

Brussels, 9th August 2002

Financial services: Commission presents an amended proposal on prospectuses

The European Commission has presented an amended proposal for a Directive on prospectuses, taking account of the European Parliament's opinion on the original proposal put forward by the Commission on 30 May 2001 (see [IP/01/759](#)). The amended 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, " This amended proposal takes account of the many comments received in the past year. Indeed, the Commission has shown that we have paid particular attention to the views expressed by the European Parliament and the Council. I now invite those institutions to work with us on getting the proposal adopted and implemented quickly. There is much at stake. Not only will this Directive make EU financial markets work better, it will help EU companies to raise capital to invest in job creation and innovation. That in turn will mean a more competitive and dynamic European economy and a more prosperous Europe. Without a single passport for issuers, there can be no true Internal Market in securities. Issuers have had enough of dealing with 15 different sets of regulations which make raising capital across national borders expensive, complex and inefficient. Investors need to feel confident that wherever a prospectus is issued, it has had to meet the same high regulatory standards."

The Commission's original proposal was adopted in May 2001. Following Parliament's opinion in March of this year and discussions in Council under the Belgian and Spanish Presidencies, the Commission has now adopted a modified proposal which seeks to conciliate many divergent views.

The amended proposal takes particular account of the Parliament's and the Council's concerns. Institutionally, the Commission was unable to undertake a full consultation because the text is now in the co-decision legislative process with Council and Parliament. This does not, of course, mean that the Commission services have not had many informal discussions with interested parties.

Indeed, Commission officials have regularly met representatives of different organisations and will continue to do so in future, in accordance with the Lamfalussy approach.

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

All types of securities normally traded in the market fall within the scope of the proposed Directive

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 Directive only concerns initial disclosure requirements. Conditions for admission to listing remains subject to existing European and national requirements in that respect. This means that corporate governance issues are not affected by this proposal.

The amended proposal includes more flexible arrangements for firms, without compromising on guaranteeing protection and sound information for investors.

The main changes compared with the Commission's original proposal are:

- the introduction of special EU rules for securities with a high minimum denomination (€ 50 000), which are designed to be traded by professionals. This adapted regime includes different content for the prospectus, no requirement for a summary, different language rules and the possibility for the issuer to choose on a case by case basis to which competent authority they submit their prospectuses for approval. Issuers would not need always to have their prospectuses approved in the same Member State and there would be no mandatory registration with a single authority;
- an adapted regime aimed at making things easier for small and medium-sized companies, which would not be obliged to draft a prospectus if only a small amount of securities (€ 2 500 000) is offered to the public. Where a prospectus is required, its content would be adapted for smaller companies and the requirement to update information annually would be limited to a reference to their annual financial statements;
- choice left to the issuer on the format of the prospectus (single or split document);
- disclosure standards based on international standards (IOSCO) with schedules adapted depending on the nature of the issuer and the type of securities involved, for example: equity securities such as shares, non-equity securities such as bonds, derivatives securities such as covered warrants, securities with a high minimum denomination and mortgage bonds;
- the introduction of new prospectus formats for frequent issuers, notably for offering Euro Medium Term Notes, derivatives securities such as covered warrants, or for mortgage bonds issued on a continuous or repeated basis;
- an effective regime for the "single passport". For companies to issue securities, or admit them to trading, in any EU Member State, they would simply need to notify the authorities in that country of their prospectus and show that it has already been approved by the appropriate authority in another Member State.

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. The amended proposal will now go to the European Parliament and Council for negotiation, beginning with the Parliament's Economic and Monetary Affairs Committee on 27-28 August.

The full text of the modified proposal is available at

http://www.europa.eu.int/comm/internal_market/en/finances/mobil/index.htm

See also MEMO/02/180.