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COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

Accompanying the document

**Proposal for a Regulation of the European Parliament and of the Council on the
prospectus to be published when securities are offered to the public or admitted to
trading**

{COM(2015) 583 final}
{SWD(2015) 255 final}

EXECUTIVE SUMMARY SHEET

Impact assessment on the Review of the Prospectus Directive (2003/71/EC) as amended

A. Need for action

What is the problem and why is it a problem at EU level?

The Prospectus Directive establishes a cross-border "passport" for approved prospectuses. Reform of the prospectus rules are closely linked to the Capital Markets Union (CMU). Prospectus reform aims to complement the CMU objectives of reducing fragmentation in financial markets, diversifying financing sources and strengthening cross border capital flows. Although the prospectus regime functions well overall, certain requirements of the Prospectus Directive might still be improved to alleviate administrative burden for companies which draw up a prospectus (especially SMEs) and to make the prospectus a more valuable information tool for potential investors. Further alignment of the prospectus rules with other EU disclosure rules (e.g. the Transparency Directive and the Regulation on key information documents for packaged retail and insurance-based investment products (PRIIPs)) could enhance the efficiency of the prospectus. The IA builds on the findings of an evaluation, the latter originally linked to the REFIT programme (COM(2014)368).

What should be achieved?

The proposed measures should (i) reduce the administrative burden of drawing up of prospectus, both for SMEs and for frequent issuers of securities; (ii) make the prospectus a more relevant disclosure tool for potential investors, especially in SMEs; and (iii) achieve more convergence between the EU prospectus and other EU disclosure rules.

What is the value added of action at the EU level (subsidiarity)?

The harmonised EU prospectus is an essential tool to integrate capital markets throughout the Union. Once a prospectus is approved by the competent authority of an EEA Member State, this prospectus can be used to raise capital by means of a public offer or admission to a regulated market in other Member States. Making the prospectus more accessible for SMEs and for companies that have frequent recourse to capital markets (frequent issuers) constitutes a key plank of establishing a CMU.

B. Solutions

What are the various options to achieve the objectives? Is there a preferred option or not? If not, why?

The impact assessment discusses various options for six issues identified as problematic. Most options aim at reducing administrative burden for issuers through designing appropriate disclosure requirements which avoid unnecessary replications and provide investors with targeted information which is easy to understand.

What are different stakeholders' views? Who supports which option?

Stakeholders are supportive of the review and the proposed options. The general aim of alleviating the prospectus for frequent issuers and that for SMEs of unnecessary and repetitive information is shared by all stakeholders, including Member States. Creating a new form of prospectus summary following the PRIIPS KID is also endorsed by the stakeholder community.

C. Impacts of the preferred option

What are the benefits of the preferred option (if any, otherwise of main ones)?

The revised Directive should provide issuers with disclosure rules which are tailored to the specific needs of three major groups of issuers: issuers that are already listed on a regulated market or MTF, (around 70% of all prospectuses approved in a given year), SMEs and bond issuers.

The envisaged "universal registration document" (URD) for frequent issuers should result in considerable cost reductions and shorten prospectus approval processes from currently 10 to 5 days.

The reformed proportionate disclosure rules (PDRs) for frequent issuers are expected to reduce the cost of drawing up prospectuses and of making the resulting PDR prospectuses more relevant for potential investors.

The new optional "question and answer" format for SME PDRs is expected to help SMEs in drawing up their own prospectus, thus saving considerable legal fees.

The reform of denomination sizes for bond issuances should increase opportunities to raise capital for all issuers and in also SMEs.

What are the costs of the preferred option (if any, otherwise of main ones)?

On balance, the preferred options will reduce the compliance burden for frequent issuers and for SMEs. Making prospectuses more user-friendly and targeted to the specific situation of the issuer has the double advantage of decreasing cost and increasing the relevance of the prospectus for potential investors.

The impact assessment contains initial estimations on cost savings, based on factual and realistic assumptions concerning the "take up" of the URD and the two proposed PDRs. Advantages resulting from the reform of the prospectus summary and the introduction of a searchable prospectus database are more difficult to quantify: the impact assessment relies on a more qualitative assessment in these respects. Nevertheless, the rationale for reforming the prospectus summary builds on the work already carried out, including consumer testing, in the context of the key information document for packaged investment products. (PRIIPS KID).

What are the impacts on SMEs and competitiveness?

SMEs: SMEs which wish to raise capital by means of a public offer or a listing on a multilateral trading facility (MTF) or SME growth market will benefit from the revamped PDR, as this format will lower the cost of preparation of a prospectus. Additional savings are expected for those SMEs which are listed on a regulated market and benefit from the PDR governing secondary issuances (see below). Recourse to the PDR for SMEs could, according to rough estimates, result in SMEs collectively saving around **45 million euro** per year.

Competitiveness for large and small issuers: Competitiveness would be enhanced because data provided by Member States indicates that 70% of all prospectuses approved in a given reference year pertains to a secondary issuance of securities by companies already admitted to trading on a regulated market or an MTF. Extrapolating from available data on equity prospectuses approximately 700 prospectuses per year could benefit from the PDR for secondary issuances. Figures on the cost of drawing up a prospectus as derived from the public consultation indicate that this could translate into savings of about **130 million euro** per year.

Furthermore, increased recourse to a universal registration document for equity and non-equity prospectuses could result in faster prospectus approvals, increasing annual fast track approvals by 150% (equity) and 70% (non-equity). A uniform prospectus requirement for bond issuances, irrespective of denomination sizes, provides an incentive for all issuer of debt to choose denomination sizes that make their bonds more attractive for a wider range of investors. A wider range of investors, in turn, is expected to increase buying and selling interest in bonds, thus increasing the liquidity of corporate bond markets in the EU.

Will there be significant impacts on national budgets and administrations?

The proposed alleviations should not trigger relevant costs for national budgets and administrations. On the contrary, competent national authorities should benefit from the simplifications of the prospectus as this would also render the approval process for prospectuses easier. The adaptation of IT tools necessary to make all prospectuses searchable online could trigger incremental IT-related costs.

Will there be other significant impacts?

No

Proportionality?

The measures are designed to achieve the greatest effectiveness without unduly disturbing the market.

D. Follow up

When will the policy be reviewed?

A review clause will be proposed to determine, five years after the revised rules enter into application, the extent to which the above objectives have been achieved.