

## PRESS RELEASE

### ESMA identifies scope for greater EU harmonisation in prospectuses approval

The European Securities and Markets Authority (ESMA) has today published a [peer review](#) on the efficiency and effectiveness of European Union (EU) national securities markets regulators' approval of prospectuses, the disclosure documents prepared by issuers when they want to market their securities to EU investors. Overall, ESMA found that, while national regulators were in general sufficiently resourced and approved prospectuses within legal deadlines, there were differences in national practices which would benefit from greater convergence.

Steven Maijoor, ESMA Chair, said:

“The Prospectus Directive is an important pillar of the single financial market: it helps firms access capital markets across the EU by setting a common format and content for prospectuses and introducing an EU-wide passport.

ESMA has assessed how the EU's single rulebook on prospectuses is applied in practice by national regulators as part of our supervisory convergence work. The findings of this peer review will help us identify practices which could benefit from further harmonisation to help deliver a truly single market.”

#### Main findings

ESMA's review covered a two-year period from January 2013 to December 2014. The main findings were:

- Prospectuses are often complex and may therefore be difficult for investors to understand, according to external stakeholders interviewed by ESMA. Main concerns include their length, the format of the summary section, and the amount and manner in which information is incorporated by reference;
- National regulators have different interpretations of certain disclosure requirements which would benefit from further harmonisation, as would the way in which national regulators look at risk factors associated with issuers and their securities;

- Approval times vary substantially among national regulators, however, the driving factors largely fall outside national regulators' responsibilities and include:
  - quality of the first draft they receive;
  - issuers' response times to queries;
  - the quality of those responses; and
  - the complexity of issuers' circumstances.

Nevertheless, ESMA also identified scope for further improving the efficiency of regulators' approval procedures; and

- The seasonal nature of prospectus approvals raised some concerns that national regulators could struggle to handle high volumes of documents while maintaining rigorous scrutiny during peak periods.

### **Next steps**

The findings of this peer review will feed into ESMA's supervisory convergence work which is one of its main priorities for 2016-2020. ESMA intends to take a closer look, among other things, at the intelligibility of prospectuses, the disclosure of risk factors and the interpretation of certain requirements.

The EU's Prospectus Directive and Regulation is currently being revised as part of the European Commission's Capital Markets Union and may address some of the legislative clarifications identified during the peer review as appropriate.



## Notes for editors

ESMA's mission is to enhance investor protection and promote stable and orderly financial markets.

It achieves these objectives through four activities:

- assessing risks to investors, markets and financial stability;
- completing a single rulebook for EU financial markets;
- promoting supervisory convergence; and
- directly supervising specific financial entities.

ESMA achieves its mission within the European System of Financial Supervision (ESFS) through active cooperation with the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), the European Systemic Risk Board, and with national authorities with competencies in securities markets (NCAs).

The Prospectus Directive applies when securities are offered to the public or admitted to trading on a European Economic Area (EEA) regulated market (exchange).

The peer review comprised of: a self-assessment questionnaire completed by all national regulators within the EEA, a desk-based analysis of selected prospectuses and procedures, followed by on-site visits at six regulators (France, Ireland, Luxembourg, the Netherlands, Norway and Poland).

In terms of market structure, eight regulators (France, Germany, Ireland, Italy, Luxembourg, Norway, Sweden and the UK) handle 82% of approved prospectuses and markets where prospectuses are required are increasingly dominated by wholesale investors.

Further information:

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