REUTERS

28th January 2005

I have pleasure in responding on behalf of Reuters to CESR's Advice on Possible Implementing Measures of the Transparency Directive: Part1 Dissemination and Storage of Regulated Information.

Our comments are limited to the dissemination of information.

Part A

We welcome:

1. The conclusions on "objectives and principles" set out in Paragraph 10. The pro-competition emphasis should ensure that benefits to investors and other markets participants will be maximised. We also believe that this pro-competition emphasis aligns with the very recent policy statements from Commissioners McCreevy and Kroes calling for a greater role for competition policy in financial markets.

2. The clear separation of (1) dissemination of information; and (2) storage of information. (Paragraph 18)

3. The careful attention to the practical implications of possible options (e.g. Paragraph 23).

We urge caution about the creation of a new regulated category of information intermediary or "operator" (Paragraph 30) for three reasons:

1. There are already electronic publishers that specialise in this area so that a competitive market already exists. This market can be expected to grow as existing barriers to entry across the EU are dismantled by the Directive. Competition will ensure that efficiency and high standards are achieved;
2. Any qualifying criteria necessary for elegibility to be an "operator" risk erecting barriers to entry and/or hindering the growth of innovative publishing solutions, particularly if each Member State is permitted to operate different qualifying criteria; and
3. Any qualifying criteria-especially if amounting to national authorisations-may be unlawful under European law and/or under the EU's international treaty commitments under GATS.

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Part B

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

Answer**:** We agree with CESR that *"it is necessary for* ***issuers*** *to ensure that any dissemination method chosen complies with the [ ]standards*" We would oppose any direct imposition of standards on electronic publishers by securities regulation. In practice, electronic publishers would have to operate according to the minimum standards in order to compete in this market, but it is important that any regulatory obligation falls on the regulated entity, the issuer, and not on the non-regulated electronic publisher.

Secondly, we would like to see the phasing out of rules operated in some markets requiring issuers to submit announcements separately, and sometimes in advance, to a stock exchange. We believe that all information disclosure, including to a listing authority or other market supervisor, should be made through the mechanism(s) chosen by the issuer. That could mean, for example, the addition of a further condition on an issuer to ensure that his chosen method(s) of dissemination can deliver the simultaneous dissemination of information to an exchange or other market supervisor where this is judged necessary for market oversight.

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

Answer: As we suggest above, we believe that any regulatory obligations to meet dissemination standards must fall on the issuer, rather than on an electronic publisher through whom the issuer chooses to disseminate. We support permitting an issuer the freedom to choose either to disseminate himself, or to subcontract dissemination to an electronic publisher. The issuer's compliance obligations should remain the same, whichever option it chooses.

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

Answer? Yes, we believe so. Firstly, it simplifies and lightens the disclosure burden on the issuer. Secondly, in Reuters case for example, so long as the "operator" supplies the information to us, we make it available in real-time to thousands of subscribers in Europe, whether investment firms or newspapers or other media. These investment firms and media onward disseminate, in part or in whole, to their clients and readers. There is a therefore a cascading effect. Electronic pass- throughs take place in real-time through the chain.

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

Answer: Yes, we do. However, in relation to fees, we believe that the fees charged by operators to media should not exceed the marginal costs of supply. Fees would therefore not exceed any additional telecommunications or other costs directly arising from the operator supplying the information to the media. In order for the model to work efficiently, the media need to be encouraged to publish the information. It is less likely to do this—or will do so only selectively- if required to enter into commercial arrangements with operators. Commercial tariffs could therefore amount to disincentives to publish, and therefore undermine the efficiency of the model.

Question 5. Should operators be subject to approval and ongoing monitoring by competent authorities or not? Please set out reasons for your answer.

Answer: No we do not, for the following reasons:

1. There are already electronic publishers that specialise in this area so that a competitive market already exists. This competitive market can be expected to grow as the size of the market grows by dismantling existing barriers to entry across the EU pursuant to the Directive. Competition will drive efficiency and high standards;
2. Any qualifying criteria necessary for elegibility to be an "operator" risk erecting barriers to entry and/or hindering the growth of innovative publishing solutions, particularly if each Member State is permitted to operate different qualifying criteria; and;
3. Electronic publishing is not an "investment service" or other regulated activity. Instead, it is an Information Society Service for the purposes of the E-Commerce Directive, or "an online information service" and/or "database service" for the purposes of the GATS. Any qualifying criteria-especially if amounting to national authorisations by national securities commissions -may therefore be unlawful under European law and/or under the EU's international treaty commitments under GATS. There is no legal basis under the Transparency Obligations Directive or elsewhere for national competent authorities to approve or monitor the activities of electronic publishers. That would be an unjustified extension of securities regulation to an unregulated commercial activity.

In practice, the quality assurances that CESR are seeking can be achieved by imposing obligations on issuers in relation to the criteria that they must apply when choosing dissemination mechanisms. This could be reinforced , for example, by promoting a voluntary publishing standard ("kitemark") to which publishers could choose to adhere. We would certainly support and assist the development of such standards.

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?

Answer: Subject to the response to Question 6 in which we question imposing direct regulation on electronic publishers, we would add the point on fees already made in response to Question 4. We believe that the efficiency of the proposed publishing model will be

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maximised if issuers are required to ensure that any fees charged to media are limited to marginal cost recovery.

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

Answer. No. What is essential is that quality of the output to the media and other recipients is the same, whether the information is disseminated directly by the issuer or through the intermediation of an electronic publisher.

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

As a matter of principle, we do not support competent authorities acting as operators.

First of all, it is unlikely that the public sector will have publishing skills equivalent to those of the private sector.

Secondly, there have been numerous cases where public sector publishing activities have distorted, and on some occasions even prevented the development of, a commercial publishing market. Abusive practices have included selling services below cost and giving preferential treatment to their own publishing activities over those of the private sector.

The prevalence of these and other abusive practices, as well as the desire to promote the European internal market and boost the European publishing sector, led to the passing of a directive governing the publishing activities of the public sector *("Directive on the Re-Use of Public Sector Documents").*

In our view, competent authorities should consider carefully, and be able to demonstrate publicly, whether there is in fact any valid justification for them to perform the role of operators where the private sector is ready and able to operate. The mere fact of a competent authority operating commercially in a market it regulates is sufficient to risk creating many undesirable market pressures and distortions that could impede or prevent the development of efficient information markets.

However, we agree that it is legitimate for competent authorities to operate where it is unlikely that commercial publishers will operate. That might be the case in a smaller market.

We also agree that competent authorities can have a valuable role in creating services displaying regulated information that has already been received by them from the 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 your reasons for your answer.

Question 10 Which of the options presented above would, in your view minimise this risk? Please set out reasons for your answer.

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Reuters services are available throughout the EU to both investment firms and media, through whom information is further disseminated, sometimes electronically and in real-time. In other words, there is a cascade impact. We believe that the implementation of TOD across the EU will massively expand —in comparison to the present position- the availability and dissemination of regulated information. In practice any investor who needs to access regulated information on a real-time basis will be likely to be able to access it through the media or on the web site of the issuer or through the information service of an investment firm or through websites set up by investors and perhaps supported by advertising.

We doubt therefore whether CESR need have concerns, and believe that CESR could justifiably reserve its position on these two questions until the directive has had sufficient time to bed down. It could then review at a future whether any further action is required.

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

Answer: We are unable to think of any.

Question 12: Do you agree with this Draft Level 2 Advice?

Answer: In relation to 1(f) we would limit the fees charged to media to marginal cost recovery so as to maximise the dissemination of information through the media. Commercial negotiations could complicate and impede this.

We would reiterate that we would oppose these standards forming the basis for authorisation and onward monitoring of electronic publishers by a competent authority. We do, however, believe that they could form the basis for a kite marking or other scheme. Reuters would be interested in participating in an exercise to finalise such a scheme.

We hope these comments are helpful.

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