Primary Market Technical Note

Level of disclosure for securities subject to conversion or write-down powers

The information in this note is designed to help issuers and practitioners interpret our UK Listing Rules (UKLR), Prospectus Rules: Admission to Trading on a Regulated Market (PRM), Disclosure Guidance and Transparency Rules (DTR), and related legislation. The guidance notes provide answers to the most common queries we receive and represent FCA guidance as defined in section 139A FSMA

"Bail-in powers" allow a resolution authority to cancel, write-down or convert all or part of the liabilities owed by failing credit institutions or investment firms (or those likely to fail) to creditors into shares or other instruments of ownership.

Where a prospectus relates to securities which may be subject to bail-in powers derived from the Bank Recovery and Resolution Directive 2014/59/EU (including under the Banking Act 2009), issuers should consider whether additional disclosure regarding the possibility of such bail-in powers being exercised should be included in the prospectus.

Where the issuer considers the possibility of bail-in to be material, taking into account the probability of bail-in and the possible impact on investors, this should be reflected in the risk factors, and where applicable, the summary of a prospectus.

The risk factors should, at a minimum, alert prospective investors to the possibility that, in the event that bail-in powers are exercised by a resolution authority

(a) the amount outstanding of the security may be reduced, including to zero;

(b) the security may be converted into ordinary shares or other instruments of ownership;

(c) the terms may be varied (e.g. the variation of maturity of a debt instrument). In this regard, such risk factor should also alert prospective investors to the fact that financial public support should only be used as a last resort after having assessed and exploited, to the maximum extent practicable, the resolution tools, including the bail-in tool.