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**PRESS RELEASE**

**CESR reviews the supervisory functioning of the Prospectus Directive and Regulation**

CESR publishes today a report entitled: “CESR’s report on the supervisory functioning of the Prospectus Directive and Regulation” (Ref. CESR/07-225).

The objective of this report is to assess whether the new prospectus regime is achieving its objectives of protecting investors and lowering the cost of capital, and, in particular, whether it is contributing to the development of the single market for securities. The findings of the report will also contribute to the evaluation of the Lamfalussy process. In addition to the input provided by market participants, the report also includes some statistical data provided by CESR members on the number of prospectus passported and on the transfer of the approval of prospectuses.

In general, most market participants seem to be satisfied with the new European legislation. They consider the Prospectus Directive and Regulation to be a step in the right direction in achieving a single market. Among the positive aspects of the new legislative framework, and despite the existence of a few obstacles in its practical functioning, respondents have highlighted the value of the passport mechanism as a useful tool in the development of a single market. Nevertheless, they have also identified certain provisions in the Prospectus Directive and Regulation that are causing some practical difficulties and they request CESR to advise the European Commission to work on the necessary amendments.

In particular, respondents identified a number of areas where divergent practices of the different competent authorities posed some difficulties, for example, in relation to the use of certain definitions (i.e. that of a public offer, transferable securities and qualified investors), or the use of exemptions which determine whether the obligation to produce a prospectus exists amongst others. All the issues identified by market participants are set out in section IV of the report.

As a result, market participants strongly commended CESR’s Q&A on prospectuses as a means of reducing the divergent practices in Member States and strongly encouraged CESR to keep working on the development of common practices at EU level. CESR has therefore decided to focus efforts on convergence on the issues identified by market participants in the next few months. Nevertheless, it should be noted that publication of this summary of market participants’ comments does not imply that CESR endorses the respondents’ observations, including alleged practices of the specific competent authorities mentioned in their responses. However, in the coming months, CESR will carefully analyze the comments made and will publish its response through the regular updates of its Q&A on prospectuses or through other means if the solutions are beyond CESR’s remit.

The findings of the report were developed following a public call for evidence in November 2006 and an open hearing which was held in January 2007.



**Notes for Editors:**

1. Within CESR, the Prospectus Contact Group chaired by Gérard Rameix, Secretary General of the Autorité des Marchés Financiers (AMF) has been charged with the preparation of the CESR's 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. Baron Alexandre Lamfalussy chaired this group. The report itself was endorsed by the European Council and the European Parliament. The relevant documents are available on the CESR website.
3. Each Member State of the European Union has one member in 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.
4. For further information please contact:

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