

CESR'S ADVICE ON POSSIBLE IMPLEMENTING MEASURES OF THE TRANSPARENCY DIRECTIVE

DISSEMINATION AND STORAGE OF REGULATED INFORMATION

Borsa Italiana Group welcomes the opportunity to submit views on CESR's consultation paper on the draft technical advice on possible implementing measures of the Transparency Directive.

Firstly, we would like to stress that in Italy regulated information (including price sensitive information) has been already disseminated and stored since 2001 by the Network Information System (hereinafter simply referred to as NIS) which is an electronic circuit organised and managed by Borsa Italiana.

This system is already compliant with the proposed standards set out by CESR for the so called "operator model". It is furthermore suitable for both the dissemination and storage of information.

The NIS is based on a document and workflow management application and allows the connection among Issuers, the Competent Authority, Press Agencies (Media) and End Users.

The Network Information System fulfills the following:

- it ensures the certainty of the source sending information, providing system users with different permissions;
- it guarantees the security of the system through three different layers (based on application, communication software and the configuration of hardware components);
- it handles information dissemination through different authorized steps and check points in order to validate process flows;
- it manages the acquisition of all types of information and documents in an electronic format (e.g. pdf) also including data sent by issuers through standard language (e.g. XBRL);
- it handles the possible acquisition and aggregation of information sent by sources using other technology platforms than the NIS;
- it simultaneously redistributes to multiple users price sensitive information without giving any user a time advantage over another one;
- it manages a central storage mechanism of all information (messages, documents, data) sent by issuers through a data model designed by Borsa Italiana (we have stored all information sent via the NIS since 2001);
- it allows, the free of charge¹ access by web to end users for all types of stored information.

¹ Daily price sensitive announcements are freely available. Historical price sensitive announcements are available only by subscription.

The NIS is legally based upon the Consob Regulation No. 11971/99. Any disclosure requirements to the public shall be considered to have been fulfilled when the information is disseminated by the NIS to which Consob has access in real time, so avoiding overlapping filing requirements².

We agree with CESR to maximise the reliance on existing technical solutions in order to avoid radical changes to existing arrangements and burdensome additional costs³. Nevertheless, we invite CESR to assess the well-tested role of Stock Exchanges in the management of regulated information.

We share the model of competing operators and its benefits (such as continuous technical innovation, cutting costs, etc) as presented by CESR. However, on the basis of our experience, we acknowledge that the same benefits can be achieved also through the NIS model (i.e. a stock exchange running as an operator).

This model shall comply efficiently and effectively with the new legal framework provided for stock exchanges by the FSAP. In particular, surveillance activities on the market and regulated information should be managed by stock exchanges in accordance with Article 40 of the Mifid and Article 12 of the Market Abuse Directive in case of delegation by the Competent Authority.

Part B. Consultation Paper on Dissemination of Regulated Information by Issuers and on Conditions for Keeping Periodic Financial Reports Available

SECTION 1. DISSEMINATION OF REGULATED INFORMATION BY ISSUERS

Question 1: *What are your views on the minimum standards for dissemination? Are there any other standards that CESR would consider?*

The disclosure of accurate, comprehensive and timely information about securities issuers enhances both investor protection and market efficiency.

We totally agree with CESR's consideration that the goals of effective dissemination and fast access to regulated information for investors are best achieved through the use of electronic methods. Only an electronic system could meet the standards proposed by CESR (especially from a security perspective) The use of fax, for instance, would slow down the process (because of the time needed for revise and edit the document), could increase the possibility of errors in transmission, and would not guarantee the certainty of source, etc.

² However at the moment, in terms of Periodic Information, the Consob Regulation doesn't consider the dissemination through the NIS sufficient to fulfil disclosure requirements. It is necessary also the filing in Consob, with consequent duplication of processes.

³ See CESR Consultation Paper (04-511) pag. 9 "... building – where possible – on existing infrastructures, in order not to create too burdensome obligations for issuers".

We basically agree with the standards proposed by CESR. We wish a higher degree of detail, especially from a technical perspective.

These standards should be strictly observed throughout the Community in order to avoid a lack of harmony in dissemination of regulated information.

In particular, we consider necessary to pay attention to the following issues:

1. System security;
2. effective dissemination;
3. confirmation to the issuer. Issuers must be certain of the time in which the information has been made public by the system.

Comments and suggestions on proposed standards

1. Objectives of dissemination systems, Section 1, paragraph 4, letter a

(a) providing a mechanism through which an issuer of regulated information can meet its obligation under Article 21.1 of the Transparency Directive

This mechanism should offer to the issuer a single tool which satisfies, in one shot, all the disclosure requirements set by the Transparency and the Market Abuse Directives. This channel should also guarantee to regulators and stock exchanges a direct access to the information processed.

(b) a high level of security

A very high level of security must be ensured by all the operators. Breaches of security could seriously undermine the orderliness of the trading market (see hereinafter).

(c) a user friendly input method

In terms of input method from a issuer's perspective, a web based application should be required so that, once connected, the user would have only to use a common Internet browser.

However, the user friendliness of the input method should be balanced with the need of certainty of the whole process. It should be called for the establishment of a workflow management software platform that allows the management of the different steps of the dissemination process with specific authoritative steps.

(d) adequate access by end users

To allow very wide and quick dispersal of all regulated information to different categories of investors, we consider necessary at least a web based solution.

(f) new technological advances

New technological advances should be continuously pursued in order to improve security and efficiency and to cut the systemic costs.

2. Dissemination standards Section 1 paragraph 5, letter b

(a) fast access

The regulated information should quickly enter in the public domain through different channels of distribution fed by a single mechanism. The price sensitive information and the notification concerning the non price sensitive information should be distributed by the operator in real time to press agencies.

In terms of non price sensitive information, Borsa Italiana considers that this type of notification might be of no interest for media (black holes could arise). The operator could publish a daily notice in its web site summarising all the information sent in that day and available in full text in the system (thus closing the black holes' problem).

However the goal of fast access has to be balanced with the demands of safeguards of the market, especially when the information has to be disseminated during trading hours.

In some Member State, the regulators and the stock exchanges may delay the dissemination of the price sensitive information transmitted by the issuer during trading hours where this is deemed necessary in order to decide whether trading in the financial instruments concerned should be suspended. The mechanism should be able to process, where provided by national laws, this time-lag (in Italy: 15 minutes). In this consultation paper the issue of pre-information to regulator and stock exchange is not tackled.

From the perspective of issuer's liabilities, the issuer must have in every moment the evidence of the status of the information submitted to the system (shipment, waiting state, hold, transmitting, disseminated, error of transmission). The issuer must receive a confirmation of the effective dissemination.

With respect to the accessibility of the regulated information, we would like to stress that it must be ensured that this information is made available by the mechanism directly to the stock exchanges.

Where the Stock Exchange doesn't act as an operator, in the dissemination process it should be ensured a direct stream of the information to the Stock Exchanges.

Such activities involving the dissemination and storage of issuer information support Exchanges in their legal responsibilities (again emphasised in the Market Abuse Directive and in article 40 of the MIFID). In case of admission to trading upon the issuer's request, only a direct stream of information from the issuer to the Stock Exchange could allow an effective market surveillance as required by the legal set.

In Italy for example, the Competent Authority cooperates on a legal basis with the Stock Exchange in performing the surveillance functions. Pursuant to Article 12 of the Market Abuse Directive, the Competent Authority shall exercise the above mentioned powers by delegation to the market operators.

(b) access on a non discriminatory basis

The availability of the information through a web solution allows all investors (regardless of size and even if not situated in Italy) to easily gain access to such information.

(c) effective dissemination throughout the EU

By using a technology that works over the Internet connection, the mechanism should be capable of reaching investors generally, regardless of their location.

In order to further simplify investor access to corporate information across Member States, we wish that the information may be available also in English on issuer's decision or in accordance with a specific rule or guideline of the Stock Exchange.

3. Cesr's requirements Section 1 paragraph 6

(a) distribution

(a1) connection with media

We consider that a first level of dissemination is to be effected by an operator. The operator has to ensure that the information is in real time and simultaneously distributed to a minimum number of high level press agencies (first level). The same information should be widely disseminated by the operator through other channels (e.g its web site) in order to moderate black holes.

The media will then broadcast the regulated information to the market. The media are not obliged to publish regulated information that has been disseminated to them by the operator. Where it is economically sensible, these media will take on such information and disclose and comment further on.

The media of the first level have to be chosen by the operator within those media who have the suitability for the timely and complete release, a very large audience also in other Member States, a high level of security (for example: in order to give to the issuer a feedback of the effective dissemination, in order to avoid data corruption, loss or misuse of the information disseminated and so on). We suggest that these media should be at least 4. At least, two out of these press agencies should be international.

Issuers should be certain of dissemination in order to avoid mishandling the inside information.

It is necessary to send a confirmation, via the mechanism, to the issuer of the effective receipt of the information by at least two press agencies.

Only after this feedback, the issuer may consider the information public.

(a2) Re-submissions of information

This re-submission plays a key role for the proper dissemination of the inside information.

Issuers should have in every moment evidence of the status of the information sent. If a failure of transmission has occurred, the system should signal it.

(b) Output format

Announcements of regulated information provided to media by the operator should include besides the fields recommended by CESR also the type of regulated information, in order to make the access easier for end-users.

Question 2: What are your views on the standards for dissemination by issuer? Are there any other standards or related issues that CESR should consider?

We consider feasible the option of dissemination by the issuer without the intervention of an operator if this model can satisfy the Directive requirements. We believe that it is quite unlikely for an issuer to strictly comply with all the standards proposed by CESR (especially for technical reasons). This model is anti-economic because of the high degree of investments required.

If issuers undertake the dissemination of regulated information themselves, there would be fragmentation of information which may compromise the goal of fast access on a not discriminatory basis.

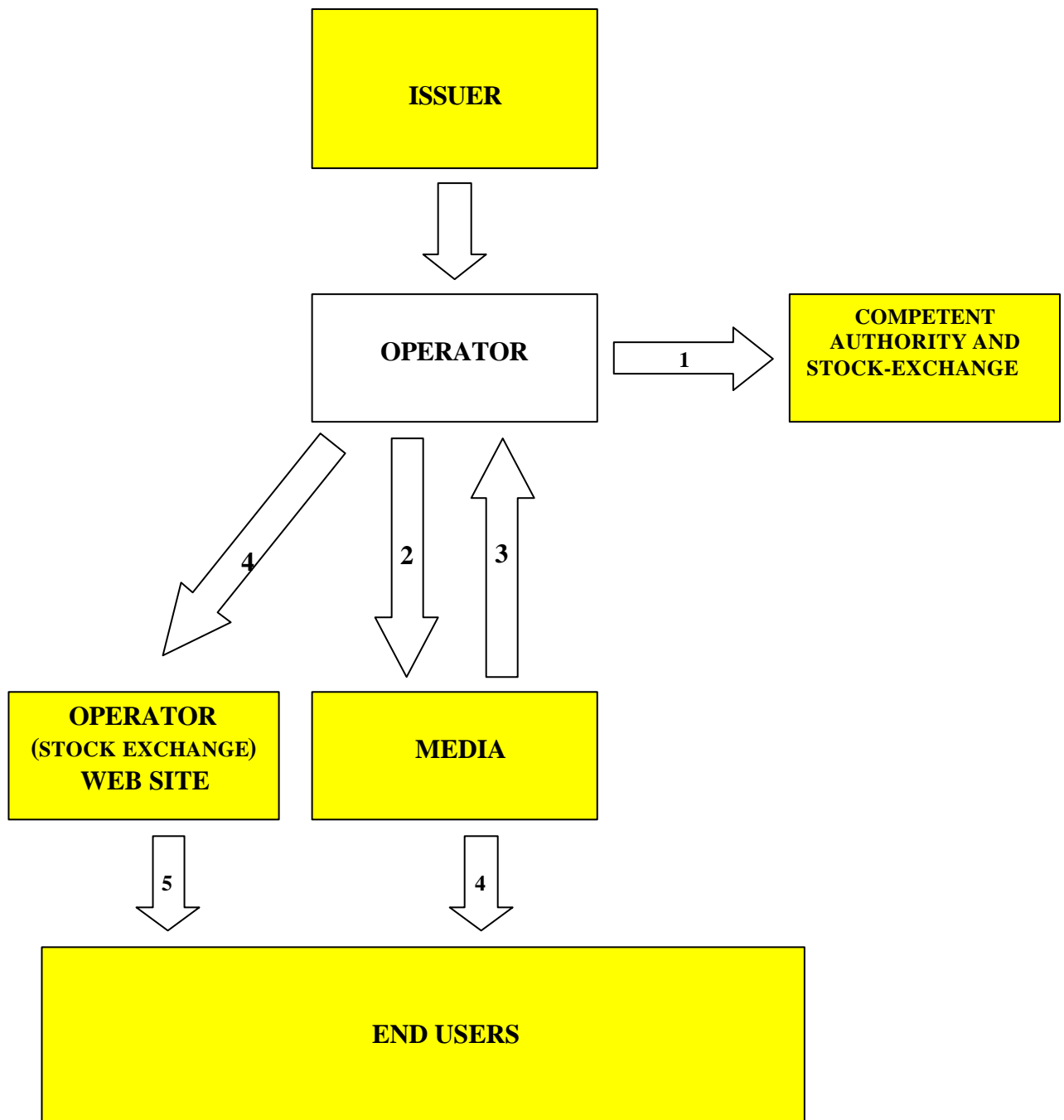
Question 3: Should an issuer be able to satisfy all of the Directive requirements to disclose regulated information by sending this information only to an operator? Please explain reason for your answer.

Yes. We consider that an issuer should be able to satisfy the Directive requirements by posting the regulated information only to an operator approved by the Competent Authority. This operator must strictly fulfil all the dissemination standards and must be able to send all the information received to the storage mechanisms so ensuring a “straight through processing” (see hereinafter).

Under this model the operator assures a one stop shop thus avoiding fragmentation of the information, duplication of processes and unnecessary costs.

Question 4: Do you agree with the structure set out in Figure 1? Are there other structures that would be in line with the Transparency Directive requirements? Please set out reasons for your answers.

Borsa Italiana basically agrees with the Figure set out in the consultation paper. We would like to suggest some amendments in line with the above – mentioned comments.



Question 5: Should operator be subject to approval and ongoing monitoring by competent authority or not? Please set out reasons for your answer

Yes. Each Member State Competent Authority should approve operators on condition that they comply with the minimum standards. This formal approval is necessary because of the importance and delicacy of the interests involved (such as confidentiality of inside information, liability of issuer, etc). Breaches of these standards could seriously undermine the orderliness of the trading market.

Operators' compliance with minimum standards should be subject to ongoing surveillance by regulator. However, if the Competent Authority is in the dissemination business, conflicts of interest arise (see hereinafter).

Question 6: What are your views on the proposed minimum standards to be satisfied by operators? Are there any other standards that CESR should consider?

Borsa Italiana basically agrees with the proposed minimum standards to be satisfied by operators. However we think that these standards should be strengthened and detailed more, especially from a technical perspective, providing technical specification.

Comments and suggestions on proposed standards

(a) Security

The system should be characterised by three levels of security.

The source of the information should be identified for certain (for instance with the attribution of password and username).

Issuers should use the Internet network to send the information to the operator. However the information should flow from the issuer to the operator in a safe and locked manner using the highest algorithm of cryptography. It should be guaranteed that there would be no risk of non-authorised interception and of data corruption.

When available to the operator, the information should be processed securely. The staff should be selected following criteria of high professionalism. The physical location should be protected not only through specified hardware component (e.g. Firewall) but also with specified security procedures related to the physical access to the servers.

(a1) Input

The system should have a very secure input mechanism.

The issuer should gain access to the system using personal username and password, appositely given by the operator; the password, in compliance with the European law related to the treatment of the personal data, should be managed directly by the issuer. Each password should have a periodic natural expiration (e.g. every three months).

There should not be any risk of data corruption in the input process because the documents are to be posted through a secure and protected channel and in a not modifiable Format (such as PDF).

When the company accesses to the system, every other web connection (included intranet) should be cut in order to avoid intrusions (e.g. an extranet technology).

(a2) Processing

The system should ensure there's no risk of misuse of unpublished information. The operator's staff should be of high professionalism and subject to a strict behaviour code with several obligations of confidentiality.

The system should be characterised by a double system of servers: each server should be self-governing and sufficient. The technical assistance should be ongoing. It should

be guaranteed a monitoring and quality assurance service to maintain the correct operation of the system not only for the hardware and network point of view but also regarding the application layer. These services should be operational 24 hours a day and 7 days a week.

(a3) Output

Media should be certain that the information they receive from the system has been provided in a secure manner and by the operator.

Due to the security issue, when the announcement is transmitted to the connected press agencies, the receipt notification should be sent to the issuer only if the document is effectively saved in the local computer of the agency in order to avoid the loss of the dissemination in case of system's failures. This notification allows the issuer to be certain when the information is disclosed to the public and that it will not be in danger of mishandling inside information with the attached risk of administrative or criminal sanctions.

(b) Operational hours

The mechanism should be able to receive regulated information 24 hours a day, seven days a week and to release information in real time. A help desk should be active for users' questions and assistance 24 hours a day and 7 days a week.

The system should ensure to the issuer a complete flexibility in the management of information, regardless of the trading hours.

(c) Information that must be recorded and preserved by an operator service

Besides the information required by the CESR, we believe that the operator should preserve all the received documents for the purposes of maintaining records to ensure that the operator has fulfilled its obligations and in order to allow the check of the integrity and veracity of the information available to the end-users through the storage mechanisms.

(d) Management of regulated information by an operator

With respect to the assertion that regulated information should be recorded as released once it has left the operator service's processing system, we want to stress that issuers may consider information to have been made public as soon as they have received confirmation of its receipt by a certain number of media (we suggest at least 2).

If the information doesn't reach the press agencies it cannot be considered as disseminated.

The system should allow to preserve the whole and detailed track record of each information (from the submission by the issuer to the receipt by the media).

(e) Recovery provisions

The operator has to ensure a back up solution (e.g. fax) when the system is temporary unavailable.

The electronic system should have a secondary site located far from the primary site. The data between the secondary and primary site should be synchronised in a periodical way. The secondary site should be activated in a very short time not only in a disaster situation like a fire or an earthquake but also in all the emergency situations (e.g. hardware or software issue) that temporarily cause a impossibility to use the primary site.

(f) Operator service support

The help-desk should be active for users' questions and assistance 24 hours a day and 7 days a week. It should be organised with three level of escalation (first level for the initial contact, the tracking of the calls and the resolution of problem with low priority, second level for more complex requests or issues and a third level for the emergency situation and very high specialised issues) have to be active for users' questions 24 hours a day and 7 days a week. There will be also an application component that allow to point out preventively some issue on the system; this component has to be implemented not only to prevent hardware issues but also to prevent software issues. The way in which the component will manage the notification of possible issues will be by using a centralised console that the first level of help desk will use as primary tool. After the notification, following the defined service model, the help desk operators will be able to try some specific activity to solve the problem or escalate to the following level.

Question 7: Should issuers be required to use the services of an operator for the dissemination of regulated information?

Yes, for the considerations expressed above.

Question 8: What are your views concerning the role of competent authorities in disseminating regulated information as operators? Please set out reasons for your answers.

We consider that the role of the competent authorities in disseminating regulated information should involve the setting of rules and standards and the consequent surveillance. If a competent authority were to act as an operator, there would be, as expressed by CESR:

1. less competition between operators because of its special position vis-à-vis the issuer, its public funding, etc;
2. less technical innovation. It may not be able to maintain high standards of service or offer added value services to end users;
3. conflicts of interest (where a competent authority simultaneously acts as a dissemination operator and as the authority responsible for approving operators).

Question 9: Do you consider it necessary to attempt to address the risk that regulated information may not reach every actual and potential investor throughout the EU? Please set out reasons for your answers

Providing every investor in the EU with information about every issuer could effectively realised the integration of the European capital markets. It is questionable

whether this kind of dissemination is possible at all. This assessment needs to be checked against reality. The media would be overburdened if it were forced to reproduce all regulated information of all European issuers.

We basically agree with the intention of CESR to not propose minimum standards for such activities media.

However, it could be necessary to attempt to address the risk that regulated information may not reach every European investor.

Question 10: Which of the option presented above would, in your view, minimise the risk? Please set out reasons for your answers.

(a) operators would be required to ensure that at least one of the media selected publishes all regulated information in full text on a web site on real time basis, at no charge to investors.

We consider that this option is quite unlikely. It requires technical investments with high costs which should be funded also by investors.

(b) operators could be required to publish all real time regulated information on their web sites at no charge to investors

We consider that this option is feasible since the operators already have the information at their disposal. However, we want to stress that this solution could increase the risk of fragmentation of information depending on the number of operators. This risk might be moderated if the information is made available by the Stock Exchanges in their web site. In case of multi-listing, the key issue is the identification of the “main” market for two purposes:

1. concentration of the regulated information in one place;
2. exercise of the surveillance activities set out by MIFID (Article 40) and MAD (Article 12, in case of delegation).

(c) central storage mechanism could make available all regulated information

The regulated information should be available in the storage mechanism as soon as possible. Eventual black holes should be moderate at the dissemination level.

Question 11: Do you consider there to be other methods of dissemination that would satisfy the minimum standards for dissemination?

No, because the unique method of dissemination capable of satisfy all the Directive requirements is the operator model which should be subject to the approval of the competent authority and compliant with the proposed minimum standards.

Question 12: Do you agree with this draft Level 2 advice?

We agree with the draft advice except for point no. 4.

Allowing issuers to use “appropriate methods” other than the operator could cause fragmentation of information and lack of clarity for investors.

SECTION 2. CONDITIONS FOR KEEPING PERIODIC FINANCIAL REPORTS AVAILABLE

Question 13: Do you agree with CESR's advice in relation to this mandate. Please give reason.

We totally agree with CESR's advice in relation to the issue of the conditions for keeping periodic financial reports available. This information has already to be made available to the central storage mechanism. It is necessary to avoid duplication of processes and filing requirements. The central storage mechanism should assure a one stop shop for end-users in relation to all national regulated information (see infra).

Question 14: Do you consider that it is necessary for CESR to establish a minimum time period for which all regulated information should be made accessible to end-users. If so please indicate: (a) what you consider this time period should be and (b) why; and whether or not you consider this time period should apply to all regulated information or only certain types. If only to certain types please specify what they are.

Yes, we consider that it is necessary for CESR to establish a minimum time period for which all regulated information should be made accessible to end-users by the central storage mechanism. Otherwise, there could be throughout European investors discriminations in access historically to this information.

With respect to letters (a) and (b) this time period should be of five years for operating simplicity for all regulated information stored. However, with respect to inside information for instance, we want to stress that it is necessary to take in due account the different times of prescription eventually provided for by national laws, in order to allow the punishment of market abuses.

All the regulated information has to remain available in the central storage mechanism for a period long enough to allow the regulators/courts to investigate.

The central storage mechanism should be characterised by high level archiving facilities because of the amount of the information it has to contain. It is necessary to set within the quality standards of the central storage mechanism some form of accessibility time frame criteria in order to allow investors to gain access to such information.

C. PROGRESS REPORT ON THE ROLE OF THE OFFICIALLY APPOINTED MECHANISM AND THE SETTING UP A EUROPEAN ELECTRONIC NETWORK OF INFORMATION ABOUT ISSUERS AND ELECTRONIC FILING.

The Role of the Officially Appointed Mechanism and the Setting up a European Electronic Network of Information about Issuers

SECTION 1 CENTRAL STORAGE MECHANISM OPTIONS

Question 1: Do you agree with CESR's interpretation of the requirement of Article 17.1a that central storage does not necessitate physical storage in one place? Please give reasons

Yes, we totally agree. All regulated information should be stored electronically.

A) Should there be one storage mechanism, or more than one?

With respect to a single storage mechanism's model, we share your view that this option could be characterised by the absence of flexibility to embrace new technological advances rapidly.

Competition instead could ensure that technological progress is delivered promptly, and economically, to the market across all mechanisms.,

The establishment of a legal monopoly could slow down the implementation of the Directive. It would be necessary to solve a lot of related problems (such as misuse of its special position, pricing and so on).

(i) Storage by type of regulated information or category of issuer

Question 2: Do you consider storage of regulated information by type to be a viable option?

Question 3: Do you consider the difficulties set above could be overcome?

Question 4: Are there any advantages or disadvantages to this option that have not been set out above. If so, please give details.

The option of storage by type is not feasible since there would be fragmentation of information. The easy access to the information by the public at a national level would be discouraged. It would be necessary to create, in addition to the storage mechanisms (where not yet existing or not compliant with the standards set), an apposite network. For the achievement of this linkage, public funding may be necessary. It could also hinder the establishment of an European electronic network.

From an issuer's perspective, this option would be complicated and costly. Each storage should implement the standards set. The costs of these multiple implementation should be sustained by the community. This option is anti-economic.

(ii) Multiple mechanisms storing all regulated information

Question 5: Do you consider a multiple storage mechanism regime to be a viable option? Please give reasons.

Question 6: Are there any advantages or disadvantages to this option that have not been set out above, that are necessary for CESR to consider? If so, please give details.

Borsa Italiana considers the regime of multiple competing mechanisms storing all regulated information the best option. This model is easier and quicker to be implemented.

Free competition ensures continuous technological innovation, low costs, redundancy in case of failures. This option encourages the offer of added value services. These further services contribute to the circulation of information through the investors.

With regards to the disadvantages expressed by CESR to this option, (i) issuers wouldn't be overburdened because it would be sufficient to send their regulated information to the operator chosen for the dissemination process. Issuers should be required to satisfy their dissemination and storage obligations with one shipment. (ii) Free competition

between mechanisms will cut the costs. Mechanisms should earn from the offer of added value services rather than from the offer of the basic access to the information. (iii) The establishment of an electronic network would be facilitated by this option: it would be sufficient to link at least one mechanism (while waiting the creation and the full operation of other mechanisms).

(iii) One single storage mechanism

Question 7: Do you consider having one central storage mechanism to be a viable option? Please give reasons.

Question 8: Are there any advantages or disadvantages to this option that have not been set out above, that are necessary for CESR to consider? If so, please give details.

One central storage mechanism would be a valid option because it would solve the problem of fragmentation of the information. It could realise the "one stop shop" wished by CESR..

However, if a competitive regime is not chosen, it would be unlikely to ensure that service standards are kept high and the technological developments are achieved.

If the central storage mechanism were to become unavailable, for any reason, end users would not have alternative sources to rely upon with which to access regulated information.

The establishment of a legal monopoly would slow down the implementation of the Directive. It would be necessary to solve a lot of related problems (such as misuse of its special position, pricing and so on).

Free access to the information may be possible but fictitious. Public funding burdens the community, at the end.

B) How should investors receive access to regulated information?

Question 9: Which of the above options do you prefer? Please explain the reason(s) for your choice

Question 10: Do you consider there to be any disadvantages to regulated information being accessible through a Competent Authority's web site. If so, please give details.

Borsa Italiana believes that regulated information should be made available for end - users directly via each storage mechanism. It is very useful that the users may receive, together with the regulated information, "value added" data eventually produced by the mechanism.

With the creation of the electronic network in accordance with Article 22 of the Directive, in the Competent Authority web site, investors will find the links to the web sites of each existing storage mechanisms.

C) How should the regulated information get to a storage mechanism?

In terms of the transmission of regulated information to central storage mechanisms, the issuers should not be required to send all the regulated information to all the mechanisms, so increasing operational costs.

The information should be sent to each storage mechanism by the operator chosen by the issuer for the dissemination process so ensuring a straight through processing.

Question 11: Which of these options do you prefer? Please explain the reason(s) for your choice. Are options missing? Please explain which ones.

Question 12.. Do you consider it necessary for CESR to prescribe one particular option? Please explain your reasons.

Borsa Italiana considers necessary for CESR to prescribe one method in which the regulated information gets to the storage mechanism in order to avoid a lack of harmony through EU. Since all the regulated information is already sent by the issuer to the operator for dissemination purposes, operators should send the same information via direct connections to the storage mechanisms.

This option would avoid duplication of processes upon issuers. It would also spare duplication of efforts in the processing of the same information. It is more economic since it would be sufficient to establish direct connections between operators and mechanisms. The operators must already have a technical structure which could be easily implemented in order to satisfy also these further requirements.

With regards to the activity of the so called "Document Capture services", we believe that it is important to promote through EU the production of corporate documents required by laws directly also in an electronic form. This will increase the accessibility of such information and its distribution amongst the public. However, waiting for this scenario, it is not necessary to introduce the entity of the so called "Document Capture Services". The operator must act as Document Capture Service. So the issuer, with one shipment, could be sure that it had discharge all its obligations (dissemination and storage). As already stressed, operational risks and processing errors would be reduced by Straight Through Processing.

Also for dissemination purposes, the use of electronic methods should be promoted. In terms of dissemination of Periodic Information, it is necessary to disseminate a notification through the operator that the information has been published and stating where it is available.

Borsa Italiana directly makes available the full text of the information received and stored through the NIS and in its web site so achieving an effective and complete dissemination.

Question 13. When should an issuer's responsibilities to send information to a central storage mechanism be considered fulfilled? Please explain your reasons.

If the obligation to transmit the information to all the storage mechanisms is placed on the operator chosen by the issuer for dissemination finalities, the issuer could considered met its responsibilities towards the storage mechanisms when it receives an apposite receipt from the operator.

We believe necessary for CESR to require to the operator (or the Document Capture Service) responsible for the dispatch to the storage mechanism some form of electronic confirmation to the issuer.

E) When should regulated information in the central storage mechanism be accessible?

The regulated information should be available in the storage mechanism as soon as possible. Eventual black holes should be moderate at the dissemination level.

Question 14: Should all price sensitive information be made available in real-time by the central storage mechanism to moderate the affect of black holes resulting from the dissemination process?

Question 15: Do you agree that non price sensitive regulated information does not need to be made accessible by a central storage mechanism to the same deadlines as price sensitive regulated information? Please explain your answer.

Question 16: To what lime deadlines should a central storage mechanism be required to (make regulated information available?

The dissemination process should be exhaustive. The operator should establish further channels of dissemination (e.g. its web site) in order to avoid black holes.

All the regulated information should be made available in the storage mechanism as soon as possible, and in any case not later than 12 hours by its dissemination.

F) Should regulated information be available free of charge to investors?

If central storage mechanisms were to be run on a commercial basis, it is likely that regulated information would not be available free of charge to investors (especially in those Member States where a sort of storage doesn't exist yet and it is necessary to buy or build it *ex novo*). Free competition between storage mechanisms would cut the costs.

Question 17: Which of the above options or combination of options do you consider to be most desirable? Please give reasons.

Question 18: Are there any other options that have not been identified above that you consider to be desirable? If so, please give details.

If the storage mechanisms were to be run on a commercial basis, they should be funded by end-users (investors and commercial entities that make use of the information) and by the issuers.

Free competition between mechanisms will cut the costs. Mechanisms should earn from the offer of added value services rather than from the offer of the basic access to the regulated information.

Investors could be charged for accessing the information. The setting of the fees and their amounts should be left to the competing operators.

Issuers whose regulated information is made available via the central storage mechanism would be charged by the operator required to process the information to the mechanism. Operators would be charged by the storage mechanisms for the connections provided.

Eventual abuses of dominant position should be investigated by the Antitrust Authority.

G) Who should operate central storage mechanisms?

Commercial entities, term which include the stock exchanges, should operate storage mechanisms. This would have the advantages of encouraging technological innovation,

cutting costs for end users, maintaining high standards of service, offering value added services, etc.

However, because of the importance of the interests involved, these entities should be appointed to perform the function of storage mechanism by the Competent Authority only if compliant with the standards set.

Pursuant to Article 21, paragraph 2 of the Directive each Member State shall ensure that there is at least one officially appointed mechanism for the central storage. If no commercial entities may undertake this business or the existing entities fail, the existence of such a mechanism is in charge of the Member State. In order to avoid the failures of these commercial entities with the related loss of information, capital adequacy requirements should be introduced.

All these disadvantages should be avoided if the processes of dissemination and storage would be conducted by the same person. The CESR itself , “does not exclude the possibility that these processes could be conducted by the same actor or entity”⁴.

This option is more economically and it allows to avoid fragmentation of information, duplication of disclosure and filing requirements.

The Italian System already manages both activities (dissemination and storage) so allowing issuers to consolidate all their disclosure obligations through a single (one shot) channel.

Issuers should be required to send all their regulated information once to the operator without other burdens. In one shot, the issuer could fulfil both dissemination and storage requirements. Operational risks and processing errors would be reduced by Straight Through Processing.

Question 19: Which of the above do you consider to be the best option? Please give reasons for your answers.

Question 20 Do you consider there to be any other advantages or disadvantages to a Competent Authority or a commercial taking on the role of the central storage mechanism that have been discussed that are necessary for CESR to consider? If so, please give details.

The function of storing and providing access to regulated information should be run by commercial entities appointed by the Competent Authorities if compliant with the standards set.

H) What should the role of the Competent Authority be?

Question 21: Which of the above options do you prefer? Please give reasons.

Question 22: Do you think it is necessary to make the status of the stored information as reviewed or not reviewed by the regulator transparent in the storage mechanism? Please give reasons.

⁴ See CESR Consultation Paper (04-511) pag. 9

The Competent Authority has a regulatory role in appointing and monitoring the storage mechanisms, so ensuring that the appointed storage mechanisms are compliant with minimum standards. The Competent Authority will set and amend those minimum standards. It will regulate the maintenance on a continuous basis of those standards for storage mechanisms.

If in the dissemination process pre-information to regulator and stock exchange is preserved the price sensitive information could be checked by the Competent Authority on an ex-ante basis. This review could be done before the dissemination and before the regulated information can be made available to the storage mechanisms. This would avoid to expose the investors to unchecked information. In terms of Periodic Information, the check should be ex post because of the difficulty to quickly examine this bulky information and because of its not price sensitive impact.

We believe that regulated information should be made available by a storage mechanism as soon as received and, once reviewed by the Competent Authority, if there is a need for clarification, an additional announcement should be made to the storage mechanism. This announcement should be disclosed in replacement or in conjunction with the original information.

All the information regarding what had been processed, must be recorded and preserved by the storage mechanisms.

I. What quality standards should be established for central storage mechanism?

Question 23: Do you consider that it is necessary for CESR to mandate the standards to which all regulated information should be transmitted? Please give reasons.

Question 24: Do you consider that the standards to which all regulated information should be transmitted is something that should be left to some point in the future, after the Directive has been implemented? Please give reasons.

We believe that CESR should require the electronic transmission of the regulated information into the storage mechanism. CESR should call for Internet based systems. All regulated information should be stored in such a way that all of it is accessible (on both national and pan-European basis) to the end-users from one electronic place, regardless of its physical location.

Question 25. Do you agree that security measures relating to the processing of unpublished regulated information are better dealt within the standards set out for operators than standards set for central storage mechanisms? Please give reasons.

The standards set for operators involved in the dissemination process should already ensure that the information sent to the storage comes from the issuer which had posted it to the operator. However, we believe that it is necessary to place the storage mechanism under a specific obligation to process regulated information securely.

Since we consider that the storage processes should be managed electronically, the mechanism's database should be defended with firewalls in order to avoid intrusions and data corruption. The storage mechanism's physical location should be protected, with monitoring access. The staff should be of high professionalism

Question 26: Do you consider that a central storage mechanism should be obliged to ensure that the regulated information it holds is complete and unedited? Please give reasons.

The storage mechanism should be obliged to ensure that all the information sent to it is stored and accessible by the public. It must be ensured that the version available is the same sent by the issuer to the operator involved in the dissemination.

Question 27: Are there any other issues relating to security that you think CESR should consider? Please give details

A central storage mechanism has to satisfy a set of standards that should be of high level in order to ensure the effective access of media and investors and the proper operation of the system. These standards should be strictly respected throughout the Community in order to avoid a lack of harmony in storing and using the regulated information. In particular, we consider necessary to pay attention to the issues of quality of the system in terms of:

- *Industrial Software Platform:* the system has to be based on an industrial software platform that can offer a clear assurance on the maintenance and support in order to have escalation procedure that minimise the possible downtime of the service and assure constant access to the media and the investors; the use of a industrial software platform with specific ability to manage workflow and process allow to have a fully automated process in term of control step and permissions relationship between the information and the users that can interact with it.
- *Service Management:* With respect to the media's and investor's physical location, the servers have to be hosted by the company which gives technical maintenance and assistance; the central storage mechanism has to demonstrate to have service management procedures in order to allow a continuous monitor and management of the system to maintains his correct operation with high SLA (Service Level Agreement) over 99,8% not only for the hardware and network point of view but also regarding the application layer. These services have to be working 24 hours a day and 7 days a week.
- *Recovery provisions:* The central storage mechanism should have a secondary site located at least over 150 Km from the primary site. The data between the secondary and primary site have to be synchronised in a periodical way. The secondary site can be activated in a few hours not only in a disaster situation like a fire or a earthquake but also in all the emergency situation (e.g. hardware or software issues) that temporary cause an impossibility to use the primary site.

Question 28: Do you believe that a central storage mechanism should be obliged to ensure that the regulated information it receives is from an authentic source? Please give reasons.

The storage mechanism should be obliged to receive the regulated information only by the operators approved by the Competent Authority. This will ensure the certainty of source, because of the high level of security which the operator has to guarantee.

Question 29: Do you believe that a central storage mechanism should be obliged to record the date and time on which it receives regulated information in order that its performance may be measured? Please give reasons.

Question 30: Do you believe that a central storage mechanism should be obliged to record the date and time on which it receives regulated information for the purposes of investors. Please give reasons.

The storage mechanism should record and preserve the time and date of all the steps at which it processes the information received (receipt by the operator, publication). This is necessary for the Authority in order to monitor its compliance with the standards set out. It is as much necessary from the investors' perspective.

Question 31: Do you believe that a central storage mechanism should be obliged to hold all regulated information in an electronic format?

Yes. Only an electronic format would meet the standards of easy access for investors regardless of their location.

Question 32: Do you believe that a central storage mechanism should be obliged to record all the above reference data for each piece of regulated information? Please give reasons.

Question 33: Do you believe a central storage mechanism should be obliged to offer its internet based services in all native languages of every Member States? Please give reasons.

The storage mechanisms should be obliged to offer its internet functions only in the national language (for example instructions for navigation and search fields) and in another language commonly accepted in the financial sector throughout the Union. Highlights could be harmonised through the EU operator in order to facilitate the access to the information. The imposition to offer its services in all the European languages is likely to put excessive strain and costs upon the storage mechanism. With respect to the translation of the texts of the regulated information, problems of issuer's validation will arise.

Question 34: Do you consider a central storage mechanism should be obliged to offer its services on a continuous basis 24 hours a day 7 days a week? Please give reasons.

The central storage mechanism has to be able to receive regulated information 24 hours a day, seven days a week and make it available promptly.

Question 35: Should central storage mechanism and/or Document Capture Services be obliged to have systems in place to confirm the receipt of regulated information? Please give reason for your reply.

Storage mechanism should have mechanisms in place to confirm to the operator that the information submitted has been received and processed properly. This is necessary in order to avoid the loss of information and the rising of liabilities (from the issuer and/or operator which has send the information).

In addition, the storage mechanism should have systems in place to detect failures in the transmission of regulated information and subsequently raise error messages.

The storage mechanism should ask the re-transmission of any data that it fails to receive from the submitter.

Question 36: Do you believe issuers should be obliged to submit regulated information, in hard copy form, if the electronic services of a central storage mechanism or Document Capture Service for the receipt of regulated information are unavailable? Please give reasons for your reply.

The regulated information should be electronically transmitted by the operator to the storage mechanisms. Storage mechanisms should have recovery provisions in place to manage in few hours failures in the system.

Question 37: Do you believe that a central storage mechanism should be obliged to provide access to regulated information in hard copy form if its electronic systems are unavailable? Please give reasons for your reply.

We believe that all the regulated information should be electronically processed and made available. Otherwise the access to regulated information in hard copy form should be not easy and discriminatory. Some investors couldn't be able to access to such information because of their physical location.

Question 38. Do you believe that a central storage mechanism should be obliged to provide technical and customer care service support helpdesks? Please give reasons for your reply.

The storage mechanism should be obliged to provide technical and customer care service support helpdesks active for questions and assistance 24 hours a day and 7 days a week.

This help desk should be organised with three level of escalation (first level for the initial contact, the tracking of the calls and the resolution of problem with low priority, second level for more complex requests or issues and a third level for the emergency situation and very high specialised issues) have to be active for users' questions 24 hours a day and 7 days a week. There will be also an applicative component that allows to point out preventively some issue on the system; this component has to be implemented not only to prevent hardware issues but also to prevent software issues. The way in which the component will manage the notification of possible issues will be by using a centralised console that the first level of help desk will use as primary tool. After the notification, following the defined service model, the help desk will be able to try some specific activity to solve the problem or escalate to the following level.

Question 39: Do you believe that a central storage mechanism should be obliged to clearly distinguish regulated information from other types of information it may hold? Please give reasons for your reply.

Yes, in order to ensure fast and easy access for end-users.

Question 40: Do you believe that a central storage mechanism should be obliged to make the amounts of its fees transparent to investors? Please give reasons for your reply.

Yes. Charges for any service must be clearly stated and disclosed. This is not only from an investor's perspective but also to improve competition within storage mechanisms.

SECTION 2: REQUIREMENTS FOR AN ELECTRONIC NETWORK

How can a “one stop shop” be achieved?

With regard to the creation of a “one stop shop” where all European regulated information could be accessible for investors, Borsa Italiana believes that it is necessary to try to make the most of the required mechanisms. If a single storage mechanism was built from scratch to hold all European regulated information, this may cause overlapping, duplication of operational costs throughout the Member States (especially for those ones which have to build their own storage mechanism), redundancy of contents. Since in each Member State at least one storage mechanism containing all national regulated information should have already been established, Borsa Italiana prefers the option of an electronic network of national storage mechanisms. In the Competent Authority's web site should be created a page containing all the links to the national storage mechanisms. In order to avoid costly changes to existing currently mutually incompatible systems, it is necessary that national storage mechanisms strictly comply with common high standards.

This option doesn't undermine the possibility to consolidate these mechanisms in a single entity under the supervisory of an European Competent Authority.

How could central storage mechanisms be funded on a pan-European basis?

The creation of an electronic network between existing national storage mechanisms may require low investment.

How could central storage mechanisms be operated on a pan-European basis?

If a single electronic network were to be created across Member States, each competent Authority would be responsible for its own storage mechanism. CESR would monitor the smooth operation of the network.

Question 42 Do you agree with CESR's proposal to extend Article 17 to include information disclosable under the Prospectus Directive? Please give reasons.

We agree with CESR's intention to extend the type of information that is to be disseminated under the Transparency Directive to include information required under the Prospectus Directive in order to realise the wished “one stop shop”.

Milan, January 31, 2005