

Prospectus to be published when securities are offered to the public or admitted to trading

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Opinion of the European Central Bank (ECB) on a 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.

On 8 March 2016, the European Central Bank received a request from the Council for an opinion on the proposal for a regulation.

Overall, the ECB **welcomed and supported the objectives of the proposed regulation** which aim to simplify the existing rules for the drawing up, approval and distribution of prospectuses and thus reduce the costs and burdens associated with their production.

The ECB made specific observations on the following points:

Exemptions for offers of non-equity securities issued by the ECB and the European System of Central Bank (ESCB) national central banks (NCBs) and for shares in the capital of ESCB NCBs: the ECB welcomed the fact that non-equity securities issued by the ECB and ESCB NCBs are excluded from the scope of the proposed regulation. It also welcomed the exemption for the shares in the capital of the ESCB NCBs.

Mandatory requirements regarding the use of the International Securities Identification Number (ISIN) and the global legal entity identifier (LEI): in order to guarantee investor protection and market efficiency, the proposed Regulation states that the information made available to investors should be 'sufficient and objective' and presented in 'an easily analysable, succinct and comprehensible form'. This information should include unique identifiers for both the security and the issuer. In this regard, the ECB strongly supported the use of internationally agreed standards, such as the ISIN and the global LEI.

For these reasons, the ECB recommended that any **information gaps that exist should be eliminated** to ensure a level playing field across markets and jurisdictions by making it mandatory to include the ISIN in prospectuses for securities that are subject to the proposed regulation.

In addition, given that the use of the global LEI is growing rapidly with regard to the identification of legal persons and structures, the ECB stated that it sees merit in expanding its use by making it compulsory to include the global LEI in prospectuses or registration documents for securities covered by the proposed regulation. It suggested therefore establishing the **obligation to report the ISIN and LEI** both in the proposed regulation and in any related Commission delegated acts implementing the proposed regulation.

Publication of prospectuses in an online storage mechanism: the ECB considered that the storage mechanism should also present the information contained in the prospectuses in a **machine-readable manner**, using metadata, at least for certain key attributes, such as the identification of the securities, issuers, offerors and guarantors, as this information is vital in ensuring that (institutional) investors have access to reliable data that can be used and analysed in a timely and efficient manner.

Removal of incentives for issuing debt securities in large denominations: the ECB recalled that in order to receive favourable treatment under [Directive 2003/71/EC](#) on the prospectus to be published when

securities are offered to the public or admitted to trading, some issuers currently impose minimum and/or multiple amount settlement rules for certain securities they issue at the central securities depository (CSD) level. However, settlements that are not compliant with these rules may still take place at the CSD level, e. g. central counterparty (CCP) netting of trading activities in standard amounts or other non-trading related activities, such as the processing of corporate actions. As a consequence, instructions for such settlements, even if they do not contradict the requirements of Directive 2003/71/EC, cannot be carried out through the standard processing provided by the technical platforms of national financial market infrastructures. This is normally mitigated by the usage of inefficient and risky manual workaround solutions (non-straight-through processing (non-STP) technical procedures) or more complex technical functionalities.

In light of the above, the ECB welcomed the removal of the incentives to issue debt securities in large denominations, i.e. above EUR 100 000. Furthermore, the ECB stated that imposing minimum denominations and minimum amounts at the settlement level runs counter to the spirit of Directive 2003/71/EC.