

## PRESS RELEASE

### **ESMA finds high level of consistency in EU national regulators' practices for the approval of investment prospectuses**

The European Securities and Markets Authority (ESMA) has published today "*Prospectus Directive – Good Practices in the approval process*", a peer review report on the application of regulatory good practices by national supervisory authorities - competent authorities (CA) when approving investment prospectuses.

The review was conducted using good practice criteria that ESMA developed on selected areas of the Prospectus Directive dealing with the approval process for investment prospectuses. The prospectuses provide investors with easy to understand and relevant information on investment products. Peer review reports on national regulators' procedures contribute to ESMA's objective of fostering supervisory convergence and achieving a level playing field between jurisdictions.

#### **Majority of regulators comply**

Overall, ESMA found a high level of compliance with its five good practices. The *Good Practices* look at: the consistency of comments across prospectuses; application of the four eyes principle; provision of comprehensible information; the consistency as well as the structure of a prospectus. From the 29 EEA competent authorities (CA) that were reviewed, 25 fully applied the practices with the remaining four at least partially applying them.

The reports key findings for each of the practices are:

- **Similar comments** – all 29 CAs follow this practice to ensure consistency of regulatory comments made across comparable prospectuses; all but three do so by having a database in place;
- **Four eyes principle** – all CAs apply this principle that a second person should be involved in the review of any prospectus. However, there is an even split between authorities that use this principle for all documents and those that do so on a case by case basis according to certain criteria;
- **Consistency of the prospectus document** – 26 CAs fully adhere to this good practice that information contained in different parts of a prospectus is treated in a consistent manner;



- **Comprehensibility** – 27 CAs apply this good practice of using easy to understand language e.g. avoiding the use of technical language;
- **Structure of the prospectus document** – 27 CAs apply this good practice which ensures that information in relation to different securities can be easily understood and that duplication does not impair clarity.

The peer review was conducted in two phases: the first phase was a self-assessment exercise in which competent authorities assessed their application of each of the five good practices by answering a number of questions developed for each practice against a set of benchmarks. The second stage was the peer review assessment which involved each competent authority's self-assessment being reviewed by their peers, i.e. by other EU national supervisory authorities.

ESMA will follow up on the application of the good practices through its Review Panel in due course.



## Note for Editors

1. ESMA's mission is to enhance the protection of investors and promote stable and well-functioning financial markets in the European Union (EU). As an independent institution, ESMA achieves this aim by building a single rule book for EU financial markets and ensuring its consistent application across the EU. ESMA contributes to the regulation of financial services firms with a pan-European reach, either through direct supervision or through the active co-ordination of national supervisory activity.
2. ESMA is an independent EU Authority that was established on 1 January 2011. It works closely with the national competent authorities who are members of the European System of Financial Supervision and the other European Supervisory Authorities – the European Banking Authority (EBA) responsible for banking and the European Insurance and Occupational Pensions Authority (EIOPA) responsible for insurance and occupational pensions.
3. ESMA also contributes to the financial stability of the European Union, in the short, medium and long-term, through its contribution to the work of the European Systemic Risk Board, which identifies potential risks to the financial system and provides advice to diminish possible threats to the financial stability of the Union. ESMA is also responsible for coordinating actions of securities supervisors or adopting emergency measures when a crisis situation arises.

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