

Companynews reply to CESR consultation on possible implementing measures of the TOD

26 January 2004

Dear Sirs

Companynews thanks CESR for the opportunity to share our views on the possible implementation measures of the TOD.

Over the last 7 years, Companynews has established itself as the market leader in France in electronic dissemination of full text financial information from issuers to investors and media, and a leading operator in Belgium, Italy and Spain. Companynews serves over 300 issuers in France, including 70% of CAC40 companies and 50% of SBF250 companies, and another 100 blue chip companies in Italy, Belgium and Spain.

All our news distribution services have been developed with the objective of providing the financial market with quick and efficient means of communicating price sensitive and regulatory information from issuers simultaneously and securely to both professional and individual investors, and the media.

Companynews enjoys trustworthy and constructive relationships with over 500 information vendors, sell side and buy side institutions, press agencies, newswires, web sites and portals and media.

For these reasons, we feel that Companynews is especially well positioned to contribute to CESR work on possible implementation measures of the TOD. We have pleasure in presenting below our replies to part I of the consultation.

Please do feel free to contact the undersigned for any further information.

Yours sincerely

Nicolas Raynier  
Companynews CEO

Preliminary statement

The European financial market is now a truly global market involving professional and retail, national and foreign investors requiring from responsible issuers the right level of information to support their investment decisions.

All issuers should meet the market minimum expectations for regulated information. By the same token regulated information should be readily available to investors on all profiles of listed companies, from the largest to the smallest.

On line and off line Media which traditionally relayed issuers' information to investors, are under significant competitive pressure. They must be more selective in their editorial resource allocation and optimize the added value and the profitability of their own news production.

New technologies present a major opportunity for improved transparency and information time to market with economically fair and viable solutions meeting all market participants' new requirements and growing expectations.

A new regulatory information system should take in account the market evolution and be aiming at:

- Informing quickly and comprehensively both professional and retail investors on a level playing field, wherever they are
- Keeping issuers accountable and responsible for the content and the frequency of their full text disclosure to the market
- Keeping the process as friendly and affordable as possible for the issuers and economically viable for the information intermediaries

## **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: On the minimum standards for dissemination***

We entirely agree with the objectives, standards and requirements as stated in the CESR consultation paper, although we feel that:

- Investors should not be charged any fee for accessing the regulatory news as such.

- ***Question 2: On the standards for dissemination by issuers***

Logically any issuer meeting the minimum standards and requirements should be allowed to perform themselves the dissemination of their regulated information.

However, we feel that this not desirable for the following reasons:

- Disseminating regulated information while meeting the suggested requirements is complex. It takes specialized investments and focus as well as a high level of expertise and knowledge of the information channels.
- The efficiency of the new system relies on the performance of the information distribution process between all the participants across the information chain. We think that Press Agencies, News Wires, and the Media at large prefer to integrate electronically consolidated feed of full text information for quick redistribution rather than developing a cumbersome technical relationship with every single issuer, for obvious best resource allocation reasons, and because they prefer focusing on their own business: adding value to information and creating the best information mix for their customers. In terms of security, it is also easier for the Media, on line information systems, Press Agencies and News Wires to develop and maintain fewer relationships with selected operators that can guarantee issuers identification, rather than having to check and certify issuers ID on every single information distribution operation.

- ***Question 3: Can an issuer satisfy all the directive's requirements to disclose regulated information by sending this information only to an operator?***

Absolutely. Providing issuers with a single point of entry to simultaneous distribution to all market participants is one of the many key values that operators offer the market. Operators are specialized market participants focused on full text information dissemination. They already comply – and have been for a long time now – to all disclosure basic principles such as speed to market, reach, identification and security, tracking and reporting, on going investments and improvements. They have developed longstanding and trustworthy relationships with all information players, exchanges and market regulators. It is also much simpler for issuers who would otherwise have to set up and manage individual relationships and integrations with all other market parties and take up the risky challenge to disseminate their full text official information to all, simultaneously.

▪ **Question 4: About the structure set out in Figure 1.**

We do agree with the suggested structure, with the exception of the possibility for operators to charge the media and for the media to charge investors for accessing the regulated information disseminated. We consider that charging for the information feed is detrimental to efficient dissemination, discriminatory, and contrary to disclosure basic principals of equal access to regulatory information. The current and dominant business model where issuers pay for dissemination services seems appropriate in terms of their information responsibility to the market. The system is viable based on this business model. There is no need for additional charges along the information chain.

▪ **Question 5: Should operators be subject to approval and ongoing monitoring by competent authorities?**

There are two different and possible ways in our view about controlling the compliance of operators to minimum standards:

- Local regulators can issue the list of minimum standards and communicate/make it available to issuers so they can benchmark and check the operators compliance prior to entering a contractual relationship with them, or
- Local regulators can check the operators' compliance themselves and then publish and update a list of compliant operators made available to issuers.

In both instances, local regulators should in our view be directly involved with direct or indirect certification of operators. One could view the regulators involvement as part of their regulation and surveillance responsibilities.

In both cases the relationship between issuers and operators should be driven by the commercial contract defining the nature and the level of the services provided. Any discrepancies to the original nature and level of services should be regarded as a breach of contract.

Both systems would help issuers to select the right operating partner, guarantee the quality of regulated information dissemination processes overall, identify clearly each party' responsibility: content and frequency of information for issuers, quality of dissemination for operators, market organisation and regulation for regulators.

▪ **Question 6: About the proposed minimum standards to be satisfied by operators.**

We agree with the proposed minimum standards for operators. We recommend that qualified and detailed reporting back to issuers on the success of the dissemination operation be included in the proposed minimum standards.

We also raise the issue of paper based/fax based incoming releases. It is not reasonable, in our opinion – and experience – to think that incoming paper based information can be processed as quickly as electronic based information. Re-transcription – manual or electronic – of paper based information to electronic format can also be a major source of errors and a very risky process all together. We strongly recommend that issuers do not transmit their information to operators in that format.

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

Operators bring value in the information chain especially. When considering developing a regulated and efficient market, there is no doubt to us that issuers should use the services of an operator for the dissemination of their regulatory information.

Including specialized and focused operators in the process improve the quality of the information dissemination, make information integration by news vendors and on line and

off line media easier and quicker, each other role and responsibility identification clearer, regulation and control more efficient.

▪ ***Question 8: About the role of competent authorities - and stock exchanges - in disseminating regulated information as operators.***

When one considers that the dissemination services should be charged to issuers and access free to investors and that competition between operators is essential to transparent and true pricing structures, then competent authorities and stock exchanges should not be involved with the information dissemination process, unless playing on a level field with other commercial operators.

There are two major obstacles to the operational role of competent authorities and exchanges with operationally disseminating regulated information:

- They benefit from a dominant and official position which is contrary to the principle of fair competition.
- Should they provide issuers with free dissemination services, there is no possible competition.  
Should they charge information to vendors, Media, Press Agencies and News Wires, then free access to regulated information for all is not possible any more; unless these information intermediaries finance themselves the cost of free information, which is not economically defensible.

▪ ***Question 9: Is it necessary to address the risk that regulated information may not reach every actual and potential investor throughout the EU?***

In our opinion any compliant operator should be able to disseminate to at least key information vendors, global web sites and portals, and leading press agencies and newswires. If they do, issuers' information should be available all across Europe and readily available to all European investors.

The information chain and circuits are such today that global presence is a given when calling on an established and experienced operator's services.

▪ ***Question 10: Which of the presented options could minimize this risk?***

The combination of the three options presented with the services of a specialized operator will guaranty that the issuers' regulated information is available to any investors across Europe.

▪ ***Question 11: Are there any other methods of dissemination that would satisfy the minimum standards for dissemination?***

We can only think of electronic distribution to comply with basic disclosure principals in terms of speed, security and certified identification of all market players – issuers, operators, information intermediaries – simultaneous distribution and reach, tracking and reporting, and free and global access.

▪ ***Question 12: Do you agree with the presented Draft Level 2 advice?***

We do, with the above presented exceptions:

- The danger of paper based incoming releases.
- The inefficient and detrimental multiplication of actors in the information dissemination chain, should issuers be allowed to process their news distribution themselves.

- Operators charging Media, and Media charging investors to receive and access regulated information feeds; This would be contrary to the global and free access principal of the TOD.

#### **FURTHER COMMENT**

##### **▪ The language issue**

We did not see any proposal on languages used for dissemination of regulated information from non English speaking European Member states' issuers. This is in our opinion a key point when it comes to Pan-European distribution.

We suggest that regulated information be disseminated both in local language and English.

##### **▪ The distribution service cost effectiveness**

Electronic distribution is in our opinion the only way to comply with the TOD principals: speed, security and certified identification of all market players – issuers, operators, information intermediaries – simultaneous distribution and reach, tracking and reporting, and free and global access.

It is also a much more efficient and a much cheaper solution for better dissemination and improved transparency, than all traditional existing solutions.

Issuers will directly benefit from the cost effectiveness of these new electronic solutions; information intermediaries will also benefit from the new system in terms of breadth of content available to their own global information solution customers and in terms of economies thanks to fully automated electronic integration of the news feeds.

#### **SECTION 2 : CONDITIONS FOR KEEPING PERIODIC FINANCIAL REPORTS AVAILABLE**

##### **▪ Question 13 & 14:**

We agree with CESR's advice. A minimum time period of 5 years seems sufficient to provide the necessary historical series of financial information for investors to analyse and support their investment decisions on tangible facts and figures.

Regulated information should not only include yearly and interim reports but also any disclosure on shareholding changes, M&A, control changes, special operations on capital, as well as any stock price sensitive information relative to the evolution of the activity of the issuer: sales, strategic partnerships, innovation, business litigation, governance.