Next step at the European Parliament on the Prospectus Directive

What is the current state of play?

The European Commission presented a modified proposal for a directive on prospectus on 9 August 2002, which introduces substantial changes to the initial text.

At its meeting on 27 August 2002, the European Parliament Economic and Monetary Committee (ECON) decided to reserve its position on whether to proceed with another first reading or allow the modified proposal to be examined by the Council.

What does the co-decision procedure say?

According to the co-decision procedure, the EU Commission can decide to produce an amended proposal after the EP first reading, including any EP amendments it accepts "with a view to making it easier to reconcile the positions of the European Parliament and the Council" (Joint declaration on practical arrangements for the new co-decision procedure - May 1999).

When this is the case, the next procedural step is the adoption of a first reading by the Council, ie the Common Position. This document is then the subject of the EP second reading.

What are the options considered by the EP Economic and Monetary Committee?

To initiate its second reading, the EP should now in principle wait for the Council Common Position, based on the new text currently drafted by the Danish Presidency and whose adoption is announced for the 5 November 2002 Ecofin Council meeting. This should prevent that different versions of the text are examined in parallel by the different institutions.

This was one of the options considered by ECON when preliminary discussions on the Commission amended text were held at the end of August. In this case, EP second reading would not start before the Common Position is issued, this being the text which the EP would be called to amend (or approve).

ECON also envisaged the possibility to have a second first reading on the Commission modified proposal, which would suppose that the Commission withdraws its initial text. This is not its intention, as far as we understood from DG Markt Officials. In any case, this would mean that the Council would work on the same text as the EP to issue its Common Position, ie the Commission modified proposal.
What is the next step?

ECON will organize a hearing of experts from the financial services industry on October 2. MEPs, led by Rapporteur Huhne (UK, ELDR), will then make a decision on the way forward.

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For more information on this topic, please contact:

- Anne-Françoise Lefèvre, Principal Consultant (alefevre@webershandwick.com)

Weber Shandwick|Adamson – rue Wiertz 50, B-1050 Brussels
Tel. 00 32 2 743 42 09
Prospectus directive - Co-decision procedure
(if EP allows the Commission amended proposal
to go to the Council for a common position)

- Commission initial proposal for a directive
  - 30 May 2001

- EP 1st reading
  - 14 March 2002

- Commission amended proposal,
taking into account, as much as possible of EP amendments
  and Member States initial views
  - 9 August 2002

- Council Common Position (1st reading)
  - Planned for 5 November 2002

- EP 2nd reading,
proposing amendments to Common position
  - 3 months max, ie February/March 2003

- Council 2nd reading,
if all EP amendments accepted, text definitely adopted.
  If not, Conciliation Committee convened
  - 3 months max, ie May/June 2003

- Conciliation Committee,
if agreement on a compromise, Directive definitely adopted.
  If not, legislative proposal falls
  - 6 weeks