

Brussels, 5th November 2002

Financial services: Commission welcomes Council's political agreement on prospectuses proposal

The European Commission has welcomed the political agreement reached by the EU's Council of Ministers at its 5th November meeting in Brussels on the amended proposal for a Directive on prospectuses. This proposal would make it easier and cheaper for companies to raise capital throughout the EU, while reinforcing protection for investors by guaranteeing that all prospectuses, wherever in the EU they are issued, provide them with the clear and comprehensive information they need to make investment decisions. A prospectus is a disclosure document, containing key financial and non-financial information, that a company makes available to potential investors when it is issuing securities (stocks, shares, bonds etc.) to raise capital and/or when it wants its securities admitted to trading on exchanges. The Directive would introduce a new "single passport for issuers". This means that once approved by the authority in one Member State, a prospectus would then have to be accepted everywhere else in the EU. In order to ensure investor protection, that approval would only be granted if prospectuses meet common EU standards for what information must be disclosed and how.

Internal Market Commissioner Frits Bolkestein said "Once adopted and implemented, this Directive will improve considerably the framework for investing and raising capital on an EU wide basis and, consequently, promote the competitiveness of the European economy. It will also reinforce market trust and confidence in corporate information."

The Commission's original proposal was adopted in May 2001 (see [IP/01/759](#)). Following Parliament's opinion in March of this year and discussions in Council under the Belgian and Spanish Presidencies, the Commission adopted a modified proposal on 9th August 2002 (see [IP/02/1209](#) and [MEMO/02/180](#)). The text of today's political agreement represents an optimum compromise among the different views in the various Member States; it strikes the right balance between investor protection and market flexibility.

The proposed Directive seeks to ensure that adequate and equivalent disclosure standards are in place in all Member States when securities are made available to all EU investors either through a public offer procedure or because they are admitted to trading.

For investors, the proposed legislation would raise the quality of information and ensure easy access to it through the centralised filing of disclosure documents.

The main changes in the compromise text subject to the political agreement, compared with the Commission's amended proposal, are:

- introduction of the possibility for Member States to apply their own national regime for certain types of issues of securities (small offers made by SMEs and small offers made by credit institutions in general)
- flexibility of choice of the competent authority for covered warrant issuers; introduction of a lower threshold for the minimum individual denomination concerning wholesale markets
- a new explicit exemption to publish a prospectus, under certain conditions, has been introduced, when a third party or the company itself decide to list securities of companies already listed in other Member States
- a transitional period of 5 years would allow Member States that need a more time to align their national rules to the new regime provided for in the proposal to adapt.

The proposed Directive on prospectuses is a centrepiece of the EU's Financial Services Action Plan (see [IP/02/796](#)), and of the drive to create an integrated European securities market by 2003. At the Barcelona European Council in February, Heads of State and Government asked for the Directive to be adopted by the end of 2002. Adoption of the common position should intervene by the end of this year or beginning of next year.

The prospectuses Directive is a framework Directive as foreseen under the European Council's March 2001 Stockholm Resolution on securities legislation (on the basis of a report from a group of Wise Men chaired by Alexandre Lamfalussy).

Once the Council has adopted a formal Common Position on the proposal on the basis of today's political agreement, it will be forwarded to the European Parliament for its second reading under the so-called co-decision procedure.