23(4) of the UK Prospectus Regulation. Any such rule would need to apply directly to issuers because we will not have the power to specify content requirements for supplementary prospectuses in relation to Primary MTFs, which means we will not be able to ensure that Primary MTF operators will require notifications in supplementary prospectuses that are equivalent to those required by Article 23(2).
60. We would welcome views on this proposed approach and on whether a requirement equivalent to that in Article 23(3) of the UK Prospectus Regulation, where securities are purchased or subscribed through a financial intermediary, should be imposed on financial intermediaries, which would require them to inform investors of the possibility of information about withdrawal rights being published by the issuer, where and when such information will be published, and that the financial intermediary will assist them in exercising their right to withdraw their acceptances.
61. As noted in Engagement Paper 4, in the section regarding the incorporation of future financial information, we recognise that withdrawal rights will not be exercisable in the absence of a supplementary prospectus without the creation of new FCA rules. With that in mind, we would also be interested in views regarding whether our rules regarding withdrawal rights should apply to offers connected with admissions to trading on QI-only MTFs.

**Q6: In what manner and circumstances should persons be able to exercise withdrawal rights in connection with admissions to trading on Primary MTFs?**

## Responsibility for an MTF admission prospectus

62. The POATRs will give us the power to specify, amongst other things, who is responsible for an MTF admission prospectus.
63. For MTF admission prospectuses, we are considering whether to maintain the current rules regarding prospectus responsibility that are set out in PRR 5.3 of the FCA Handbook. We would propose to apply these requirements to all MTF admission prospectuses, and supplementary prospectuses, to the extent the requirements are relevant. The requirements would apply to MTF admission prospectuses and supplementary prospectuses, whether or not the publication of such documents have been required by our rules.
64. In the current draft of the POATRs, any person responsible for an MTF admission prospectus will be liable to pay compensation to a person who has: (a) acquired transferable securities to which the prospectus applies and (b) suffered loss in respect of them as a result of any untrue or misleading statement in the prospectus, or the omission from the prospectus of any matter that is required to be included. Similarly, persons responsible for an MTF admission prospectus, as well as certain persons who have any liability to a person other than the issuer, will benefit from the PFLS liability and compensation scheme, which is discussed in [Engagement Paper 3](#).
65. If a Primary MTF operator chooses to specify in its rules additional persons who are responsible for an MTF admission prospectus, any such requirement would not have a legal effect for the purposes of the statutory liability and compensation scheme, as any additions would not be a 'person responsible' within the meaning of the POATRs. We welcome any views on our approach to responsibility for MTF admission prospectuses.

### Q7: Who should be responsible for an MTF admission prospectus?

## Advertising

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66. The draft POATRs define "**advertisement**" as a communication that relates to a specific offer of relevant securities to the public or to an admission, or proposed admission, of transferable securities to trading on a regulated market or Primary MTF, which aims specifically to promote the potential subscription for, or acquisition of, relevant securities. An MTF admission prospectus is not an advertisement.
67. The POATRs will give us the power to make rules with respect to the communication of advertisements relating to, amongst other things, the admission, or proposed admission, of transferable securities to trading on a Primary MTF. In the current draft of the POATRs, this power will apply to all Primary MTFs. This is because the advertising regime set out in the POATRs applies to a broad range of market participants.
68. The current requirements for advertisements relate only to regulated markets and public offers. We are considering whether to extend the same requirements to the admission, or proposed admission, of transferable securities to trading on a



Primary MTF. We are also considering whether it may be beneficial to maintain the current requirements for advertisements as set out in Article 22(1) to (4) of the UK Prospectus Regulation and Articles 13 to 16 of the retained Commission Delegated Regulation 2019/979, which are reproduced in PRR 3.3 of the FCA Handbook. This would provide continuity with existing concepts and, in high-level terms, ensure that any advertisements are consistent with the corresponding MTF admission prospectus, which would help to protect investors and maintain market integrity by preserving the intended benefit of having information provided within a prospectus.

- 69.** Regulation 13 of the draft POATRs includes requirements that are analogous to those in Article 22(5) of the UK Prospectus Regulation (reproduced in PRR 5.4.1), which relates to when material information is disclosed to selected investors in the context of public offers above a certain monetary threshold as well as admissions to trading on regulated markets. Regulation 13 reproduces these requirements only in relation to public offers. We are minded to include an equivalent requirement in our rules for advertisements in relation to admissions to trading on a Primary MTF. This would ensure that all investors have access to the same material information about the issuer prior to admission.
- 70.** We would welcome views on our proposed approach to advertising requirements linked to admissions to trading on Primary MTFs.

**Q8: Should we extend the existing advertising regime in the UK Prospectus Regulation to admissions to trading on Primary MTFs?**

**As a final point, we would welcome any data or evidence to provide insight into the likely costs and benefits of any changes which we may consider in relation to Primary MTFs. For example, any difference between the expected cost of preparing and publishing an MTF admission prospectus versus existing admission documents, or the potential impact on investor demand/access to securities at the time of admission to trading on an MTF.**

