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Committee of European Securities Regulators consultation paper on

Development of Pan-European Access to Financial Information Disclosed by Listed Companies

NYSE Euronext Replies

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Introductory Comments

NYSE Euronext agrees that there is currently too high a level of fragmentation in the availability, quality and usage of databases storing regulated information on issuers in the EU. We therefore strongly support a more efficient system for European investors to access data on EU listed firms, as this promotes transparency and comparability, ultimately enabling investors to make more informed investment decisions.

It is our view that the availability of an EU electronic database could result in tangible benefits for analysts and investors, making it easier to access financial reports and other disclosures, which would ultimately be beneficial to issuers and facilitate cross-border information searches. In particular, such a system may enhance the visibility of European SMEs and the quality of information accessible by both (i) non-professional investors who are currently less well served than larger European companies (which typically have better commercially originated information coverage than SMEs) and (ii) professional investors (which may have access to more sophisticated commercial databases).

In any event, the database would need to be widely promoted, well organised and easily searchable in order to encourage analysts and investors to use it in the first place. If incorrectly tackled, the implementation of a new system could risk creating extra costs in return for marginal benefit for users. We believe that adding extra layers of search functionality over national OAM databases will have add extra cost with limited additional benefit for users, who currently benefit from a number of commercial



alternatives. NYSE Euronext would favour investigating a commercially driven pan-European solution consisting of a system of competing pan-European OAMs sourcing data from existing national business registers.

Further analysis is required on the following points:

- (i) Assess what tools issuers and investors are actually using to file and view disclosures announcements within countries or globally. A priority should be to avoid additional filing costs for issuers. These tools include commercial websites and also national company registers.
- (ii) The industry should agree on a target model for the new system, with associated governance and economic model (who bears the cost and any associated revenues). There are advantages and disadvantages to interlinked OAMs, a single European OAM or competing European OAMs.

For these reasons, we would suggest that CESR (ESMA) organise a dedicated working group composed of experts in order to define the best cost/efficient target solution. NYSE Euronext would be pleased to contribute to such a working group.

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

The main reasons for the lack of use of OAMs are outlined below.

1. *Better alternatives.* CESR rightly recognises that the current system of OAM consolidation within the MiFID Database does not provide a user-friendly experience. There exist a range of commercial alternatives that meet the needs of users better than the current OAM system:
 - Investors have ready access to national business registers, which are well known domestically and which provide a rich set of financial and other regulatory data. At European level, there exists a network of national business registers under the “European Business Register”. A number of commercial enterprises provide consolidated access to multiple national registers¹.
 - Retail investors commonly access free commercial consolidators of financial information such as “Google Finance” or “Yahoo! Finance”. While such sites may not match the breadth and depth of financial data offered national OAMs, they do provide a certain level of comparison between countries.
 - Professional investors already make use of more sophisticated financial data consolidators such as Thomson Reuters and Bloomberg.

¹ <http://www.ebr.org/section/5/index.html>



2. *Lack of demand.* On the retail side, there persists a “home bias” within national investor bases. This means that investors often simply revert to well functioning, but national, alternatives without the need to compare data across Europe.
3. *Lack of awareness and commercial incentive.* Many OAMs are not run as commercial entities and do not have the incentive to market their services. Investors are often simply unaware of them.

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?

It is important to define for *whom* it is that we are seeking to increase visibility. We believe that before undertaking any investments, more analysis is required on (i) the needs of the beneficiaries of the proposed service, (ii) the extent to which these needs are being met by existing services and (iii) the potential costs imposed on issuers. For example, professional investors and large blue chip organisations often have sufficient visibility with respect to each other, whereas retail investors and SMEs do not.

In theory, the visibility of OAMs would certainly be increased if the OAMs were better known and more efficiently integrated between themselves. However, we believe that the target model for integration requires more careful consideration (see Q3).

As far as the location of search functionality is concerned, this should depend on a detailed technical and cost assessment. Depending on the technology used, it could well be that implementing multiple search capabilities in each national OAM could create additional costs in terms of development and maintenance.

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

We believe that integrating 27 widely diverging national OAMs with an additional pan-European layer may not be the most efficient approach. CESR and the European Commission should consider an alternative approach. One such approach is outlined below for discussion.

1. Each country already disposes of national business registers that provide detailed financial information. National OAMs are often redundant to these business registers and other commercial sources of information.
2. Instead of appointing multiple *national* OAMs (as currently provided for in the Transparency Directive), it would be preferable to appoint either:



- a. a smaller number of *pan-European* OAMs, which each cover all EU countries. These pan-European OAMs should operate on a commercial basis and compete with each other,

or;

- b. a single pan-European OAM. In this case, an appropriate governance and economic model would have to be worked out.

Option (a), a system of competing pan-European OAMs, would present the advantages of being user driven and of potentially exploiting existing commercial infrastructure. However, we would welcome an open debate to determine which is in the best interests of issuers and investors.

3. The pan-European structure should target a level of harmonisation in content and format already provided in the US by the EDGAR system.
4. In any event, pan-European OAM(s) would source their data at national level, from national business registers. Under no circumstances should issuers have to file documents more than once and in more than one format.
5. In parallel, the European authorities should embark on a programme of standardisation of format and content of reported financial and regulatory disclosure between national business registers.
6. Pan-European OAMs should be supervised by EMSA.

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

All of these search facilities constitute basic information and should be included in any multiple-country search facility, whatever form that takes.

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

Our preference is for a user driven approach (cf Q3). We believe that search facilities should be defined on the basis of commercially assessed user needs.



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

This decision should be driven by investor needs. However, we note that the Industry Classification Benchmark (ICB) provides a classification that is already used by many market infrastructures operating OAMs.

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

Again, such detailed matters should be placed in the hands of a commercial entity, with a proper assessment of the costs and benefits.

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. We agree with CESR that demand for further standardisation of non-financial information is currently low. A wide range of commercial information providers already consolidate non-financial information, such as news, in easy to use and accessible form.

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 comment.

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

We believe it to be unfortunate that the discussions between CESR and BRITE have halted. The Commission should review the short term objectives of both the OAM system and BRITE in order to facilitate cooperation. We should be mindful to avoid duplication of filings with both OAMs and business registers.



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)?

An EU electronic database could result in tangible benefits for analysts and investors, making it easier to access financial reports and other disclosures, which would ultimately be beneficial to issuers and facilitate cross-border information searches. Such a database would however need to be widely promoted, well organised and easily searchable in order to encourage analysts and investors to use it in the first place.

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

We do not believe that option 1 presents a viable and cost effective solution. We would favour a more centralised pan-European solution. Option 2 has the advantage of providing a central pan-European solution, but we do not believe that issuers should have to file with multiple agencies in multiple formats (i.e., with both the national business register and the OAM). The governance and economic model of a single central European OAM would require further analysis. An alternative of competing pan-European OAMs may offer a more user driven and flexible approach that builds on existing infrastructure.

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

The supervision and technical standards for pan-European OAMs should be performed by ESMA.