

Prospectuses for investors

Prospectuses are legally required documents presenting the information necessary to enable investors to make an informed assessment of the situation of an issuer and of the rights attached to the securities issued. The EU's co-legislators have reached an agreement on the draft regulation to replace the current directive. This compromise is scheduled for a vote at the April I plenary session.

Background

Prospectuses are governed by the Prospectus Directive ([Directive 2003/71/EC](#)), which aims to improve the quality of information supplied to investors by companies raising capital in the European Union (EU) and to ensure that adequate and equivalent disclosure standards are in place in all EU countries. It sets out rules on the prospectuses that EU companies are required to publish when issuing securities, and provides issuers of approved prospectuses with a 'single passport', ensuring their validity across the EU. The directive was revised in 2010 ([Directive 2010/73/EU](#)) to reduce some burdensome obligations imposed on companies, and improve the readability of the prospectus summary.

European Commission proposal

While the amended prospectus regime functioned well overall, the European Commission found it could still be improved to reduce the administrative burden on issuers – especially small and medium-sized enterprises – and to make it a more valuable information tool for potential investors. This led to the publication, on 30 November 2015, of a Commission [proposal](#) to replace the directive with a regulation. Its key aims are to reduce fragmentation in financial markets to make it easier for EU businesses to obtain funding, and to improve investor protection by giving investors briefer, yet more comprehensible, information on investment products, in order to help them decide whether to invest or not.

European Parliament position

The European Parliament adopted [amendments](#) to the Commission proposal on 15 September 2016. It introduced a proportionate disclosure regime (an 'EU Growth prospectus regime') to be available to small and medium-sized enterprises. Other amendments related to the scope of the instrument, the information to be provided, the size and content of the prospectus summary, the universal registration document, the simplified disclosure regime for secondary issuances, the risk factors, and advertisements.

On 7 December 2016, the Parliament and Council reached a compromise on the proposed regulation in trilogue. The [main points](#) of the agreement are the following: (i) the new rules will not apply to issues of securities with a value below €1 million; in addition, Member States can also exempt from the obligation issues they consider to be small (up to €8 million) in their domestic markets; (ii) the regulation provides SMEs and other smaller issuers with a new type of simplified prospectus (an 'EU growth prospectus'); (iii) the amount of information is better defined; (iv) companies already listed on a public market that wish to issue additional shares (secondary issuance) or raise debt (corporate bonds) can benefit from a simplified prospectus; (v) companies that frequently issue securities may use a 'universal registration document', allowing them to benefit from faster approval when they need to raise capital on financial markets. Lastly, the European Securities and Markets Authority (ESMA) will provide searchable online access to all prospectuses approved in the European Economic Area, free of charge.

The plenary vote on the agreed text is due during the April I 2017 session.

First reading: [2015/0268\(COD\)](#). Committee responsible: ECON;
Rapporteur: Petr Ježek (ALDE, Czech Republic). See the EPRS
'EU Legislation in Progress briefing', [Prospectuses for investors](#).

