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**PRESS RELEASE**

**CESR STARTS WORK ON GUIDELINES FOR THE CONSISTENT IMPLEMENTATION OF THE PROPOSED COMMISSION'S REGULATION ON PROSPECTUS**

CESR announces today the launch of work to prepare guidance on disclosure requirements established under the proposed Prospectus Regulation. The Prospectus Directive and accompanying Regulation establishes a harmonised format for Prospectus in Europe and enables companies to use this Prospectus to list on all European markets without having to re-apply for approval from the local regulator and by so doing help companies avoid the inherent delays and costs that this may involve. As a result of this new legislation, consumers can also be assured of more consistent and standardised information which will enable them to compare more effectively the various share offers available from a wider number of European listed companies. This is likely to lead to a greater range of products available to consumers and will encourage European companies to list and offer on a number of exchanges or markets due to the strengthening and simplification of the regulatory regime.

Effective implementation will ensure the full benefits of this new legal framework are realised. CESR proposes to issue guidelines to facilitate the understanding of certain disclosure requirements included in the proposed Regulation. This will provide greater clarity for issuing companies regarding the provision to disclose information in a range of areas. The development of guidance will also ensure views from market participants and end-users will be fully considered before regulators implement the proposed Regulation. The deadline for the European Commission to adopt the Regulation is 30 June 2004 and CESR intends to complete its guidance by December 2004.

The European Commission published the Prospectus Directive (Directive 2003/71/EC) on 31 December 2003. This set out the high level policy objectives that the legislation must achieve and established the areas and scope of what should be included in the implementing measures (which take the form of a draft Regulation at present). This represents 'Level 1' under the Lamfalussy process. The Directive established 1 July 2005 as the date by which the full package of legislative measures should take effect, and indicated that the implementing measures embodied in the draft regulation described below should be in place six months before the entry into force of the Directive. On 20 January 2004, a formal draft Regulation implementing the Prospectus Directive was published by the European Commission. This draft is largely based on the advice provided by CESR during the year 2003 (documents CESR/03-208, CESR/03-300, CESR/03-399) and forms the 'Level 2' measures under the Lamfalussy process. It is expected that the European Securities Committee (ESC) will vote the Regulation on 19 April 2004 and the European Parliament will have an additional month to examine the text. The guidelines CESR is beginning to prepare with this call for evidence, which will be completed in December 2004, will constitute what is known as 'Level 3' measures under the Lamfalussy process (adopting measures to strengthen co-operation between national regulators to ensure consistent and equivalent transposition and implementation of 'Level 1' and 'Level 2' legislation).

**Call for evidence**

The first step in the formation of CESR's guidance begins today with the launch of CESR's consultation process with the call for evidence from all interested parties. Some of the disclosure requirements that could benefit from further practical guidance in relation to share registration documents include, guidance on: Selected Financial Information; Operating and Financial Review; Trend Information; Administrative, management and supervisory bodies and senior management; Related party transactions; Historical Financial Information;



Clarification of accounting terms and on the information required in particular cases, such as business combinations, qualified or flawed financial information.

Similarly, other types of prospectus may also benefit from guidance on disclosure requirements and views from market participants are invited as to what CESR should include in the scope of this work by 15 April 2004. An illustrative timeline for the work of the group can be found in the Annex, attached as in the call for evidence (Ref. CESR/04-057). Responses to the call for evidence can be submitted directly to CESR through our new web site under the section 'consultations'.

#### **CESR's expert working group**

To undertake this work CESR also announces how it intends to structure its own expert working group to deliver this work and sets out a draft timetable for consultation including the formation of a specific Consultative Working Group. The outcome of CESR's work will be reflected in common guidelines which do not constitute European Union legislation but would be included in the regulatory practices of CESR members. These guidelines will not prejudice, in any case, the role of the Commission as guardian of the Treaties.

CESR has decided to maintain the **Expert Group on Prospectus** that was set to deliver technical advice to the European Commission. This expert group will continue to be chaired by Pr Fernando Teixeira dos Santos (Chairman of the Portuguese Comissão do Mercado de Valores Mobiliários [CMVM]) and Mr Javier Ruiz will remain as rapporteur of the Group, however, the working group will now work in a 'Level 3' capacity as described under the Lamfalussy process. An aspect of this work relates to disclosure of financial information where specific technical expertise in the field of financial reporting and accounting issues is needed. This will therefore be carried out jointly by the Prospectus Group and CESR-Fin. CESR-Fin is a permanent group on financial reporting and is chaired by John Tiner, Chief Executive of the UK FSA.

#### **The formation of a Consultative Working Group**

A new consultative group of market participants has also been appointed to provide technical advice to the expert groups. The market participants are experts in different fields drawn from across the European Markets. They are not intended to represent national or a specific firms' interest and do not replace the important process of full consultation with all market participants.

The following 12 external experts form the Consultative Working Group:

**Ms Deborah ter Beek**, ABN AMRO Rothschild

**Mr François Bavoillot**, ACELOR

**Ms Catherine Denis-Dendauw**, the High Council of the Economic professions and the Commission for Accounting Standards and of the sub-Commission IAS/IFRS

**Mr Kevin Desmond**, Price Waterhouse Coopers

**Ms Carmen Barrenechea Fernandez**, Intermoney Titulización, SGFT and member of the European Securitisation Forum Executive Committee

**Mr Axel Forster**, Luxembourg Stock Exchange

**Mr Wolfgang Gerhardt**, Sal. Oppenheim jr. & Cie. KgaA, Frankfurt am Main

**Mr Alain Gouverneyre**, Ernst & Young, France

**Mr Svante Johansson**, Stockholm University and Linklaters, Stockholm office

**Mr Spyros Lorentziadis**, Ernst & Young, Southeast Europe.

**Ms Eva Maria Sattlegger**, Raiffeisenzentralbank

**Mr Nunzio Visciano**, Italian Stock Exchange



**Notes for Editors:**

1. The work that CESR intends to carry out forms part of the four level approach to European legislation for financial services. The four level approach was proposed in the report by the working group chaired by Baron Lamfalussy (available on the CESR website as described in para. 5). The approach can be summarised very briefly as follows: Level one measures set out the high level objectives that the legislation must achieve. Level two measures set out some of the technical requirements necessary to achieve these objectives. Level three measures are intended to ensure common and uniform implementation by the use (amongst others) of common interpretative guidance and standards agreed amongst regulators in CESR. Level four measures relate to the enforcement of the legislation.

Page 6 of the Lamfalussy report illustrates diagrammatically how these four levels of legislation fit together and the procedure to adopt these measures. The Level 3 'strengthened cooperation between regulators to improve implementation' including the conditions for their adoption are described in more detail on page 37 of the report.

2. CESR is an independent Committee of European Securities Regulators. The role of the Committee is to:

- Improve co-ordination among securities regulators;
- Act as an advisory group to assist the EU Commission, in particular in its preparation of draft implementing measures in the field of securities;
- Work to ensure more consistent and timely day-to-day implementation of community legislation in the Member States;
- The Committee was established under the terms of the European Commission's decision of 6 June 2001 (2001/1501/EC). It is one of the two committees envisaged in the Final Report of the group of Wise Men on the regulation of European securities markets, chaired by Baron Alexandre Lamfalussy. The report itself was endorsed by the European Council and the European Parliament. The relevant documents are available on CESR's website.

3. Each Member State of the European Union has one member on the Committee. The members are nominated by the Member States and are the Heads of the national public authorities competent in the field of securities. The European Commission has nominated the Director General of the DG Market, as its representative. Furthermore, the securities authorities of Norway and Iceland are also represented at a senior level. The following nine Authorities of the Accession Countries have joined CESR with observer status: the Cyprus Securities and Exchange Commission, the Czech Securities Commission, the Estonian Financial Supervision Authority, the Hungarian Financial Supervisory Authority, the Latvian Financial and Capital Market Commission, the Lithuanian Securities Commission, the Malta Financial Services Authority, the Slovakian Financial Market Authority and the Slovenian Securities Market Agency.

4. For further information please contact:

CESR

Fabrice Demarigny  
Secretary General of CESR

Or

Victoria Powell  
Communications Officer

Tel: +33 (0)1.58 36 43 21

Fax: +33 (0)1.58 36 43 30

Email: [secretariat@cesr-eu.org](mailto:secretariat@cesr-eu.org)

Web site: [www.cesr-eu.org](http://www.cesr-eu.org)

Indicative timetable for CESR's work on guidelines for the consistent implementation of the proposed Commission Regulation on Prospectus  
(Extract from the Call for Evidence Ref. CESR/04-057)

