Universität Zürich[UZH]

Corporate Finance and Investor Protection

Kern Alexander

Lst.alexander@ius.uzh.ch

13 October 2025

Corporate Finance

- What is Corporate Finance
- Theories of corporate finance
- Financial structure – equity and debt
- Investor Protection
- Market Efficiency Hypothesis
- Prospectus requirements and liability

What is Corporate Finance

GOAL : TO MAXIMIZE VALUE OF THE COMPANY

Capital

- Equity → dividends
  - Authorized shares
  - Outstanding shares
  - Treasury shares (authorized and issued, but not outstanding)
- Debt → interest rate (principal returned at maturity date)
  - Corporate bonds
  - Secured *versus* unsecured debt → **COLLATERAL**
  - Convertible bonds
- Creditors' claims against a corporation's income and assets have priority over the claims of equity holders

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A note on authorized and actual shares

- Authorized shares are the maximum number of shares that a company is permitted to issue to investors,

as laid out in its articles of incorporation.

- Outstanding shares are the actual shares issued or sold to investors from the available number of authorized shares
- The number of outstanding shares cannot be greater than the number of authorized shares.
- A company may decide not to issue shares as a defensive maneuver to reduce the possibility of a hostile takeover

or the loss of internal majority ownership.

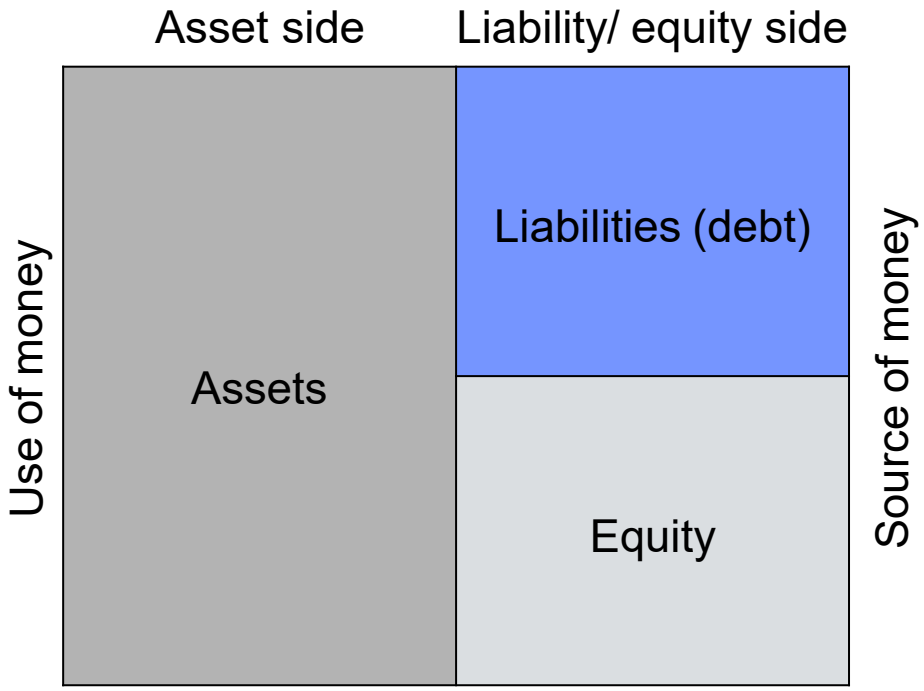
- A company may also hold reserve shares that are authorized but not outstanding until they're

included in stock option plans or redeemed through third party warrants.

Aspects of Corporate Finance

- Source of funds:
  - internally generated equity (i.e. retained earnings)
  - debt (i.e. issuing bonds)
  - external equity (i.e. issuing new stocks)
- Differentiation between:
  - Private and public debt / Private equity and Initial public offerings (IPOs)
- Capital structure: financing via debt or equity, i.e. liability/equity side of the balance sheet
- Other key terms: Cost of capital & leverage; Capital Budgeting:
  - Investments & expenses evaluation for generating the best returns on investment (RoI).
    - ROI is a performance measure used to assess the profitability of a business or an investment by taking into account the profits or losses relative to the cost of the investment.
    - Return **on** equity (ROE): a financial metric that assesses the profitability of a business in relation to the equity.

Balance Sheet



In total the asset- and the liability/equity side are equal
Assets = Liabilities (owed to lenders etc.) + Equity (funds from shareholders)

Comparison: Liabilities (Debt) and Equity

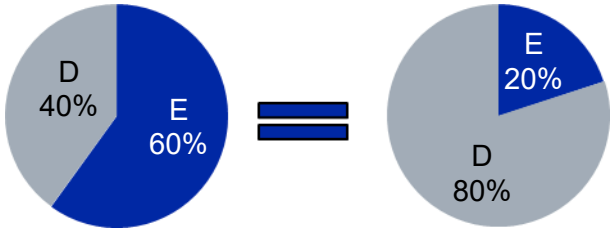
	Liabilities (debt)		**Equity**
Meaning	Money which is owed by a company towards another party (lender)		Money which is raised by a company by issuing shares
Reflects	Obligation to the lender		Ownership of the shareholder
Time horizon	Short-, medium or long-term		Rather long-term
Return/ payment	Interests (+ repayment of the principal)		Dividends (+/- change in share price)
Rank	Creditors' claims against a corporation's income and assets have priority over the claims of equity holders		
Types of securities	A split may be conducted by: Issuer (*government*, corporates), structure of bond (zero-coupon bonds, floating-rate bonds, fixed-rate bonds), backed (secured, unsecured/debentures)		Common shares, preferred shares
Way of issue	Private or public		

Capital Structure: How to Finance the Corp.

What is the perfect proportion of debt and equity?

- Modigliani Miller Theorem
- Static Trade-off Theory

Modigliani Miller



- Wide set of initial assumptions:
  - No transactions costs, no taxes and no bankruptcy costs (costs of financial distress)
  - Riskless borrowing and lending, investors have homogenous expectations, no agency costs, investment decisions are unaffected by financing decisions
- **MM Proposition (No taxes)**: **The Capital Structure Irrelevance**
  - The value of a firm (V) is unaffected by its capital structure (V = D + E)
  - The size (value) of the above pie (firm) does not depend how it is sliced (capital structure) but on the size of the pie (firm's asset base)
  - The value of a leveraged firm (VL) is the same as of a unleveraged firm (VU) VL = VU

“Think of the firm as a gigantic tub of whole milk. The farmer can sell the whole milk as is. Or he can separate out the cream and sell it at a considerably higher price than the whole milk would bring. (That's the analog of a firm selling low-yield and hence high-priced debt securities.) But, of course, what the farmer would have left would be skim milk with low butterfat content and that would sell for much less than whole milk. That corresponds to the levered equity. **The M and M proposition says that if there were no costs of separation (and, of course, no government dairy-support programs), the cream plus the skim milk would bring the same price as the whole milk."**

Modigliani Miller (ii)

- **MM Proposition II (No taxes): Cost of Equity and Leverage Proposition**
  - Costs of debt are lower than the costs of equity given that debt holders have priority on assets and income. Debt costs lower because creditors have priority.
- Result:
  - The cost of equity increases linearly when a company increases its proportion of debt financing:
    - In case a company increases the use of debt, the risk for equity holders increases, which also increases the cost of equity.
    - However, the WACC would not change because the effect of increasing cheaper debt, is offset by more expensive equity
  - Weighted Average Cost of Capital ("WACC")
    - WACC = E/(E+D)*CE + D/(E+D)*CD(1-t)
    - While E+D = total Capital; CE and CD are the cost of Equity and Debt

Modigliani Miller (with Taxes)

- **MM Proposition I (With Taxes): Value is Maximized at 100% Debt**
- In many countries the tax codes count interest payments as a pre-tax expense, and they therefore deductible, while dividends are paid on an after-tax basis.
- Assumption is still that there is no cost of bankruptcy
- Result
  - **This results in a "tax shield" - benefiting debt finance given the tax saving**
  - VL = VU + (t * d) meaning that the value of VL is higher by the tax saving compared to VU
  - t = marginal tax rate ; d = value of debt in capital structure
- **MM Proposition II (With Taxes): WACC is Minimized at 100% Debt**
  - Result
    - The WACC would be minimized at 100% debt (consider WACC formula)
    - The tax shield provided by debt - causes the WACC to decline as leverage increases

Static Trade-Off Theory (With taxes and costs of financial distress/ bankruptcy)

- GOAL: find the balance between the benefit of the tax shield and the costs of financial distress/ bankruptcy costs (i.e. higher cost of equity)
- Result:
  - The optimal proportion of debt lies where the marginal benefit of added debt (tax shield), is equal to by the marginal costs of financial distress (i.e. higher costs of equity)
    - WACC is at this point minimized (following this WACC increases) and the value of the firm is that this point maximized (following this the value decreases)
  - Same formula as before, however, adjusted for costs of financial distress
  - VL = VU + (t * d) – PV(costs of financial distress)
  - PV (Present value)
- In practice: managers follow this approach **trying to identify the optimal capital structure** (balance between tax benefits issuing debt, but taking costs of financial distress into consideration)

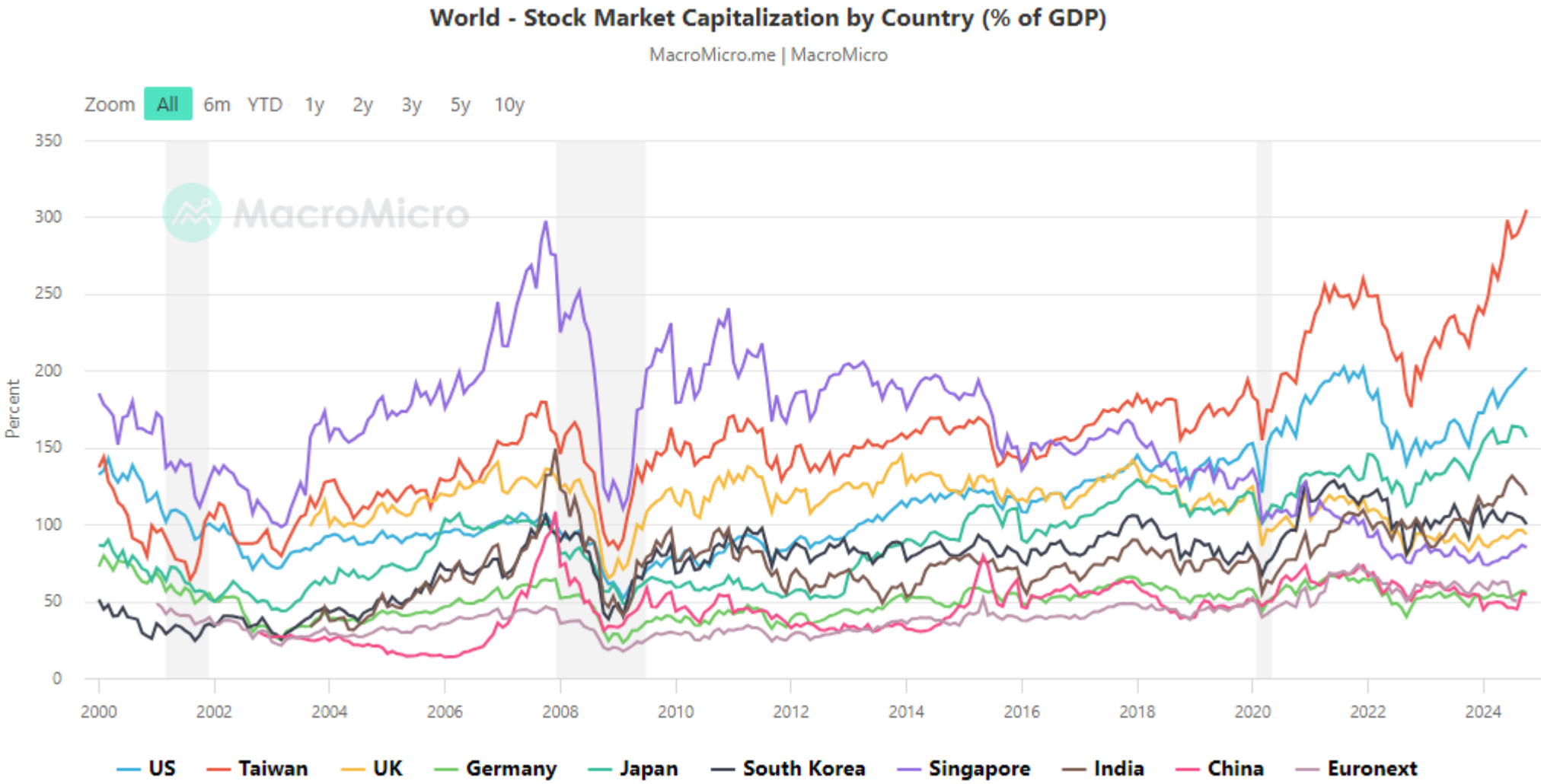
M & M Weighted Average Cost of Capital

- The weighted average cost of capital (WACC) is the rate that a company is expected to pay on average to all its security holders to finance its assets.
- The WACC is commonly referred to as the firm's cost of capital. Importantly, it is dictated by the external market and not by management.
- As the company increases debt, the decrease in the WACC caused by having a greater amount of cheaper debt is exactly offset by the increase in the WACC caused by the increase in the cost of equity due to financial risk.

Market Efficiency Hypothesis EMH by Eugene F. Fama – Nobel prize 2013

- An **efficiency capital market** is one in which the current price of a security fully, quickly, and rationally reflects all available information about that security. The more efficient a market is, the quicker its reaction will be to new information.
- Investment analysis may be conducted by way of technical analysis (analyzing historic prices; e.g. charts) or by way of fundamental analysis (e.g. analyzing financial figures of a company; e.g. balance sheet)
- **Strong-form EMH** states that security prices fully reflect all information from both public and private sources. This means that no group of investors has exclusive access to information relevant for the formation of prices, and none should be able to consistently achieve positive abnormal returns.
- **Semi-strong EMH** states that current security prices fully reflect all public available information. The implication is that an investor cannot achieve positive risk-adjusted returns on average by using fundamental analysis based on public information.
- **Weak-form EMH** states that the past price and volume (market) information will have no predictive power about the future direction of security prices. (No positive risk-adjusted returns on average by using technical analysis)

Stock Market Capitalization by Country



https://en.macromicro.me/charts/99946/world-market-cap-to-gdp

Largest Companies by Marketcap (1/2)

Rank	Name	Market Cap	Price	Today	Price (30 days)	Country
1	Apple AAPL	$3.586 T	$235.86	0.26%		USA
2	NVIDIA NVDA	$3.522 T	$143.59	0.08%		USA
3	Microsoft MSFT	$3.177 T	$427.51	2.08%		USA
4	Alphabet (Google) GOOG	$2.041 T	$166.82	0.62%		USA
5	Amazon AMZN	$1.991 T	$189.70	0.33%		USA
6	Saudi Aramco 2222.SR	$1.737 T	$7.18	0.19%		S. Arabia
7	Meta Platforms (Facebook) META	$1.472 T	$582.01	1.19%		USA
8	TSMC TSM	$1.029 T	$198.48	1.72%		Taiwan
9	Berkshire Hathaway BRK-B	$995.41 B	$461.45	0.58%		USA
10	Broadcom AVGO	$837.80 B	$179.38	0.34%		USA

Source: https://companiesmarketcap.com/#google_vignette

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Key aspects of largest companies

- Company size is often measured by market capitalization, the total value of all the company's shares in the market.
- Apple, Nvidia, and Microsoft are the top three global companies by that measure, each with market caps of over $3 trillion.
- Technology companies rank among the most valuable companies in the world today.
- U.S.-based companies fill most top slots.
- Two of the top 10, Berkshire Hathaway and Eli Lilly, were founded in the 19th century.

Corporate Governance

« 1 share, 1 vote principle »

e.g. Uber Technologies, Inc.

« Dual-class share structures »

e.g. Snap Inc., Alphabet Inc. (Google), Meta Platforms, Inc. (formerly named Facebook, Inc.)

Snapchat IPO (2017)

- First company to issue only non-voting shares in its IPO
- More than 200 million shares
- Issue price: USD 17 per share
- Snap shares closed their first day of trading up 44 percent at USD 24.48 a share.

3 classes of shares:

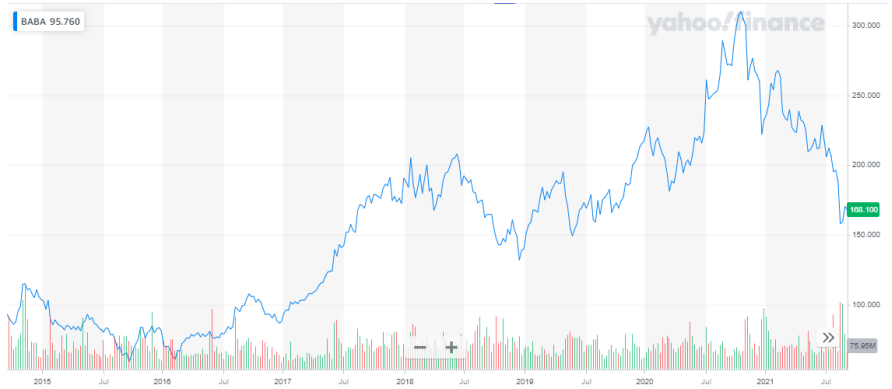
- Class A: no voting rights
- Class B: 1 share one vote
- Class C: 1 share 10 votes

Source: Yahoofinance

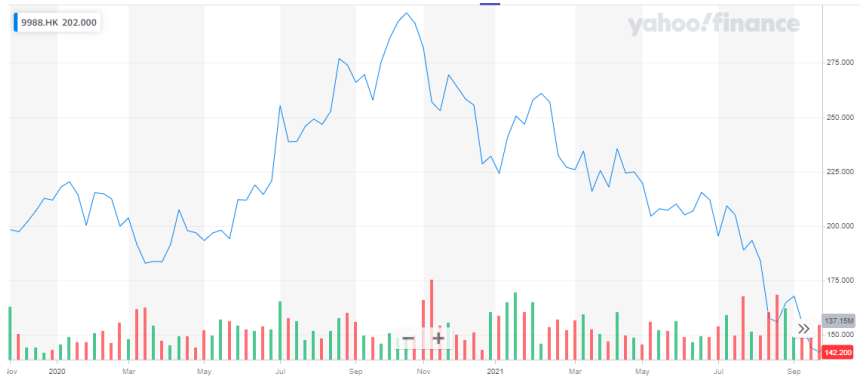
Tech Giant Alibaba

- Alibaba's IPO
  - New York Stock Exchange (NYSE) (2014)
  - USD 25 billion, *i.e.* largest IPO in the world

- Alibaba's secondary listing
  - Hong Kong Stock Exchange (HKEX) (2019)
  - up to USD 12.9 billion, *i.e.* largest cross-border secondary listing
  - First company to win approval for a secondary listing on HKEX under Chapter 19C of the new listing rules (applying to companies involved in innovation and capitalised at no less than HKD 10 billion = USD 1,27 billion)



Source: Yahoofinance



Source: Yahoofinance

Securities Regulation Aspects relating to Capital Raising

- Mandatory disclosure requirements
  - Providing public investors with information necessary to enable them to make informed investment decisions
    e.g. an informed assessment of the financial situation of the issuer

  - US: Securities Act of 1933
    Integrated disclosure system (filing a registration statement with the SEC which includes the prospectus + filing annual and quarterly reports with the SEC → regular process of reviewing financial reports of listed companies)

  - EU: Prospectus Regulation
    Prospectus requirement (getting regulatory approval of the prospectus either in connection with an offering of securities to the public or in connection with a listing of securities)

US – Primary Market Offerings

- Securities Act of 1933
  - Definition of securities → includes investment contracts
    1) Investment of money
    2) Common enterprise
    3) Expectation of profits
    4) Profit depending on the efforts of a promoter or third party

- **"Howey Test" (SEC v Howey, 1946)**
- Catch-all prospectus definition ("*any prospectus, notice, circular, advertisement, letter, or communication, written or by radio or television, which offers any security for sale or confirms the sale of any security*")

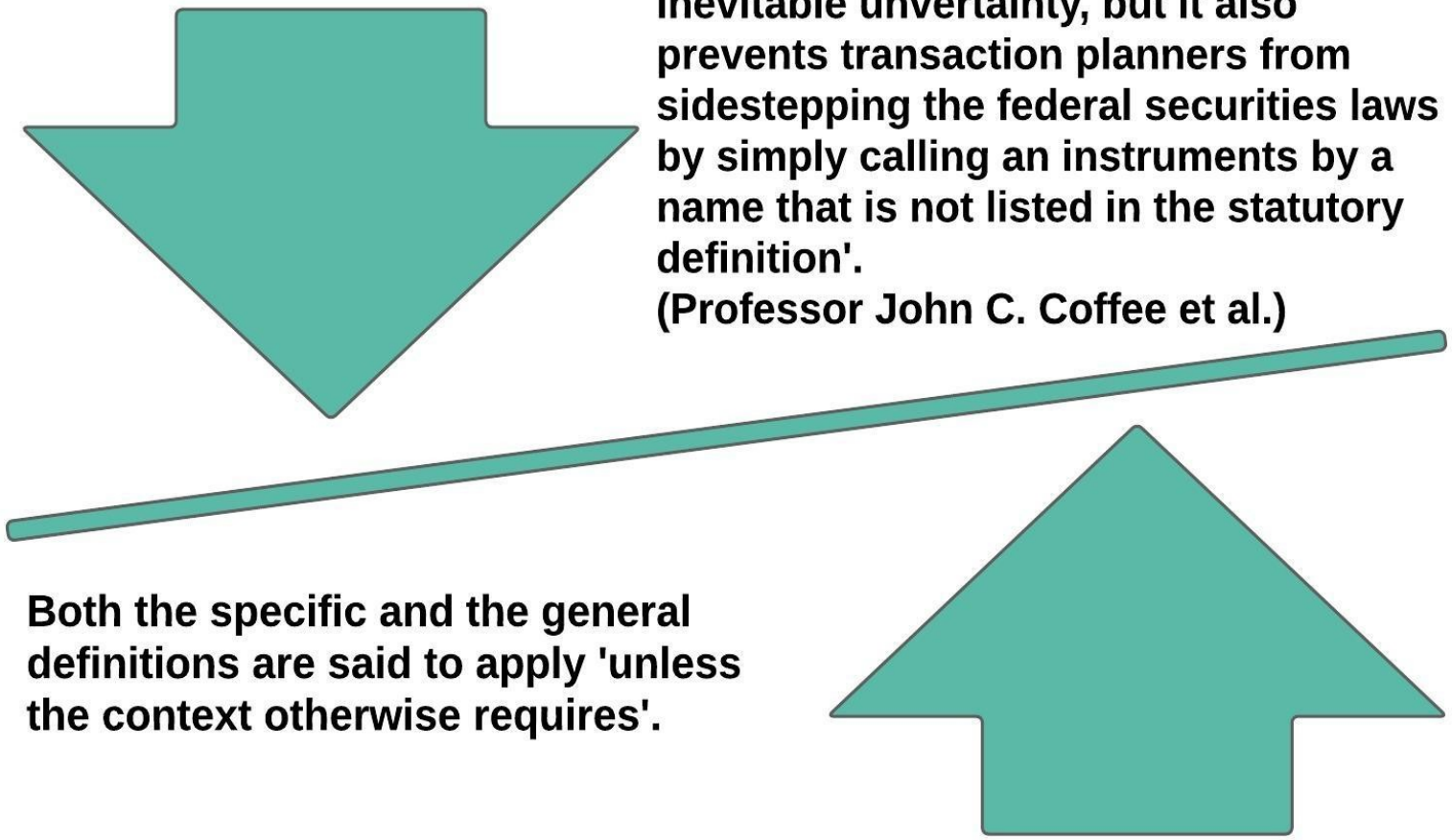
US – Definition of Securities

- Securities Act of 1933 § 2(a)(1)
- SEC. 2. [77b] (a) DEFINITIONS.—When used in this title, unless the context otherwise requires—
- (1) The term ‘‘security’’ means any note, stock, treasury stock, security future, security-based swap, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other mineral rights, any put, call, straddle, option, or privilege on any security, certificate of deposit, or group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or, in general, any interest or instrument commonly known as a ‘‘security’’, or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing.

Case Study – The Howey Test

- Two Florida-based Howey corporations owned large tracts of land with citrus groves in Florida. They kept half of the groves themselves and offered the other half to buyers by entering into real estate contracts. They offered buyers the option of leasing any purchased land back to them via a service contract. The Howey corporations would then tend to the land, harvest, pool, and market the citrus. Most buyers were not farmers and were happy to lease the land back to the Howey corporations. The buyers were for the most part non-residents of Florida.
- Do the contracts between the Florida-based corporations and the buyers fall within the definition of securities under the Securities Act of 1933?

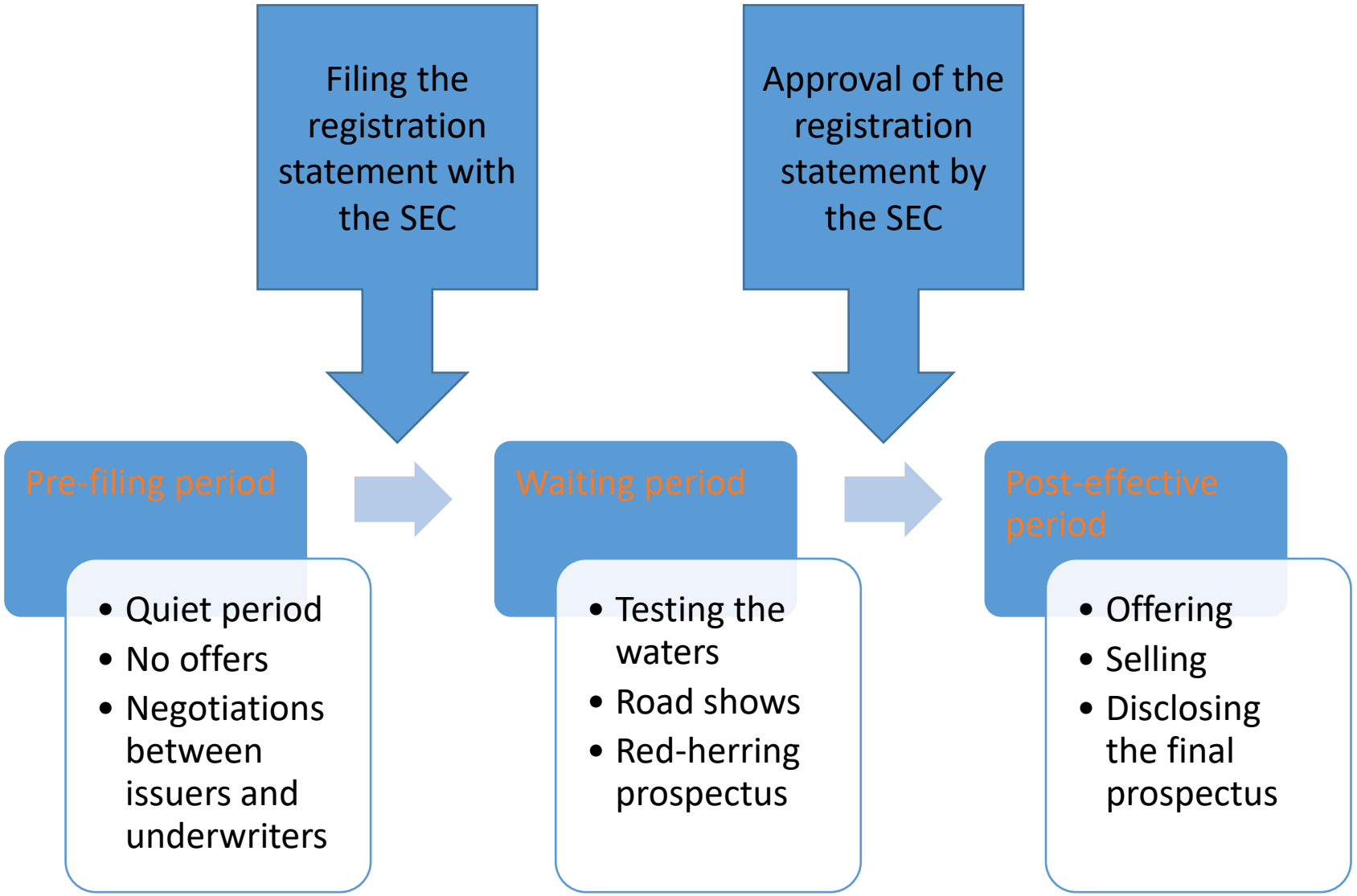
US – Statutory Flexibility regarding the Definition of Securities



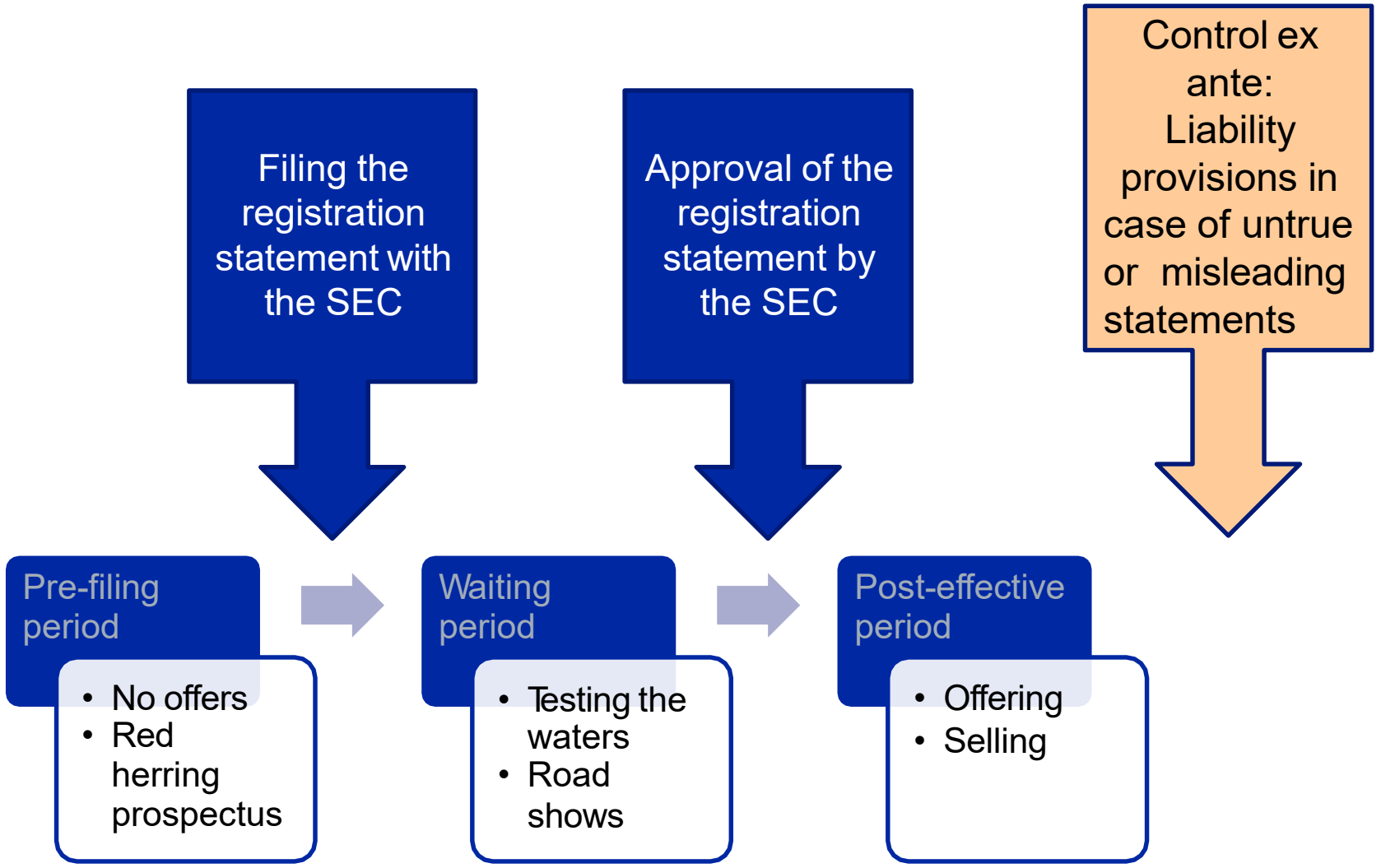
'This broad reach creates some inevitable unvertainty, but it also prevents transaction planners from sidestepping the federal securities laws by simply calling an instruments by a name that is not listed in the statutory definition'.
(Professor John C. Coffee et al.)

Both the specific and the general definitions are said to apply 'unless the context otherwise requires'.

US – Disclosure Requirements



US: Prospectus Requirement & Liability



As filed with the Securities and Exchange Commission on February 2, 2017.

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Snap Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	7370	45-5452795
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

63 Market Street
Venice, California 90291
(310) 399-3339
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Evan Spiegel
Chief Executive Officer
Snap Inc.
63 Market Street
Venice, California 90291
(310) 399-3339
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Eric C. Jensen
David Peinsipp
Seth J. Gottlieb
Alex K. Kassai
Cooley LLP
3175 Hanover Street
Palo Alto, California 94304
(650) 843-5000

Chris Handman
Atul Porwal
Snap Inc.
63 Market Street
Venice, California 90291
(310) 399-3339

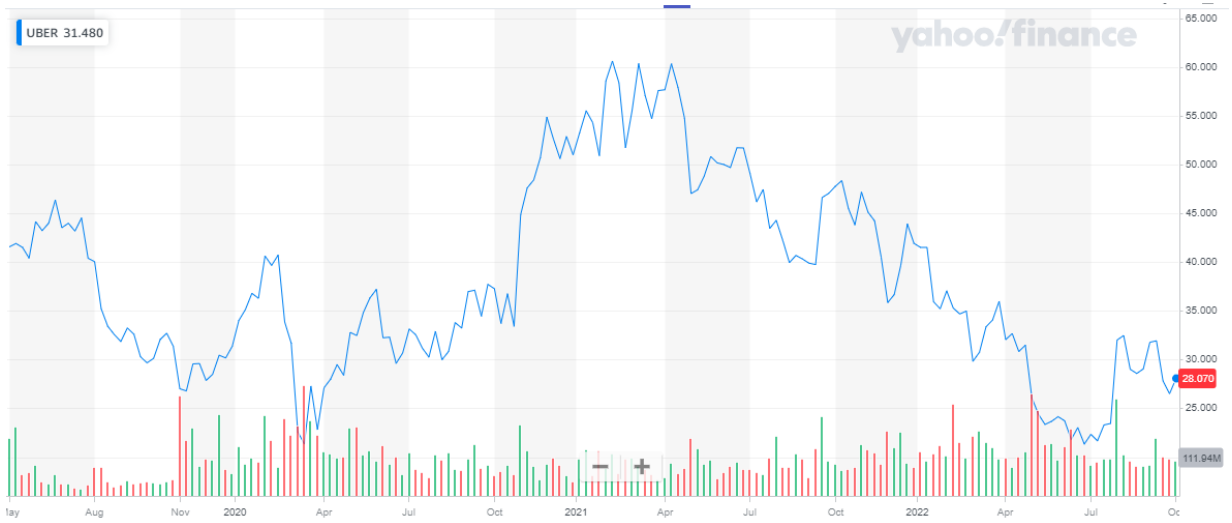
Richard A. Kline
Anthony J. McCusker
An-Yen E. Hu
Goodwin Procter LLP
135 Commonwealth Drive
Menlo Park, California 94025
(650) 752-3100

Approximate date of commencement of proposed sale to the public:
As soon as practicable after this registration statement becomes effective.

Uber's IPO (2019)

« We have incurred significant losses since inception, including in the United States and other major markets. We expect our operating expenses to increase significantly in the foreseeable future, and we may not achieve profitability. » (Form S-1, Registration Statement with the SEC, sec.gov/edgar)

« We may experience significant fluctuations in our operating results. If we are unable to achieve or sustain profitability, our prospects would be adversely affected and investors may lose some or all of the value of their investment. » (Form S-1)

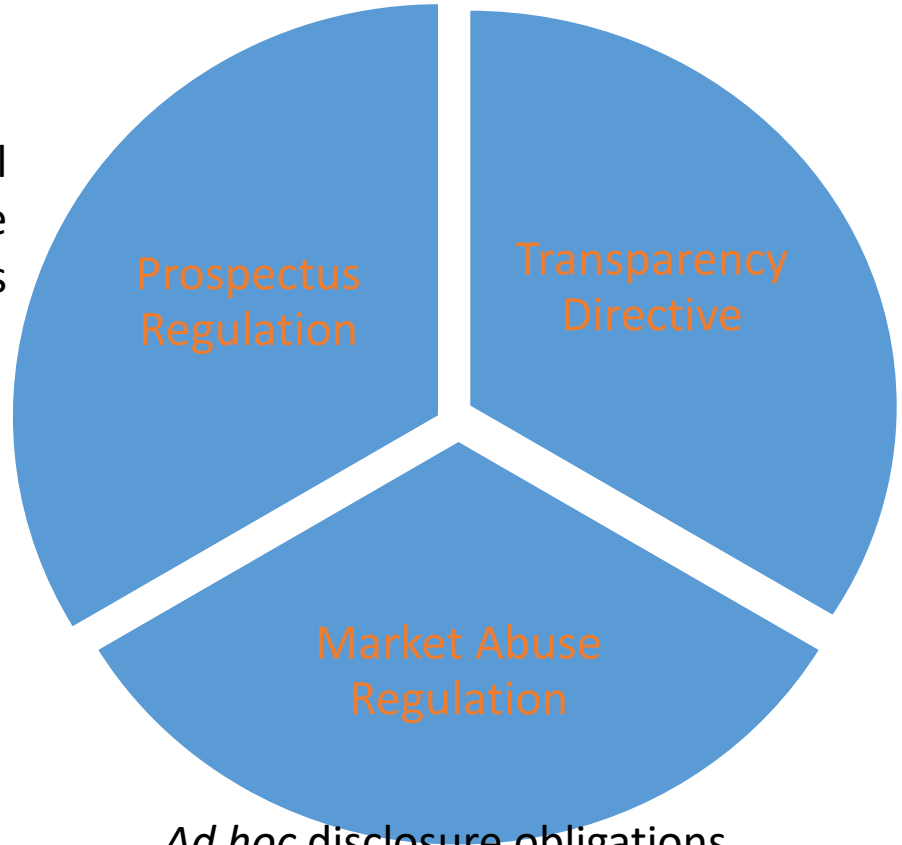


Source: Yahoofinance

Issue price: USD 45 per share First day of trading closed at USD 41.57 per share

EU – Disclosure Requirements

Initial disclosure obligations



Ongoing disclosure obligations

Ad hoc disclosure obligations

Scope: offerings and listings of securities

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Financial instruments offered to the public or admitted to trading on a regulated market

Prospectus

- Primary market offerings
- **US:**
  - Formal requirements and catch-all prospectus definition ("*any prospectus, notice, circular, advertisement, letter, or communication, written or by radio or television, which offers any security for sale or confirms the sale of any security")*
- **EU:**
  - Prospectus **Directive** applies to offerings and listings of securities (old regime). New Prospectus **Regulation** entered into force in 2017, rules applicable from 2019 (some exceptions)
  - Securities offered to the public or admitted to trading on a regulated market situated or operating within a Member State
- **CH:**
  - Issue prospectus: Art. 35 FIDLEG/FinSA (exceptions: Art 47 FIDLEG/FinSA)
  - Listing prospectus: SIX Swiss Exchange listing rules

Regulating Prospectus in EU

- Prospectus Regulation in the EU
  - Regulation (EU) 2017/1129 (“Prospectus Regulation” or “PR”) repealing Directive 2003/71/EC
- Prospectus Regulation
  - In force since July 2017, rules apply in July 2019 (Art. 49 PG)
  - Exemptions apply (application already as of July 2017/ 2018) (see Art 46 & 49 PG)
  - ESMA and the European Commission will create/ created technical standards. (For instance: ESMA see Art 7; Commission: See Art. 44)
- PR introduces changes for equity and debt markets:
  - Prospectus exemptions
  - Content and format of the prospectus
  - Fast track approval for frequent issuer.

EU Prospectus Regulation

* Recital (1) “This Regulation constitutes an essential step towards the completion of the Capital Markets Union as set out in the Communication of the Commission of 30 September 2015, entitled ‘Action Plan on Building a Capital Markets Union’”.
- Recital (3) “Disclosure of information in cases of offers of securities to the public or admission of securities to trading on a regulated market is vital to protect investors by removing asymmetries of information between them and issuers. Harmonising such disclosure allows for the establishment of a cross-border passport mechanism which facilitates the effective functioning of the internal market in a wide variety of securities”.
- Recital (6) “The assessment of Directive 2010/73/EU of the European Parliament and of the Council has revealed that certain changes introduced by that Directive have not met their original objectives and that further amendments to the prospectus regime in the Union are necessary to simplify and improve its application, increase its efficiency and enhance the international competitiveness of the Union, thereby contributing to the reduction of administrative burdens”.
- Recital (7) “The aim of this Regulation is to ensure investor protection and market efficiency, while enhancing the internal market for capital.”

- Art.2 (b) ‘securities’ means transferable securities as defined in point (44) of Article 4(1) of Directive 2014/65/EU with the exception of money market instruments as defined in point (17) of Article 4(1) of Directive 2014/65/EU, having a maturity of less than 12 months
- Point (44) of Article 4(1): **Defines inter alia shares and bonds**
- Art.2 (b) ‘equity securities’ means shares and other transferable securities equivalent to shares in companies, as well as any other type of transferable securities giving the right to acquire any of the aforementioned securities as a consequence of their being converted or the rights conferred by them being exercised, provided that securities of the latter type are issued by the issuer of the underlying shares or by an entity belonging to the group of the said issuer;
- Art.2 (c) ‘non-equity securities’ means all securities that are not equity securities;
- Art.2 (d) ‘offer of securities to the public’ means a communication to persons in any form and by any means, presenting sufficient information on the terms of the offer and the securities to be offered, so as to enable an investor to decide to purchase or subscribe for those securities. This definition also applies to the placing of securities through financial intermediaries

EU – Definition of Transferable Securities

Art. 4(1)(44) of the Directive on Markets in Financial Instruments (MiFID II)

'transferable securities' means those classes of securities which are negotiable on the capital market, with the exception of instruments of payment, such as:

(a) shares in companies and other securities equivalent to shares in companies, partnerships or other entities, and depositary receipts in respect of shares;

(b) bonds or other forms of securitised debt, including depositary receipts in respect of such securities;

(c) any other securities giving the right to acquire or sell any such transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or measures

PR: Art. 6 – The prospectus

- Art. 6 (1) Required information:
  - (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 securities; and
  - (c) the reasons for the issuance and its impact on the issuer.
  - The above may vary *inter alia* depending on the nature of the issuer, the type of security
- Art. 6 (2): the information "shall be written and presented in an easily analysable, concise and comprehensible form"
- Art. 6 (3) states that "[t]he issuer, offeror or person asking for the admission to trading on a regulated market may draw up the prospectus as a single document or as separate documents.
- […] a prospectus composed of separate documents shall divide the required information into a **registration document**, **securities note** and a **summary**. (Registration document = information on issuer; securities note = information on security)

EU Single Market – Passporting Mechanism

Granting a single passport to the issuer

PR: Home/Host MS (competent authority), ESMA & Passporting

- Art. 24 (1): […] where an offer of securities to the public or admission to trading on a regulated market occurs in one or more Member States, or in a Member State other than the home Member State, **the prospectus approved by the home Member State and any supplements thereto shall be valid for the offer to the public or the admission to trading in any number of host Member States**, provided that ESMA and the competent authority of each host Member State are notified in accordance with Article 25. […]

PR: Art. 1
Subject matter, scope and exemptions

- Definition: “Admitted to trading on a regulated market”
  - “regulated market” is defined in MiFID II Art. 4 (21). It “means a multilateral system operated and/or managed by a market operator, **which brings together** or facilitates the bringing together of multiple third-party **buying and selling interests in financial instruments** […].”
  - This includes stock exchanges (i.e Euronext Paris, Frankfurter Wertpapierbörse, London Stock Exchange)
  - “Admission to trading” does not have a specific meaning in EU law.
- EXEMPTIONS: QUALITATIVE AND QUANTITATIVE
- Art. 1 (2): securities for which the PR shall not apply. Examples:
  - (a) collective investment undertakings other than the closed-end type;
  - (b) non-equity securities issued by a Member State or by one of a Member State’s regional or local authorities […];
  - (d) securities unconditionally and irrevocably guaranteed by a Member State […] (see also (c),(e),(f))
- Art. 1(3): the PR “**shall not apply to an offer of securities to the public with a total consideration in the Union of less than EUR 1 000 000, which shall be calculated over a period of 12 months.”** Although as noted, member states may require other disclosure requirements

PR: Art. 1
Subject matter, scope and exemptions

- Art. 1 (4): the obligation to publish a prospectus set out in Art. 3 (1) shall not apply to the following types of offers of securities to the public:
  - (a) an offer of securities addressed solely to qualified investors
  - (b) an offer of securities addressed to fewer than 150 natural or legal persons per MS, other than qualified investors
  - (c) an offer of securities whose denomination per unit amounts to at least EUR 100.000
  - See further exemptions in (d-j)
- Art. 1 (5): the obligation to publish a prospectus set out in Art. 3 (3) shall not apply to the admission to trading on a regulated market for
  - (a) new securities already admitted to trading on the same regulated market (over a period of 12 months, less than 20% of the number of securities already admitted on the same regulated market
  - (b) shares resulting from conversion of another securities (e.g. convertible bonds) (same 12 months and 20% rule apply)
  - See further exemptions in (c-j)

- Art.2 (e): **‘qualified investors’** means persons or entities that are listed in points (1) to (4) of Section I of Annex II to Directive 2014/65/EU, and persons or entities who are, on request, treated as professional clients in accordance with Section II of that Annex, or recognised as eligible counterparties in accordance with Article 30 of Directive 2014/65/ EU unless they have entered into an agreement to be treated as non-professional clients in accordance with the fourth paragraph of Section I of that Annex.
- Section I of Annex II of Directive 2014/65/EU
  - (1) Credit institutions, investment firms, etc;
  - (2) Large undertakings (e.g. balance sheet EUR 20m)
  - (3) national and regional governments
  - (4) Other institutional investors
- Section II: Elective Professional clients (detailed process to be followed)
- Article 30: Eligible counterparties

PR: Art. 7
The prospectus summary

- Art. 7 (1): the prospectus shall include a summary, which provides the investor with the **key information** in relation to "**the nature and the risks of the issuer**, the guarantor and the securities" […]. The summary has "to be read together with the other parts of the prospectus" […].
- Exemptions to summarz: securities admitted "to trading on a regulated market of non-equity securities provided that"
  - (a) such securities are to be traded only on a regulated market, or a specific segment thereof, to which only qualified investors can have access for the purposes of trading in such securities; or
  - (b) such securities have a denomination per unit of at least EUR 100 000.
- "Summary shall be **accurate, fair and clear and not be misleading**" (Art. 7 (2))
- Art. 7 (3 & 4):
  - Outline the format (**i.e. max 7 pages**)
  - four main section in the summary (i.e. key information on issuer, securities)

PR: Art. 8 – The base prospectus

- “Base prospectuses are commonly used in the context of offering programmes in the international debt market. Under a programme, an issuer will be able to make several issues of debt securities over a period of time”*
- It is not available for equity issuance
- Purpose: give the issuer flexibility
  - “allow them to tap markets quickly because most of the disclosure will be set out in the base prospectus and, consequently, the documentation burden for each issue under the programme will be reduced”*.
- Key characteristics:
  - “[f]or non-equity securities, including warrants in any form” […] (Art. 8 (1))
  - optional, e.g. it is ‘at the choice of the issuer’ […] (Art. 8 (1))
  - shall include ‘a template, entitled ‘form of the final terms’ to be filled out for each individual issues’ […] (Art. 8 (2a))

PR: Art. 9 – The universal registration document

- Art 9. (1) "Any issuer whose securities are admitted to trading on a regulated market or an MTF **may** draw up every financial year a registration document in the form of a universal registration document
  - describing the company's organisation, business, financial position, earnings and prospects, governance and shareholding structure".
- Advantages for frequent issuers:
  - Issuers have the **option** (not the obligation), to draw up and publish every financial year a universal registration document containing the information mentioned above.
  - Enable the issuer to keep the information up-to-date and to draw up a prospectus when market conditions become favorable - **add a securities note and a summary**.

PR: Art. 14 – Simplified disclosure regime for secondary issuances

- Art 14. (1): simplified prospectus for secondary issuances, for an offer of securities to the public or an admission to trading of securities on a regulated market.
- Reason for a simplified regime. **Statistical facts**:
  - "Based on statistical data provided by 21 Member States, an average of 70% of all equity prospectuses approved in 2013 and 2014 corresponded to secondary issuances (public offers made by companies already admitted to trading on a regulated market or an MTF). Equity prospectuses represented a quarter of all prospectuses approved in the EU in 2014 (935 prospectuses)."*

*Source: https://ec.europa.eu/transparency/regdoc/rep/10102/2015/EN/SWD-2015-255-F1-EN-MAIN-PART-1.PDF (P26)

- Summary, specific registration document, specific securities note.

PR: Art. 15 – EU Growth prospectus

- Art. 15: "An EU Growth prospectus under the proportionate disclosure regime shall be a document of a standardised format, written in a simple language and which is easy for issuers to complete. It shall consist of a specific summary, specific registration document, specific securities note."
- This applies particularly to SMEs (small-medium enterprises) (Art. 15 (1a)) to make it easier for them to raise capital
- Art. 15 (2), "The Commission shall, by 21 January 2019, adopt delegated acts in accordance with Article 44 to supplement this Regulation by specifying the reduced content and the standardised format and sequence for the EU Growth prospectus, as well as the reduced content and the standardised format of the specific summary."

Prospectus Liability

= Relating to untrue or misleading statements or omissions of material facts

US

- Section 11 of the Securities Act of 1933
  = relating to the registration statement
- Section 12(a) of the Securities Act of 1933
  = relating to violations of procedural requirements or relating to statements in the prospectuses
- Section 10(b) of the Securities Exchange Act of 1934
  = anti-fraud provision

EU

- Civil liability regimes
- Liability for the content of a prospectus
- Art. 11 Prospectus Regulation
- Defendants (issuer etc.)
- Identification of the persons responsible for the prospectus
- Liability regimes at the level of the Member States
- Elements of liability

SEC Regulation D – exemption from registration & prospectus requirements

- Regulation D allows smaller companies to raise capital through private placements without registering with the SEC.
- Companies using Regulation D must file a Form D with the SEC after selling securities for the first time.
- Rule 504 lets companies sell up to $10 million in securities in a 12-month period without registration.
- Under Rule 506, a company can raise an unlimited amount of capital, but all non-accredited investors must be "sophisticated."
- While Regulation D eases fundraising, it requires compliance with federal and state securities laws.

US SEC Rule 144 – 'restricted securities' exemption from registration & prospectus requirements

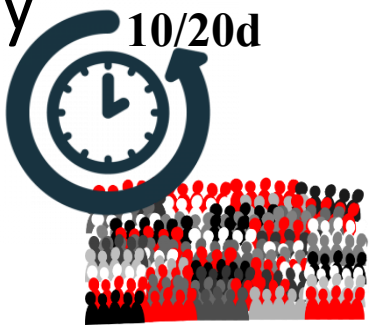
- *SEC Rule 144 holding period requirement prevents securities in private transactions from being immediately resold into the public market without filing and approval of prospectus and registration statement.*
- **Restricted securities**: For securities issued by SEC reporting companies, a minimum six-month holding period is required. If the issuing company is not subject to reporting requirements, a minimum one-year holding period is required.
- offering to a relatively small number of accredited/qualified/sophisticated investors

> Sales must be handled as routine trading transactions.

> Brokers may not receive more than a normal commission.

> Neither the seller nor the broker can solicit orders.

Switzerland – Prospectus Requirement and Liability



Issuer creates **prospectus**

submission to review body and **approval** within 10/20 days

Publication following approval (prior to listing/offer)

Liability for untrue or misleading representations (+omissions) (standard: negligence)

Review body appointed by FINMA
Currently (since 1 June 2020):
- **BX Swiss AG**
- **SIX Exchange Regulation**

Relevant provisions:
- FIDLEG/FinSA Arts 35ff
- Arts 109ff FinSO
- SIX Exchange listing rules
- Art 52 FIDLEG/FinSA
- Art 69 FIDLEG/FinSA

Applicable by 1 December 2020

Prospectus Liability (CH)

- Art. 69 FIDLEG/FinSA
  - Plaintiffs: primary and secondary market investors
  - Defendants: persons involved in the preparation and the dissemination of prospectus or related material
  - Untrue or misleading representations (+omissions) in a prospectus or a «similar statement»
  - Standard of care: negligence
  - Causation: Transaction causation may be established even if the investor did not read the prospectus («investment atmosphere»)
  - Remedies:
    - value loss of the securities
    - loss of profit

New UK Listing Rules (2/2)

New UK Listing Rules (Effective 29 July 2024) – Changes in the Disclosure Regime:

—**Focus on Disclosure-Based Regulation**: Significant corporate transactions now require market announcements only, with more flexibility regarding the content and timing of disclosures

—**Enhanced Flexibility for Growth Companies**: IPO eligibility has ben eased, with fewer financial prerequisites, enabling growth-stage companies to list earlier without the same reporting burdens

—**New Obligations for controlling Shareholders**: While companies must maintain independence from controlling shareholders, the previous requirements for binding relationship agreements has been dropped

Objectives of the reform

—These reforms aim to reduce regulatory burdens, promote innovation and make the UK stock market more attractive to growth companies

—The UK regulator (the 'FCA') will review the effectiveness of these reforms in five years to assess their impact on the market

UK PISCES

- What PISCES does:
  - Creates a regulated multilateral trading venue for private company shares.
  - Uses auction-style trading to improve price discovery and transparency.
  - Introduces a “Private-plus” disclosure model with proportionate, standardised reporting.
  - Provides investor safeguards such as risk warnings, appropriateness checks, and a 24-hour cooling-off period.
  - Reduces trading frictions through Stamp Duty/SDRT exemptions and simplified compliance.

Initial Coin Offering (ICOs)

- A revolutionary tool for entrepreneurial finance
  - Facilitate and Accelarate the critical phase of capital formation
  - Involve sale of a stake in a project to raise funds at an early stage of development
  - Token (Security) & Cryptocurrence (Commodity)
- ICOs vs IPOs
  - Non regulated platforms
  - Tokens sold in the form of an organization's cryptocurrency
  - Tokens do not generally confer ownership rights, but
    - A discount on cryptocurrency before it hits the exchanges
    - A right to vote on future decisions
- ICOs vs crownfunding
  - They are not donations
  - A clear speculative purpose

ICOs Sequence

- Structural pattern
  - Pre-launch: announcement on cryptocurrency forums
    - Executive summary to present the project to investors
    - Whitepaper & Yellowpaper
    - Preliminary offer o selected investors
    - PR campaign targeting a broader segment of investors
  - Launch of the ICO and collection of funds
    - Generally one round of fund raising that may have a variable duration
  - Digital tokens listed on cryptocurrency exchanges for trading
    - Pre-ICO price: arbitrarily determined
    - Post-ICO price: market supply and demand
- Evolutions
  - Security Token Offering (STO), Initial Exchange Offering (IEO)

International Coin Offerings (ICOs)
Four Different Regulatory Approaches

Temporary ban on ICOs

Requirement of compliance with securities regulation

Requirement of compliance with securities regulation
→ But clarifying position as to how to fall outside the scope of securities regulation

Current lack of clear regulatory treatment

prudent ← → liberal

Summary

- Company may finance their investments and projects with debt or equity or retain earnings (equity)
- Debt finance may offers tax advantages. The optimal capital structure may result in a minimized WACC and a maximised company value
- Definition of ‘security’ is broad in most jurisdictions
- Prospectus requirements: EU – PR (2019)(exemptions apply/proportionality for smaller issuers). Changes include: Prospectus exemptions, content and format of the prospectus, fast track approval for frequent issuer.
- US/EU/Swiss liability provisions – *ex ante* v *ex post* control provisions
- Unregulated market offering regime - US and UK
- International Coin Offerings – regulatory challenge of financial technology

Ferrari N.V.

17,175,000 Common Shares

This is an initial public offering of common shares of Ferrari N.V. ("Ferrari"). Fiat Chrysler Automobiles N.V. ("FCA") is selling 17,175,000 common shares of Ferrari, equal to approximately 9 percent of the Ferrari share capital. We are not selling common shares and we will not receive any of the proceeds from the sale of common shares by FCA. Prior to this offering, there has been no public market for our common shares.

This offering is intended to be part of a series of transactions to separate Ferrari from FCA. Following completion of this offering, FCA expects to transfer its remaining approximately 80 percent interest in us to FCA shareholders. For a description of the separation, see "The Restructuring and Separation Transactions." Although we currently expect the separation to be completed in early 2016, we cannot assure you that the separation will be carried out as described in this prospectus, completed within the expected timeline or completed at all.

Our common shares have been approved for listing on the New York Stock Exchange under the symbol "RACE."

We have a loyalty voting program. Investors who purchase common shares in the offering may elect to participate in our loyalty voting program by registering their common shares in our loyalty share register and holding them for three years. The loyalty voting program effectively awards two votes for each qualifying common share by means of the issue of special voting shares. See "The Ferrari Shares, Articles of Association and Terms and Conditions of the Special Voting Shares" for additional information including terms and conditions relating to our loyalty voting program. We expect that FCA and Piero Ferrari, our minority shareholder, will participate in our loyalty voting program and, upon completion of this offering, will effectively hold two votes for each of their common shares. FCA shareholders that participate in FCA's loyalty voting program will be entitled to participate on the same basis in our loyalty voting program effective upon the separation.

Investing in our common shares involves risk. See *Risk Factors* beginning on page 13.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total(2)
Initial public offering price	$52.00	$893,100,000
Underwriting discount and commissions(1)	$ 1.56	$ 26,793,000
Proceeds, before expenses, to the selling shareholder	$50.44	$866,307,000

(1) For additional information on underwriting compensation, please see "Underwriting."
(2) Assuming the underwriters do not exercise their option to purchase additional shares.

The selling shareholder has granted the underwriters the option to purchase up to an additional 1,717,150 common shares at the initial public offering price less an underwriting discount of $1.56 per share for a period of 30 days after the date of this prospectus to cover over allotments, if any.

UBS Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Allen & Company LLC, Banco Santander, S.A., BNP Paribas Securities Corp., J.P. Morgan Securities LLC and Mediobanca—Banca di Credito Finanziario S.p.A. are acting as Joint Bookrunners and UBS Securities LLC is acting as Global Coordinator for the offering. The underwriters expect to deliver the common shares against payment in New York, New York on October 26, 2015.

Joint Bookrunners

UBS Investment Bank **BofA Merrill Lynch**

Allen & Company LLC **Banco Santander** **BNP PARIBAS** **J.P. Morgan** **Mediobanca**

Prospectus dated October 20, 2015.

CAUTIONARY STATEMENTS CONCERNING FORWARD-LOOKING STATEMENTS

Statements contained in this prospectus, particularly those regarding our possible or assumed future performance, competitive strengths, costs, dividends, reserves and growth, industry growth and other trends and projections and estimated company earnings are "forward-looking statements" that contain risks and uncertainties. In some cases, words such as "may," "will," "expect," "could," "should," "intend," "estimate," "anticipate," "believe," "outlook," "continue," "remain," "on track," "design," "target," "objective," "goal," "plan" and similar expressions are used to identify forward-looking statements. These forward-looking statements reflect the respective current views of Ferrari with respect to future events and involve significant risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements. These factors include, without limitation:

- our ability to preserve and enhance the value of the Ferrari brand;
- the success of our Formula 1 racing team and the expenses we incur for our Formula 1 activities;
- our ability to keep up with advances in high performance car technology and to make appealing designs for our new models;
- our ability to preserve our relationship with the automobile collector and enthusiast community;
- our low volume strategy;
- the ability of Maserati, our engine customer, to sell its planned volume of cars;
- changes in client preferences and automotive trends;
- changes in the general economic environment and changes in demand for luxury goods, including high performance luxury cars, which is highly volatile;
- the impact of increasingly stringent fuel economy, emission and safety standards, including the cost of compliance, and any required changes to our products;
- our ability to successfully carry out our growth strategy and, particularly, our ability to grow our presence in emerging market countries;
- competition in the luxury performance automobile industry;
- reliance upon a number of key members of executive management and employees, and the ability of our current management team to operate and manage effectively;
- the performance of our dealer network on which we depend for sales and services;
- increases in costs, disruptions of supply or shortages of components and raw materials;
- disruptions at our manufacturing facilities in Maranello and Modena;
- our ability to provide or arrange for adequate access to financing for our dealers and clients, and associated risks;
- the performance of our licensees for Ferrari-branded products;
- our ability to protect our intellectual property rights and to avoid infringing on the intellectual property rights of others;
- product recalls, liability claims and product warranties;
- our continued compliance with customs regulations of various jurisdictions;
- labor relations and collective bargaining agreements;
- exchange rate fluctuations, interest rate changes, credit risk and other market risks;

Deutsche Bank – Base Prospectus

- Debt Issuance Program (DIP) Base Prospectuses
- Publication of the securities notes, as constituting parts of the base prospectuses, and the respective supplements to such base prospectuses (together the “Prospectuses”) on the website of Deutsche Bank Aktiengesellschaft (the "Bank"), is made in accordance with Article 21(2)(a) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (as amended).
- The Prospectuses do not constitute an offer of or an invitation by the Bank to subscribe for or purchase any securities the Bank may issue (the “Securities”). Recipients of the Prospectuses should not consider them as a recommendation by the Bank to subscribe for or purchase any Securities. No person has been authorized by the Bank to give any information or to make any representation other than those contained in the Prospectuses. If given or made, any such information or representation should not be relied upon as having been authorized by the Bank.
- The distribution of any of the Prospectuses, any document incorporated therein by reference and an offering, sale and delivery of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession any Prospectus comes are required to inform themselves about and to observe any such restrictions.

Deutsche Bank – Base Prospectus

- Final terms (the “Final Terms”) provided on this website relate to certain selected issues under the EUR 80 billion Debt Issuance Programme (the “Programme”) of Deutsche Bank Aktiengesellschaft (the „Issuer“). Full information on the Issuer and the securities (the “Securities”) is only available on the basis of the combination of the Final Terms and the Base Prospectus pertaining to the Programme, consisting of the Registration Document (Registration Document), the Securities Note (Base Prospectus) and any supplements thereto and any document incorporated by reference therein.
- Publication of the Final Terms on the website of the Issuer is made in accordance with Article 8 (5) in connection with Article 21(2)(a) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (as amended).”
- The Final Terms do not constitute an offer of or an invitation by the Bank to subscribe for or purchase any Securities the Bank has issued or may issue. Recipients of the Final Terms should not consider them as a recommendation by the Bank to subscribe for or purchase any Securities. No person has been authorized by the Bank to give any information or to make any representation other than those contained in the Final Terms. If given or made, any such information or representation should not be relied upon as having been authorized by the Bank.
- The distribution of any of the Final Terms, any document referred to in such Final Terms and an offering, sale and delivery of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession any Final Terms come are required to inform themselves about and to observe any such restrictions. Information on certain restrictions is contained in the Base Prospectus and the Final Terms.

PR: Art. 1
Subject matter, scope and exemptions

- Art. 1 (1) “This Regulation lays down requirements for the drawing up, approval and distribution of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market situated or operating within a Member State.”
- Definition: “Published” (Art 21):
  - Art 21 (1) “Once approved, the prospectus shall be made available to the public by the issuer, the offeror or the person asking for admission to trading on a regulated market at a reasonable time in advance of, and at the latest at the beginning of, the offer to the public or the admission to trading of the securities involved.”
  - Art 21 (2) This can be fulfilled e.g. in electronic from on the website of the regulated market. Further details apply, see Art 21 ff
- Definition: “Securities offered to the public” (Art. 2 (d)) means a communication to persons in any form and by any means, presenting sufficient information on the terms of the offer and the securities to be offered, so as to enable an investor to decide to purchase or subscribe for those securities. […]

PR: Home/Host MS (competent authority), ESMA & Passporting

- Recital (11):
  - To ensure the approval and passporting of the prospectus as well as the supervision of compliance with this Regulation, **a competent authority needs to be identified for each prospectus**. Thus, this Regulation should clearly determine the home MS best placed to approve the prospectus.
- Recital (63): All prospectuses approved should be:
  - published on the website of the competent authority of the issuer's home Member State
  - transmitted by the authority to ESMA along with the relevant data enabling its classification.
  - ESMA should provide a centralised storage mechanism of prospectuses allowing access free of charge and appropriate search facilities for the public. […]
- Recital (68):
  - The competent authority of the host Member State should be entitled to receive a certificate from the competent authority of the home Member State, states that the prospectus has been drawn up in accordance with this Regulation.

Art. 11 Responsibility attaching to prospectus
Art 38 Administrative sanctions

- Art. 11 (2): „Member States shall ensure that their laws, regulations and administrative provisions on civil liability apply to those persons responsible for the information given in a prospectus."
  - Art 11 (1): The person responsible for the information in the prospectus may be: the issuer, the person asking for the admission to trading, or a guarantor. Moreover, the person responsible has to be clearly identified in the prospectus.
- Art. 38: Without prejudice to the supervisory and investigatory powers of competent authorities under Article 32, and the right of Member States to provide for and impose criminal sanctions, Member States shall, in accordance with national law, provide for competent authorities to have the power to impose administrative sanctions and take appropriate other administrative measures which shall be **effective, proportionate and dissuasive**. Those administrative sanctions and other administrative measures shall apply at least to
  - e.g. infringements of Article 3, Article 5, Article 6, Article 7(1) to (11), Article 8, Article 9, Article 10, Article 11(1) and (3) […].

PR: Art. 16 – Risk factors

- Art 16 (1):
- ‘risk factors featured in a prospectus shall be limited to risk which are specific to the issuer and/ or to the securities and which are material for taking an informed investment decision […]’
- ‘the materiality of the risk factors based on the probability of their occurrence’ shall be assessed.
- ‘the most material risk factor shall be mentioned first […]’.

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As filed with the Securities and Exchange Commission on May 6, 2014

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form F-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Alibaba Group Holding Limited

(Exact name of Registrant as Specified in its Charter)

Cayman Islands	5961	Not Applicable
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

c/o Alibaba Group Services Limited
26/F Tower One, Times Square
1 Matheson Street
Causeway Bay
Hong Kong
Telephone: +852-2215-5100
(Address and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Corporation Service Company
1180 Avenue of the Americas, Suite 210
New York, New York 10036
(800) 927-9801
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies to:

Timothy A. Steinert, Esq.
Alibaba Group Holding Limited
c/o Alibaba Group Services Limited
26/F Tower One, Times Square
1 Matheson Street, Causeway Bay
Hong Kong
+852-2215-5100

Leiming Chen, Esq. Daniel Fertig, Esq. Simpson Thacher & Bartlett LLP c/o 35th Floor, ICBC Tower 3 Garden Road Central Hong Kong +852-2514-7600	William H. Hinman, Jr., Esq. Simpson Thacher & Bartlett LLP 2475 Hanover Street Palo Alto, California 94304 U.S.A. 650-251-5000	William Y. Chua, Esq. Sullivan & Cromwell LLP 28th Floor Nine Queen's Road Central Hong Kong +852-2826-8688	Jay Clayton, Esq. Sarah P. Payne, Esq. Sullivan & Cromwell LLP 1870 Embarcadero Road Palo Alto, California 94303 U.S.A. 650-461-5700

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

CALCULATION OF REGISTRATION FEE

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The information in this preliminary prospectus is not complete and may be changed. Neither we nor the selling shareholders may sell these securities until the registration statement filed with the United States Securities and Exchange Commission is declared effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting any offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, Dated , 2014

American Depositary Shares

Representing Ordinary Shares

Alibaba Group Holding Limited

This is the initial public offering of Alibaba Group Holding Limited, or Alibaba Group. We are offering American Depositary Shares, or ADSs, and the selling shareholders named in this prospectus are offering ADSs. Each ADS represents ordinary shares, par value US$0.000025 per share. We expect that the initial public offering price of the ADSs will be between US$ and US$ per ADS. We will not receive any proceeds from the ADSs sold by the selling shareholders.

Pursuant to our memorandum and articles of association, a partnership, or the Alibaba Partnership, comprised of certain management members of our company and our related companies and affiliates, will have the exclusive right to nominate a simple majority of the board of directors of our company. See "Alibaba Partnership" and "Description of Share Capital — Ordinary Shares — Nomination, Election and Removal of Directors."

Prior to this offering, there has been no public market for our ADSs or ordinary shares. We will apply for listing of our ADSs on the New York Stock Exchange or the Nasdaq Global Market under the symbol " ."

Investing in our ADSs involves risk. See "Risk Factors" beginning on page 20.

	Per ADS	Total
Price to public	US$	US$
Underwriting discounts and commissions	US$	US$
Proceeds, before expenses, to us	US$	US$
Proceeds, before expenses, to the selling shareholders	US$	US$

We and certain selling shareholders have granted the underwriters the right to purchase up to an aggregate of additional ADSs.

Neither the United States Securities and Exchange Commission nor any state securities commission or any other regulatory body has approved or disapproved of these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the ADSs against payment in U.S. dollars to purchasers on or about , 2014

Credit Suisse Deutsche Bank Goldman Sachs J.P. Morgan Morgan Stanley Citi

Currency, denomination, par value, number of securities issues and the term of the securities	The Ordinary Shares are denominated in UK Pounds Sterling with a nominal value of 1.3355 pence each. As at the date of this prospectus, there are 177,715,987 Ordinary Shares in issue, all of which have been fully paid up. The term of the securities is perpetual.
Rights attached to the securities	Shareholders will have the right to receive notice of and to attend and vote at any meetings of Shareholders. Each Shareholder entitled to attend and being present in person or by proxy at a meeting will, upon a show of hands, have one vote and upon a poll each such Shareholder present in person or by proxy will have one vote for each Ordinary Share held by such Shareholder. In the case of joint holders of an Ordinary Share, if two or more persons hold an Ordinary Share jointly, the vote of the senior shareholder, shall be accepted to the exclusion of the other joint holders and for this purpose, seniority is determined by the order in which the names stand in the register of members in respect of the joint holding. Pre-emption rights have been disapplied (in respect of future share issues whether for cash or otherwise) pursuant to a special resolution passed on 8 November 2019. On a winding up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by law, divide among the members the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. Any such division may be other than in accordance with the existing rights of the members but if any division is resolved otherwise than in accordance with such rights the members shall have the same right of dissent and consequential rights as if such resolution were a special resolution passed pursuant to section 111 of the Insolvency Act 1986.
Relative seniority of the securities in the issuer's capital structure in the event of insolvency	Not applicable. The Company does not have any other securities in issue or liens over its assets and so the Ordinary Shares are not subordinated in the Company's capital structure as at the date of this prospectus, and will not be immediately following Admission.
Restrictions on the free transferability of the securities	Not applicable. The Ordinary Shares are freely transferable and tradable and there are no restrictions on transfer. Each Shareholder may transfer all or any of their Ordinary Shares which are in certificated form by means of an instrument of transfer in any usual form or in any other form which the Directors may approve. The Directors may refuse to register a transfer of Ordinary Shares which are certificated if (a) the share if not fully paid; (b) the transfer is not lodged at the company's registered office or such other place as the Directors have appointed (c) the transfer is not accompanied by the share certificate or such other evidence as the Directors may require to the show the transferor's right (d) the transfer is in favour of more than four transferees. Each Shareholder may transfer all or any of their Ordinary Shares which are in uncertificated form through CREST. Shareholders wishing to trade their Ordinary Shares on the ASX may transfer their Ordinary Shares in uncertificated form using CHESS Depositary Interests. The Directors may, in circumstances permitted or required by the Companies Act and the ASX Listing Rules, refuse to register the transfer of Ordinary Shares which are in uncertificated form, provided that exercise of such powers does not disturb the market in the Ordinary Shares. In accordance with Chapter 9 of the ASX Listing Rules, certain of the Company's securities are subject to mandatory escrow restrictions imposed by the ASX.
Dividend or pay-out policy	The Company has yet to develop its dividend policy and the funding requirements and expected time for the further development, construction and commissioning of the Vareš Project may restrict the Company in relation to when it will be in a position to pay dividends. Any decision to declare and pay dividends will be made at the discretion of the Board and will depend on, among other things, the Group's results of operations, financial condition and solvency and distributable reserves tests imposed by law and such other factors that the Board may consider relevant.
Where will the securities be traded?	
Application for admission to trading	Application will be made for the Ordinary Shares to be admitted to trading on the Main Market of the London Stock Exchange.
Other markets where the securities are or are to be traded	The Ordinary Shares are currently listed on the ASX.

Prospectus Liability (US) (1)

- Section 11 of the Securities Act of 1933
  - Defendant: every person who signed the registration statement, every underwriter (among others)
  - Any untrue or misleading statement, any omission to state a required material fact in the registration statement
  - Standards of care: strict liability of issuer, but other defendants (e.g. underwriter) can invoke the due diligence defence
    - Expertised portions: «had no reasonable ground to believe and did not believe that the statement therein contained a material misrepresentation or omission»
    - Non-expertised portions: idem «after reasonable investigation»
  - Causation: assumed
  - Remedies: value loss of the security

Prospectus Liability (US) (2)

- Section 12(a) of the Securities Act of 1933
  - Defendant: any person who «offers or sells a security»
  - Requirement of privity between the defendant and the plaintiff
  - Types:
    - 12(a)(1): violations of Section 5 (period constraints, prospectus requirements)
    - 12(a)(2): Prospectus containing misleading statements, untrue statements, or omission of material facts
  - Standard of care:
    - 12(a)(1): strict liability
    - 12(a)(2): negligence, but defence of due care
  - Causation: assumed
  - Remedies: rescission or damages

Prospectus Liability (US) (3)

- Section 10(b) of the Securities Exchange Act of 1934
  - Anti-fraud provision
  - No requirement of privity between the defendant and the plaintiff
  - Fraudulent activities linked with securities transactions
  - Any misrepresentation or omission of a material fact
  - Standards of care: scienter (intent or recklessness)
  - Reliance
  - Causation
  - Remedies: Rescission or damage (value loss of the security = difference between the price paid and the price at which the securities would have traded with the accurate information)