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# News Release

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## **EHYA Welcomes the Irish FSA's Decision to Accommodate European High Yield Structures in Allowing Consolidated Accounts for Subsidiary Guarantors**

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**London** – The European High Yield Association (EHYA) today applauded the Irish Financial Services Regulatory Authority's (IFSRA) decision to consider requests under Article 8 of the EU Prospectus Directive, on a case-by-case basis, to permit the presentation of consolidated company accounts for high yield bond issuers with multiple subsidiary guarantors. The move is the result of an initiative by the Irish Stock Exchange (ISE), which carries out the prospectus review function on behalf of IFSRA, to address difficulties posed by the EU Prospectus Directive for high yield issuers.

Under current EU Prospectus Directive rules, subsidiary guarantors of high yield bonds must present separate accounts for each guaranteeing subsidiary, "which is effectively impossible to do for most high yield issuers," says Gilbey Strub, Executive Director of the EHYA. IFSRA will consider requests to present consolidated financials where the guarantees are full and unconditional, and reflecting European high yield practice, a guarantee to be considered full and unconditional even where it is subject to limitations that are required by local law or that are imposed by customary intercreditor provisions. Where the issuer's non-guaranteeing subsidiaries represents more than 20% of the group's net assets and EBITDA, the issuer will be permitted to present the required summary financial information for the guarantor group as compared to the nonguarantor group in a footnote to the accounts.

Prospectuses receiving approval for consolidated financial statements must include a risk factor

explaining to investors the basis for excluding separate financial statements for each subsidiary guarantor.

Neal McKnight, a partner at Sullivan & Cromwell LLP, and Co-Chair of the EHYA EU Prospectus Directive Working Group said: “This is a very positive step that will improve disclosure to investors and enhance the efficiency of the offering process. We are pleased that the ISE approached us and asked for our views on the Prospectus Directive’s treatment of high yield guarantors which was previously unworkable.”

Rachel Hatfield, a partner at White and Case LLP and Co-Chair of the EHYA EU Prospectus Directive Working Group stated, “We applaud the ISE for joining the UK Listing Authority in promoting a commercial and investor friendly approach for high yield bond issuers and we hope that other European exchanges will re-address the current rules in order to ensure that high-yield bonds will benefit from the protection afforded by the Prospectus Directive as opposed to going to the alternative exchanges where the PD doesn’t apply.”

The ISE’s notice to listing agents describing the new rules is available on the EHYA’s website at: [www.ehya.com](http://www.ehya.com)

## **NOTES TO EDITORS**

The **European High Yield Association** is a non-profit trade association representing participants in the €20 billion European high yield market. Membership is open to banks, investors, issuers, financial sponsors, lawyers, accountants, research analysts, traders and rating agencies. The EHYA is an independent, self-funded forum of The Bond Markets Association (BMA). For more information, visit [www.ehya.com](http://www.ehya.com).

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