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## **CESR's Advice on Level 2 Implementing Measures for the Prospectus Directive**

Consultation paper Ref: CESR/03-210b

Sveriges Aktiesparares Riksförbund - (the Swedish Shareholders' Association) - is an independent organisation working in the interests of private individuals who invest in stocks, mutual funds and other stockrelated securities currently with 90 000 private individual members.

The Swedish Shareholders Association would like to give its comments to the above mentioned consultation paper as follows.

### **III Minimum information**

#### **23- 42 Member states, non –EU states and their regional or local authorities**

According to the Prospectus directive member states and their regional or local authorities are obliged to produce a prospectus in order to benefit from a single passport for raising capital in the EU. CESR suggests that Member states and their regional or local authorities, public international bodies and non-profit organisations should produce prospectuses containing basic information essential for investors such as a general discussion about the issuer's economy and political system (annex D). Public international bodies that are more akin to corporates in their structure should, however, use the rules used for retail or wholesale debt (different annex).

- 30. Do we agree with this approach?
- 32. Do we agree with the suggested information requirements about the issuer in annex D?
- 33. Is there any other information that should be included?
- 35. Should economic indicators be disclosed?
- 40. Should Investments and development plans be included?
- 42. Should potential conflicts of interest be disclosed?

The Swedish Shareholders Association has no comments to this chapter which mostly concern debt issues.

## 43-70 Financial information requirements in a prospectus

CESR has concluded that it is important that the historic financial information presented to Investors within a prospectus is comparable both within the track record being presented and also with the way it will be presented on an ongoing basis.

CESR prefers an option where the issuers are required to restate the two most recent years under IAS. This option provide investors with some comparability while reducing the costs of restatement for the issuer. Another option would be to restate a three year comparable record under IAS, this is however regarded as too costly to the issuer.

Other options would be to reconcile one, two or three years of historic statements. This would however require only marginally less work than a full restatement when the differences between the local GAAP and IAS are large and any reconciliation is likely to be long, complicated and difficult to follow.

- 56. What are your views on the costs of providing reconciliation as compared with a full restatement?
- 57. What is the most appropriate way to present the financial information?
- 58. Views on comparability within the audited historical track record and with the reporting standards that are to be adopted?
- 59. How should comparability be achieved?
- 60. For issuers of debt, the audited historical financial information has to be provided for only two years, but prepared and presented in accordance with the accounting standards adopted in the issuer's next annual financial statements. Do we agree with this approach?

The Swedish Shareholders' Association prefers a full three year restatement and considers the costs connected with such information to be marginally higher than a full two year restatement. The costs are, however, justified because of the benefits to investors. "

Restatement is the best way of presenting historical information. Reconciliation where all differences and adjustments in accounting policies would have to be identified would complicate the information and make it hard for investors to understand and the value of the information would be hampered. Restatement, however, makes it easy to follow and compare

the historical statements.

Currently the EU lacks a comprehensive set of rules at community level on how audits should be conducted and the audit infrastructure needed to safeguard audit quality. Historical information is subject to different levels of audit scrutiny. Historical information of a non EU-issuer should be prepared to IAS Regulation or equivalent. CESR is of the opinion that wholesale debt issuers and the issuers of high denomination asset backed securities or depository receipts are of a nature that makes it appropriate not to require issuers to go to the expense of producing a full new report audited in accordance with the auditing standards of a Member state or equivalent. These issuers can use lower disclosure standards.

69. Our views on extending this treatment to EU issuers for this type of securities.

70. Are there any other type of issuer where you believe that different requirements should apply?

No comments

## 71-87 Dissemination of advertising

According to the Prospectus directive article 15 all advertisements relating to an offer to the public of securities, or to an admission to trading where there is an obligation to draw up a prospectus shall state where the investors can obtain the prospectus and must not contain any misleading information or information inconsistent with the prospectus.

CESR has been requested to provide level two advice on the dissemination of advertisements.

CESR has suggested that “advertisements” shall be understood as communications relating to an offer to the public of securities or to an admission to trading on a regulated market. General promotion or information about admission to listing on other markets are outside the scope of the paper. Advertisements are not considered as a prospectus and to be considered an advertisement in this context it must be published by the interested parties (issuer, offerer or person asking for admission.) The aim of the advertisement is to promote the potential subscription or acquisition of the securities.

CESR also seeks views on the prohibition on the dissemination of advertisements (blackout periods) before the prospectus has been made available.

84. Do we agree with the scope of the present consultation paper on advertising?

85. Do we agree that blackout periods should be imposed?

87. Do we consider that control over advertising activity should be harmonised and should this activity be exercised by the competent authorities?

# Aktiespararna

The Swedish Shareholders Association agree with the scope of the consultation paper concerning advertising. Black out periods are useful since shareholders should be able to find all the information in a prospectus before considering an offer.

Harmonising the control will guarantee shareholders a certain minimum standard of control. If the competent authority is responsible for the control investors will know that the information is trustworthy.

SWEDISH SHAREHOLDERS ASSOCIATION

Stockholm the 30<sup>th</sup> of October 2003

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