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PRESS RELEASE

**CESR CONSULTS ON RECOMMENDATIONS FOR CONSISTENT IMPLEMENTATION OF
THE EU REGULATION ON PROSPECTUS**

CESR launches today a consultation paper (Ref. CESR/04-225) on possible recommendations for the consistent implementation of the Commission's Regulation on Prospectus. The purpose of this consultation document is to seek comments on the recommendations that CESR proposes to issue on a number of items set out in the schedules and building blocks included in the annexes of the Regulation. These annexes set out how different types of prospectus or offering documents should be structured and the type of information they should include.

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 doing so, it is intended to help companies avoid the inherent delays and cost 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 securities offers available from a wider number of European 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.

During the consultations that CESR undertook in order to develop the level two advice for the European Commission, market participants expressed a strong demand for guidance on a number of items of the future Regulation. Additionally, the need for a consistent approach to the Regulation requirements from competent authorities in the different jurisdictions was also a strong message conveyed by respondents. These concerns were reiterated in the responses to the call for evidence published by CESR in March 2004.

To react to these demands, CESR members decided to start co-ordinating their views at this stage. CESR agrees that only an effective implementation will ensure that the full benefits of the new legal framework are realised. Therefore, CESR proposes to issue recommendations to facilitate the understanding of certain disclosure requirements included in the Regulation. This will provide greater clarity for issuing companies regarding the provision to disclose information on a range of areas and will provide greater transparency on the way in which supervisors will apply the Regulation. The development of recommendations will also ensure views from market participants and end-users expressed during the call for evidence, regarding the need for greater certainty in relation to the application of the legislation, are appropriately considered and answered before regulators implement the Regulation.

The measures included in the paper cover:

- **Financial Information Issues:**

The purpose of the recommendations is not to provide interpretations of IAS/IFRS or Member States' local GAAP but to clarify certain disclosure requirements included in the Regulation where necessary.

Among others the paper includes recommendations on Operating and Financial Review, Profit forecast or estimates, Pro forma financial information or Working capital statements.

- **Non Financial Information Issues:**



This section comprises three areas. Within the first section, CESR proposes to issue recommendations in order to ensure co-ordination among competent authorities when applying Article 23 of the Regulation. This article gives competent authorities the power to require adapted information (in addition to the information items included in the schedules and building blocks) to those issuers listed in the Annex XIX of the Regulation (specialist issuers), such as start-up companies or property companies.

The second area covers recommendations on certain items of the prospectus where CESR feels there is a need of clarification at this stage. Among others, the paper includes recommendations on the following items of the Regulation: Related party transactions, legal and arbitration proceedings or rules in respect of the administrative, management and supervisory bodies of the issuer.

In addition, CESR also proposes recommendations on certain issues not related to the prospectuses schedules and building blocks. For example, to ensure co-ordination on the contents of the document required in case of securities offered to employees.

The Expert Group on Prospectus, chaired by Mr Fernando Teixeira dos Santos, Chairman of the Portuguese Comissão do Mercado de Valores Mobiliários (CMVM) and supported by Mr Javier Ruiz of the CESR Secretariat, together with CESR-Fin in those areas related to disclosure of financial information where specific technical expertise in the field of financial reporting and accounting issues is needed, have developed these measures. CESR-Fin is a permanent group on financial reporting chaired by John Tiner, Chief Executive of the UK FSA and supported by Mr Michel Colinet of the CESR Secretariat.

The group has been assisted by a Consultative Working Group of experts drawn from a broad range of market participants.

Responses to the consultation are requested by 18 October 2004 and can be submitted directly to CESR through our new web site (at www.cesr-eu.org) under the section 'consultations'. CESR would also welcome interested parties to attend an open hearing at our offices in Paris on 7 September, 2004. To book please visit the CESR website under 'hearings'.



Notes for Editors:

1. The work that CESR is carrying out in this capacity 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 co-operation between regulators to improve implementation' including the conditions for their adoption are described in more detail on page 37 of the report.
2. 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 later took the form of a Regulation. The Regulation on Prospectus No 809/2004 implementing the Directive (2003/71/EC) was published on 30 April 2004 and this set out the technical implementing measures. The technical measures developed by the European Commission followed a request to CESR for its advice.
3. 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.
4. 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.
5. A consultative group of 12 market participants was formed to provide technical advice to the expert group. The market participants are experts 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. A full list of the participants can be found under the page of Expert Groups and 'Prospectus Level 3' under Consultative Working Group on the CESR web site.
6. For further information please contact:

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