

Regarding your draft technical advice to the European Commission on a possible amendment to Regulation (EC) 809/2004 (Financial information which must be included in a prospectus), Companhia Portuguesa de Rating, S.A. (CPR) has the following broad comments:

- The ratings are opinions on the capacity and willingness of an issuer to meet its financial commitments as they come due;
- the ratings are based on relevant risk factors determined through quantitative, qualitative and legal analyses;
- the ratings are synthetic information easily compared among issuers;
- although a rating does not constitute a recommendation to buy, sell, or hold a particular security, CPR believes that for issuers that have complex financial history, ratings are a crucial factor to be weighted by investors. As such, CPR suggests the inclusion of the rating as an obligatory information in the prospectus on the public offer or admission to trading on a regulated market of any security, and in particular in the ones issued by entities that have a complex financial history.

In what respects the specific questions, our comments are as follows:

32. Q: Do you consider that the scope of the requirements for issuers that have a complex financial history should apply in relation to public offer or admission to trading on a regulated market of any equity security to which the Shares Registration Document applies or should it be restricted only to a prospectus published in relation to a public offer or admission to trading on a regulated market of shares? Please give your reasons.

Comments

In our opinion the scope of the requirements for issuers that have a complex financial history should apply, not only to public offers or admissions to trading on a regulated market of any equity security, but to any type of security submitted to public offers or admissions to trading on a regulated market, because investors in other types of securities need also to understand the financial position of the issuer to make an informed assessment of the issuer and the securities, as is the case in the United States of America, where in such cases two ratings are obligatory.

In our opinion, and for the reasons presented above, the requirements for issuers that have a complex financial history should include the rating of the issuer or the rating of the securities submitted to public offers or admissions to trading on a regulated market.

40. Q: Do you believe that the cases described below should be considered as a comprehensive list? If not, please provide examples of any other cases you would consider convenient to address and of the additional requirements you would consider appropriate to require in those examples.

The cases described include the following: 1) The issuer is newly incorporated holding company inserted over established businesses; 2) The issuer consists of companies that were under common control or ownership but which never formed a legal group; 3) The issuer has made a significant acquisition or disposal during the three year historical record or subsequent to the last audited consolidated financial information on the issuer; 4) The issuer has changed its accounting reference date during the three year period.

Comment

We understand that the following cases should also be considered:

- the issuer has processed a material change in its accounting procedures;
- the issuer has decided to invest / divest in lines of business or plant and equipments, decisions which are not reflected in the most recent financial information or pro forma financial information; and
- the market in which the issuer operates has suffered dramatic changes (for example due to competition levels or legal framework changes) not reflected in the most recent financial information or pro forma financial information.