

## **CESR consultation on the "Development of Pan-European Access to Financial Information Disclosed by Listed Companies" – Deutsches Aktieninstitut's response**

**24 September 2010**

### **Introduction**

As the association of German stock listed companies and those institutions that are interested in the development of capital markets Deutsches Aktieninstitut appreciates the opportunity to comment CESR's consultation document.

With regard to the dissemination of financial information we generally prefer a flexible framework. Basically, it should be the issuer to evaluate investor's preferences and to decide on this basis how to provide information. The most flexible approach is to rely extensively on the issuers' website. This is in line with the results of the external study on the application of the Transparency Directive which concludes that two thirds of the relevant market participants use the firms' website as primary source to collect financial information.

The study also states that officially appointed mechanisms for the central storage of regulated information (OAM) were used only by five per cent. This indicates that the acceptance and the need of OAM in the market are very low. Nevertheless, 42 per cent of investors stressed that they trust the information provided by public authorities more than the issuers website. While the study lacks an explanation for this result we also do not see why mandatory information published by OAM should be more trustworthy than those accessible on the firms' website. Both are bound to the same legal requirements. Therefore, we believe that the present initiative of CESR to improve the visibility of OAM has not the potential to replace the firms' website. We are convinced that the existing MiFID database which was implemented by CESR with regard to shares and which directs the user to the national OAM is sufficient.

With regard to further harmonisation of OAM functions we are also concerned that the issue XBRL is to be set on the European agenda again. In the consultation paper CESR announces to undertake a study to assess costs and benefits of the implementation of XBRL.

The main concerns with a mandatory use of XBRL on the European level issuers have are the following:

- Negligible benefits: To our knowledge neither analysts nor shareholders have complained about the status quo with respect to the possible



use of XBRL. If there were a widespread demand for XBRL in the market and if (and only if) XBRL proved to be as beneficial for market participants as advocates of a mandatory use seem to assume, we would expect market forces to lead to a widespread voluntary implementation. One should therefore be extremely cautious to prematurely implement a standard which raises doubts on its acceptance in the market and its overall economic benefits.

- Costs: In addition to the absence of market demand it can be expected that the introduction of electronic reporting format will cause massive implementation and compliance costs for issuers and a massive draw on high level personal resources. Furthermore, as financial reporting standards change over time, there will be changes in standard reporting formats, as well. Therefore, the cost-benefit analysis is clearly negative.
- Problems with XBRL and excessive standardisation: One of the reasons why we do not expect financial analysts and investors to rely on XBRL data is because there is a fundamental problem with XBRL taxonomies. 'Official' or 'standardized' taxonomies already available to the market do not cover many firms' specific reporting needs. So companies have to create company-specific extensions to deal with this problem. An increase in firm-specific XBRL tags directly interferes with the need of investors and analysts to get comparable financial data about companies. As a result, XBRL will either result in too less flexibility (if companies were not allowed to provide extensions or – even worse – were not allowed to employ a given scope of national or international reporting standards) or in too little comparable data and high compliance costs (if companies were allowed to provide extensions). It is not achievable to make all the required information available through pure data processing. Excessive standardisation of data must be avoided as it may render financial communication overly inflexible: concerns have been raised by companies with regard to the presentation formats resulting from standardisation of data or to the difficulty of disclosing additional information.

For these reasons we are generally of the opinion that there is no need for public intervention and XBRL should not become mandatory through regulatory action in Europe. This is not to say that XBRL or any other standard format may have no benefits at all in the future. It should simply be left to market forces whether listed companies introduce and use XBRL for financial reporting reasons on a voluntary basis. For these reasons we do not see the need to mandate a cost-benefit-analysis with regard to XBRL.

**Q1. What in your view is the reason for the apparent lack of widespread use of OAMs by end users?**

As mentioned above we think that market participants get their financial information by using other sources especially the companies' website. This is due to the fact that the website presents investors and financial analysts a

huge amount of information with regard to the company independent whether they are legally required or not. Therefore, it is obvious that the website is crucial for information that are decisive for the investment decision. Furthermore, the website grants the flexibility to present the information in a specific manner, e.g. to provide a full and a summarized version of certain information. Investors and financial analysts can therefore navigate on the website to obtain the information on the aggregation level they need. In our view the outstanding flexibility as well as the richness of information offered on the firms' website explains why OAMs are not used very extensively by market participants.

**Q2. Do you agree that the visibility of OAMs could be enhanced through developing the search facilities at the level of OAMs and the OAM network?**

Given the predominance of the firms' website the lacking usage of OAMs by market participants is not really a matter of visibility. Therefore, we doubt that enhancing the visibility will lead to a significant higher acceptance of OAMs among market participants.

**Q3. Do you have any other proposals for improving the visibility and/or use of OAMs?**

No.

**Q4. Which of the search facilities in subsections 5.1.1 – 5.1.3 below would you consider important?**

No answer.

**Q5. Are there any additional search facilities that CESR should consider?**

No.

**Q6. Which standard would you prefer for industry / branch categorisation?**

No answer.

**Q7. Do you see need for mandating dynamic or chain searches at the OAM or CAP level?**

No answer.

**Q8. Would you consider it necessary to have common input formats and standards for any other type of regulated information than periodic financial information? If yes, which formats and standards and for which type of regulated information?**

As mentioned in the introduction we do not see the need to introduce mandatory common input formats and standards neither with regard to financial reporting nor other publication duties.

**Q9. Do you agree with the proposed common list of types of regulated information presented in Annex 3?**

No answer.

**Q10. Do you have any proposals for further types of regulated information that should be included?**

No.

**Q11. What are your views on the interconnection of OAMs with business registers?**

We share the perception of CESR that the information provided by business registers is of more relevance for non-listed companies. Therefore, interlinking OAM and national business registers is not necessary.

**Q12. What in your view would be the benefits of an integrated pan-European OAM network (with a central access point) for issuers or end users (retail investors, professional investors, analysts, other users of financial information)?**

We generally think that the firms' website is the most appropriate way to obtain financial information for investors, financial analysts and other market participants. Therefore, we do not believe that a sophisticated pan-European network might bring significantly benefits for market participants and is not capable to decrease the issuers' cost of capital, as mentioned in the consultation paper. Taken this into account we think that the MIFID database which connects the national OAM with regard to issuers of shares is enough.

**Q13. Do you see any specific pros and/or cons for option 1 or option 2?**

As mentioned in Q12 we think the existing MiFID database which might be extended to issuers of other instruments besides shares is enough to meet the requirements of market participants. Against this background we think it is sufficient that the three step approach proposed by CESR in option 1 ends at step 1 with the implementation of the "full model C". Further steps are not necessary. This applies all the more to the single OAM (option 2) which is apparently not only a very cost-intensive model but might also induce a mandatory use of XBRL. As mentioned in the introduction up to now we do not see that market participants actively demand that financial information should be provided in the XBRL format. Therefore, the decision to use XBRL should be left to market participants and not forced by regulatory action.

**Q14. Do you agree with CESR's analysis of the supervision of the network and the need for binding technical standards for OAMs?**

No answer.