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**Executive summary of the  
Report  
Prospectus Directive  
Selective Mapping**



## IMPORTANT NOTICE

CESR is publishing document containing the Executive Summary of the Report relating to CESR Members' responses to a questionnaire including a selective mapping on the Prospectus directive and the Prospectus Regulation, with regard to i) the internal processes to approve prospectus documents; ii) availability of the prospectus documents once approved and iii) the use of exemptions from the obligation to publish a prospectus document and (iv) the granting of omissions of information under the Prospectus Directive.

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## A – Introduction

1. At their meeting of 12 May 2009, CESR Chairs approved the mandate of the Review Panel subgroup to work on a selective mapping with regard to the Prospectus Directive. This mapping exercise provides an overall picture of the practices reported by Member States in relation to three areas under the approved mandate (internal process to approve prospectus documents, availability of the prospectus documents once approved and Member States use of the authorisation for the omission of information).
2. Member States responded to the questionnaire for the mapping in the second half of 2009 with some additional clarifications provided in 2010.
3. The objective of this summary of conclusions is to highlight some of the key findings of the mapping regarding key controls in place for various checks performed in the various processes of the prospectus review.
4. The next section provides a summary of the key findings. For the purpose of this report, the key findings reflect the top four or five controls identified in each of the topics.

## B – Key Findings

5. Regarding the controls to ensure the **accuracy and comprehensiveness of comments provided** on the draft prospectus – key controls reported include the coordination of comments (23 Member States), having a senior reader (18 Member States), the existence of an internal work instruction (17 Member States) and always having a second reader (14 Member States).

	Member States – positive response	%
Coordination of comments	23	79%
Having a senior reader	18	62%
The existence of an internal work instruction	17	59%
Always having a second reader	14	48%

6. In the scrutiny of **completeness** - key controls reported include checks to verify that information provided for each item is appropriate (28 Member States), verification of a cross reference list (27 Member States), checks of publicly available information (24 Member States), comparison with previously approved documents (21 Member States) and meetings with the issuer and/or their advisors (18 Member States).

	Member States – positive response	%
Checks to verify that information provided for each item is appropriate	28	97%
Verification of cross reference list	27	93%
Checks of publicly available information	24	83%
Comparison with previously approved documents	21	72%
Meetings with the issuer and/or their advisors	18	62%

7. In the scrutiny of **consistency** – key controls reported include checking the consistency of the information contained throughout the prospectus document itself (all Member States), checking the consistency of the information contained throughout the documents incorporated by reference (28 Member States), checking the information given in the prospectus with the information related to the issuer submitted to the authority (always 12 Member States and on a case-by-case basis 16 Member States) and checking the consistency of the information given in a prospectus document with external information (always six Member States and on a case-by-case basis 20 Member States).

	Member States – positive response	%
Check the consistency of the information contained throughout the prospectus document itself (which might include financial information in the accounting documents, corporate documents etc.)	29	100 %
Check the consistency of the information contained throughout the documents incorporated by reference	28	97%
Check the information given in the prospectus with the information related to the issuer submitted to the authority (on a case-by-case basis)	16	55%
Check the information given in the prospectus with the information related to the issuer submitted to the authority (always)	12	41%
Checking the consistency of the information given in a prospectus document with external information (on a case-by-case basis)	20	69%
Checking the consistency of the information given in a prospectus document with external information (always)	6	21%

8. In the scrutiny of **comprehensibility** – key controls reported include requesting a glossary of technical/specialist words (23 Member States), requesting a description of mathematical formulas (23 Member States), having standards for disclosure of risk factors (13 Member States); checking whether the language is comprehensible from the perspective of an average investor (14 Member States), checking whether the risk factor section is easily understandable (13 Member States) and checking that the structure of the prospectus is clear (10 Member States).

	Member States – positive response	%
Request for a glossary of technical / specialist words	23	79%
Request for a description of mathematical formulas	23	79%
Having standards for disclosure of risk factors	13	45%
Check whether the language is comprehensible from the perspective of an average investor	14	48%
Check whether the risk factor section is easily understandable	13	45%
Check that the structure of the prospectus is clear	10	34%

9. In the scrutiny to ensure the that prospectus document contains **all information to enable investors to make an informed decision** – key controls include require supplementary information to be provided to the authority on a case-by-case basis (28 Member States), require information given in the prospectus to be completed for each of the information items on a case-by-case basis as set out in Article 3 of the Prospectus Regulation (all Member States), ensure consistency and comprehensibility of information given in a prospectus (27 Member States) and require disclosure of all material information which may have an effect on the assessment of the securities admitted to trading as set out in Article 21(4)(a) of the Prospectus Directive (23 Member States).

	Member States – positive response	%
Require information given in the prospectus to be completed for each of the information items on a case-by-case basis as set out in Art 3 of the Prospectus Regulation	29	100%
Require supplementary information to be provided to the authority on a case-by-case basis	28	97%
Ensure consistency and comprehensibility of information given in a prospectus	27	93%
Require disclosure of all material information which may have an effect on the assessment of the securities admitted to trading as set out in Art 21(4)(a) of the Prospectus Directive	23	79%

**10.** In relation to checks performed concerning **financial information** – key controls reported by all Member States include ensuring financial information supports the other information in the prospectus document ensuring financial information provided is the most recent published, seeking clarification if less than 2-3 years financial statements are included in the prospectus document, ensuring that financial information meets the criteria of Commission Regulation 211/2007, ensuring that pro-forma financials comply with Annex II of Commission Regulation 809/2004.

	Member States – positive response	%
Ensure financial information supports the other information in the prospectus document	All	100%
Ensure financial information provided is the most recent published		
Seek clarification if less than 2-3 years financial statements are included in the prospectus document		
Ensure financial information meets the criteria of Commission Regulation 211/2007		
Ensure pro forma financials comply with Annex II of Commission Regulation 809/2004		

**11.** Controls carried out over the **prospectus summary** in addition to those in compliance with the requirements set out in Articles 5.2 and 11.1 of the Prospectus Directive – key controls reported by Member States include checking that the summary does not contain information not detailed in the main part of the prospectus document (18 Member States), following the guidance provided in Annex IV of the Prospectus Directive (12 Member States) and checking that the summary contains the material figures of the financial information (nine Member States).

	Member States – positive response	%
Check that the summary does not contain information not detailed in the main part of the prospectus document	18	62%
Follow the guidance provided in Annex IV of the Prospectus Directive	12	41%
Checking that the summary contains the material figures of the financial information	9	31%



12. Controls carried out over the **compliance of advertising activity** with Article 15 of the Prospectus Directive - 20 Member States reported that they perform ex ante controls, either always (12 Member States) or on a case-by-case basis (eight Member States). 19 Member States reported ex post controls (19 Member States), either always (two Member States) or on a case-by-case basis (17 Member States).
13. The issues/items to which the attention is reported to be more frequently turned to and/or problems which are reported to be more regularly encountered by Member States in the prospectus scrutiny vary depending on the specific checks performed. The issues/items reported include those pertaining to financial information, pro-forma financial and complex financial history, risk factors, working capital requirements and indebtedness, disclosure of related party transactions as detailed below.

**Issues / items to which the attention is more frequently turned and / or problems which are more frequently encountered:**

**In the scrutiny of the completeness of the prospectus document**

	Member States – positive response	%
Financial information, pro-forma financials, complex financial history	21	72%
Risk factors	17	59%
Working Capital statements	14	48%
Capitalisation and indebtedness	12	41%
Reasons for offer / use of proceeds	10	34%

**In the scrutiny to ensure the prospectus document contains all information to enable investors to make an informed decision**

	Member States – positive response	%
Financial information, pro-forma financials, complex financial history	21	72%
Risk factors	19	66%
Working capital statements	16	55%
Reason for offer / use of proceeds	12	41%
Capitalisation and indebtedness	10	34%



### **In the scrutiny of the consistency of the prospectus document**

	Member States – positive response	%
Consistency of financial information with the financial information contained in the annual report, consolidated financial statements or pro-forma	14	52%
Information on risk	14	48%
Information on the issuer's capitalisation, indebtedness and working capital statements	13	45%
In case of a prospectus document which consists of separate documents, consistency of the information given in the summary note and securities note with the information contained in the registration document already approved by the Authority	7	24%

### **In the scrutiny of the comprehensibility of the information given in a prospectus**

	Member States – positive response	%
Historical financial information and related audit report, forecasted financial information results and pro-forma financial information	8	28%
Description of risk factors or their impact upon working capital statements	8	28%
Description of related party transactions	7	24%
Summary and glossary	6	21%

### **In the scrutiny of a prospectus summary**

	Member States – positive response	%
Lengthy of the summary	11	38%
Use of technical language	6	21%
Risk factors	6	21%
Lack of consistency regarding the information provided in the summary and the information contained in the main part of the prospectus document	5	17%