

Primary Markets and Wholesale Conduct Supervision Division
Central Bank of Ireland

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BY EMAIL

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Matter: Consultation Paper 142 (equity issuances)

Dear Sir/Madam,

I am writing to provide my personal and professional view as an Irish capital markets lawyer on the Consultation on Prospectus Fees and Service Standards. My professional experience includes making submissions of debt and equity prospectuses to the Central Bank, and also to the FCA.

My comments are informed by my experience of Ireland's competitiveness as a venue for the listing and offering of securities being vulnerable to competition from other EU jurisdictions on the basis of both cost and service levels.

1. Question on Funding the Cost of the Central Bank's Prospectus Approval Activities

Ireland's domestic equity markets are underdeveloped in relative terms compared to the leading EU economies. Ireland ranks 12th in Europe in the market capitalisation of listed domestic companies as a percentage of GDP, immediately ahead of Poland and behind Croatia (source: [World Bank](#)). Even when market capitalisation is expressed per capita (to avoid Irish GDP distortions), the figure for Ireland is still only one third of the level of Luxembourg and the Netherlands (source: [World Bank](#)). It is incorrect to treat Ireland as being in the front rank of EU securities markets.

While the proposed fee increases for debt prospectuses are comparable to the fee levels charged by the Luxembourg CSSF, it is important to realise that Ireland is not in the league of Luxembourg or the Netherlands when it comes to equity listings.

Review fees are not a principal concern for international issuers, but present a serious obstacle to domestic issuers accessing capital markets. In this regard, the flat rate equity prospectus fee of €65,000 represents a real obstacle for SMEs, given the tight focus on fees in such transactions.

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By way of comparison, a fee at this level exceeds the maximum fee charged by the FCA (the £50,000 “super transaction” fee for IPO transactions with a market capitalisation of >£1.5bn and secondary issuances with a market capitalisation of >£5bn).

To emphasise the latter point, the last IPO on Euronext Dublin was Uniphar plc (not counting the \$28m direct listing of Trust Stamp in 2020), which failed to raise its €150 million target (source: [Irish Independent](#)). Ireland has not participated in the recent European IPO boom (source: [PwC](#)). According to PwC, Q1 2021 was the strongest first quarter for European IPOs since 2000 (source: [PwC](#)), while Irish IPO and pre-IPO activity has been stagnant.

The proposed increase in the equity prospectus review fee is in my view likely to be counterproductive in light of the activity levels or transaction levels in the Irish market. It is also not fit for purpose if Ireland is to benefit from a future flow of prospectus approval activity by UK issuers seeking to have an EEA-approved prospectus for passporting in the post-Brexit era.

In simple language, the fee increase will likely make Ireland less competitive and will yield less overall revenue to meet the Central Bank’s review costs, not more. A better strategy would be a reduction in the equity prospectus review fee for a 3 to 5 year period, which could then be reviewed in light of prospectus activity levels and the competitive dynamic after that time.

Question on Prospectus Approval Service Standards

I do not have comments on the service standards applicable to equity prospectuses, which are effectively unchanged under the proposal.

As an aside, I have concerns that the Central Bank’s “gatekeeper principles” summarised under the ROBUST acronym represent “gold-plating” of the EU-wide standards. I am concerned that a “risk based” approach that places *“primacy on the review of issuances intended for retail investors and will apply a higher level of scrutiny and challenge to submissions that pose higher risk”* represents a considerable deviation from the EU’s rules-based disclosure standards. These standards are intended to guide the scrutiny of prospectuses in the EU based on the common principles of completeness, consistency and comprehensibility set out in the Prospectus Regulation and elaborated in secondary legislation and ESMA guidance.

From my perspective as an adviser, the likely consequence of the “gatekeeper principles” is to deter IPO activity in Ireland. Equity issuers (in particular SME issuers) will see the principles as a source of regulatory uncertainty that cannot be resolved by satisfying published prospectus requirements.

Yours faithfully

Sent by email, no signature

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