

EUROPEANISSUERS' RESPONSE TO CESR's CONSULTATION ON DEVELOPMENT OF PAN-EUROPEAN ACCESS TO FINANCIAL INFORMATION DISCLOSED BY LISTED COMPANIES**30 September 2010****A - INTRODUCTION**

CESR has published a Consultation Paper (CP) on measures for developing a pan-European access to financial information disclosed by listed companies. This can be achieved in two ways. In the first option, CESR proposes to organise national information depositories that would be accessible through one European search engine. The second option consists of developing a single European storage mechanism, where issuers of all securities admitted to trading on an EEA regulated market would need to file regulated information with the European OAM.

At the same time CESR issued a press release informing that it also intends to analyse costs and benefits of the possible use of eXtensible Business Reporting Language (XBRL) for financial reporting of listed companies in Europe. A detailed analysis identifying the needs of users of financial information, the impact on reporting entities, the quality of the XBRL Taxonomy and possible interactions with other regulatory bodies and requirements will precede the issuing of a Consultation Paper on this issue.

We believe that both issues are interconnected as the options given in the CP already envisage the need of using a mandatory standardised language, possibly XBRL.

We agree that more transparency and standardisation of reporting can be good where appropriate, however standardisation can only be achieved for part of the information. It is impossible to standardise some information, e.g. narrative information or information based on standards that are subject to continuous changes.

Costs, liability for and quality of the information should be carefully examined before deciding whether reporting can be further improved and standardised, namely if through XBRL.

We may agree with the use of XBRL as a final conversion tool for standardised data but not with its use in a company's internal (data processing) systems.

We disagree with the mandatory use of XBRL for the time being: an impact assessment or a relevant study should be done to show the market exactly what are the advantages and disadvantages of its use. Namely, research should be made on the (in)efficiency of the use of XBRL where it has been already put in practice.

As for storage of regulated information, we are in favour of option 1 - a network model - except for steps 2 and 3 which would imply the use of binding technical standards (use of XBRL in detriment of other formats e.g. pdf).

B. GENERAL COMMENTS

While the question of storage of regulated information is covered by the recent consultation of the European Commission (EC) on the Transparency Directive, we regret that CESR's consultation takes place before responses to the EC's consultation have been considered. We equally regret that CESR's consultation is made in a so short timeframe, which made it particularly difficult for issuers to consider CESR's proposals.

In relation to a possible use of XBRL, we also regret that CESR's consultation does not give any explicit indication on the prerequisites and practical implications of both options and the steps proposed in option 1, concerning in particular the reference to binding technical standards.

Indeed, supporting an option or certain steps in option 1 could wrongly lead CESR and the EC to consider that there is an agreement in principle - or overall agreement - of stakeholders on these prerequisites or implications. In this regard, the future consultation on XBRL should not be based on the assumption of such an agreement and should not be limited to an analysis of provisions for a transition to mandatory XBRL filing.

1. Storage of regulated information

Issuers consider that regulated information should continue to be stored on national OAMs and do not favour an EU central storage mechanism or a single European OAM. We believe that there is no market demand for another model than that currently used by stakeholders or than the current model ("Model C")¹, which proves to have adequate functionalities with lower costs.

We are strongly opposed to a more centralised/integrated storage network/system - including Option 2. The costs/drawbacks in terms of administrative burdens for issuers and quality of information provided could largely outweigh hypothetical benefits. Moreover option 2 would not reflect the supervision system that is currently being put in place in the European Union, where national competent authorities remain in charge of the day-to-day supervision of issuers and thus supervise filings locally.

We prefer a network model, under certain conditions. We agree with step 1 of option 1, and in particular with the following proposals:

- extending the list of issuers to cover issuers of all securities;
- harmonising the presentation of information stored by OAMs / develop uniform classification and identification criteria, using in particular common category and sub-category labels and a common list of types of regulated information used at the national OAMs, along the lines proposed in Appendix 3.

¹ In model C there is a Central Access Point containing a complete list of issuers with links to the OAM holding information on that issuer and the list is used by end users to access the OAMs that store information related to the selected issuer.

We are however concerned about two major aspects of steps 2 and 3: the proposed exclusion of pdf documents and the use of common input formats and technical standards. We believe that the submission of regulated information to the storage mechanisms should not result in the mandatory use of XBRL (such as mandatory XBRL filing) in companies' internal systems (see details in B3 below).

Therefore we disagree with step 3 of option 1, which introduces an integrated OAM network by imposing binding standards for OAMs and, as mentioned in § 100, would be quite similar to option 2 if feed from national OAMs to the Central Access Point were required;

We question the proposals in steps 2 and 3 of option 1 – and more specifically the alternatives (i) and (ii) under step 3 - to use binding technical standards, store (more)(meta)data at the Central Access Point and to harmonise search facilities at OAM level.

In any event, the responsibility for filing regulated information should not be changed². Issuers should not be required to file themselves regulated information in an OAM.

2. Access to regulated information stored by OAMs

In order to facilitate access to regulated information stored by OAMs, issuers favour a model with a single interface between a central website containing a list of all EU listed companies with a hyperlink to the relevant national officially appointed storage mechanisms (OAMs).

In particular, while accepting a single EU Central Access Point, issuers do not support a model that would organise the storage of data at the Central Access Point³ or, as mentioned in the External Study on the Transparency Directive, a direct internet link to a compulsory and harmonised section of the issuers' website where the information would be stored.

3. Use of XBRL

Issuers do not believe at this stage that the potential benefits of XBRL would outweigh its disadvantages and justify a mandatory use of XBRL. Listed companies believe there is no need for public intervention and it should be left to their free choice to introduce and use XBRL on a strictly voluntary basis. There is no widespread demand for XBRL in the market and if (and only if) XBRL proved to present more benefits than disadvantages, we would expect market forces to lead to a widespread voluntary implementation. One should therefore be extremely cautious to implement a standard which raises doubts on its acceptance in the market and its overall economic benefits.

Under certain conditions, XBRL may facilitate the transmission of data and therefore reduce the time to access those data. However a key distinction should be made between the two possible uses of XBRL: use for the final conversion of data resulting from the issuers' IT systems, on the one hand, and use in issuers internal IT systems, on the other hand. The use of XBRL, including for filing purposes, should not be envisaged beyond the final conversion into XBRL and transmission of data resulting from internal IT systems. Using XBRL in companies' internal systems must remain a management decision only.

² As suggested in the executive summary (page 4, under "Option 2").

³ Mentioned in §§ 39 and 84 of CESR's CP.

Contrary to what is often suggested⁴, a mandatory or wider use of XBRL, especially in internal IT systems, would be a major source of costs for issuers and would not necessarily simplify their business environment. It could in fact lead to laborious processes and considerable cost effects:

- **direct costs:** it would imply providing an identifying tag for each individual item of data⁵, using taxonomies (electronic dictionaries of data).

- **collateral effects:** the use of XBRL in internal applications would have significant effects on the overall architecture of companies' IT systems, and not only on those systems that are related to financial reporting. As most companies' IT systems are composed of integrated applications fulfilling functionalities that do not use XBRL and are not covered by the XBRL solution, introducing XBRL for part of companies' IT systems would imply creating new connections between applications and overhauling all other applications and therefore could be very costly;

- **implementation costs:** it is confusing to say that XBRL is already used/required in a number of cases or to suggest that XBRL is "not costly, as it is an open standard, free of licences". In fact, this is so mainly if XBRL is considered only as a final conversion tool. A use of XBRL in companies' internal systems would imply harmonisation of the methods of classifying and identifying information to store and require very significant direct or indirect implementation or switching costs (consultancy, tagging, servicing and overhauling costs).

- **instability of the taxonomies and difficulties servicing the system / risks of errors:** as taxonomies are based on laws, regulations and standards used in each reporting domain, the use of XBRL implies that they are stabilised and homogeneous, as changes in concepts or links between concepts need frequent and costly updates of the taxonomies, tags and interfaces with the other companies' applications and increase the risks of errors (e.g. tagging errors) in subsequent data processing and presentation. This is so for instance for IFRS financial statements, where the standards and their underlying concepts change frequently and are far from being stabilised. Those changes also raise a liability issue (see that point hereafter);

The limitations of XBRL should also be considered, in particular as regards the quality of information disclosed:

- **limited data comparability or lack of relevance:** relevant automated comparisons could be envisaged only for data that are standardised and translated based on appropriate taxonomies - i.e. taxonomies that are established and updated rapidly -;

- **inability to appropriately cope with non standardised or non quantitative information:** the numerous data that are not standardised including qualitative or narrative information (financial statements, reports, prospectus, etc) would either be inappropriately reflected or presented without change, which would represent costs without any added value;

- **lack of flexibility:** the use of XBRL, e.g. for IFRS financial statements, should not lead to excessive standardisation of data or a rule-based approach, which would render communication overly inflexible and not adapted to the specific characteristics of the company.

⁴ E.g. European Commission staff working document Annex 15 - §§ 15.40 and 15.41.

⁵ Each indicator/piece of data must be allocated a tag indicating its meaning (measured or described concept defined in a taxonomy), the unit in which it is expressed and the context to which it belongs (entity, date, etc.). The tag must be allocated manually using taxonomies, with the possibility of links being made, where applicable, between several taxonomies.

In particular issuers have underlined the difficulty of disclosing additional information or explanatory notes on the elements presented on the face of the financial statements, which are essential to their proper understanding;

Due to these limitations, the information provided would probably be incomplete or inaccurate, and actually not comparable, as it may be dismembered or presented out of context.

Finally, the use and limitations of XBRL raise a liability issue. Issuers believe they cannot be held responsible for the consequences of using taxonomies that would prove unsuitable or using a language that ultimately would not reflect the substance of their disclosure (e.g. financial statements). The quality of companies' reporting should continue to be assessed based on the information resulting from companies' internal systems and processes, and not on XBRL information.

C. RESPONSES TO SPECIFIC QUESTIONS

Q1. What in your view is the reason for the apparent lack of widespread use of OAMs by end users? The availability of alternative sources of information.

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?

The search facilities could be developed at the level of each OAM. However this should not imply the mandatory use of XBRL for companies' internal applications. See B3 above.

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 comment.

Q5. Are there any additional search facilities that CESR should consider? No comment.

Q6. Which standard would you prefer for industry / branch categorisation? No comment.

Q7. Do you see need for mandating dynamic or chain searches at the OAM or CAP level?
No.

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?

No. See B1 and B3 above

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

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 have no comments for the time being but we will give it further consideration.

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)?

See B1 above.

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

See B1 above.

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

Concerning supervision, we agree that the need to supervise filings locally remains in view of the supervision model that is currently being put in place in the European Union.

We believe that there is no market demand for another model than the current model ("Model C"), which proves to have adequate functionalities with lower costs, and that the use of XBRL in companies' internal systems should not be made mandatory. Therefore we do not see a need to develop binding technical standards for OAMs (see also our comments in B1 above).

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