

CESR's Call for Evidence on The Use of a Standard Reporting Format for Financial Reporting of Issuers Having Securities Admitted to Trading on Regulated Markets

Reply of NASDAQ OMX

The NASDAQ OMX Group, Inc. (NASDAQ OMX) is the world's largest exchange company. It delivers trading, exchange technology and public company services across six continents, with over 3,700 listed companies. NASDAQ OMX offers multiple capital raising solutions to companies around the globe, including its U.S. listings market, NASDAQ OMX Nordic, NASDAQ OMX Baltic, NASDAQ OMX First North and the 144A sector. The company offers trading across multiple asset classes including equities, derivatives, debt, commodities, structured products and ETFs. NASDAQ OMX Group technology supports the operations of over 70 exchanges, clearing organizations and central securities depositories in more than 50 countries.

For the purpose of this consultation, it is also especially useful to be aware that NASDAQ OMX is also an OAM operator.

NASDAQ OMX welcomes the opportunity to comment on the topic of the use of a standard reporting format for financial reporting of issuers having securities admitted to trading on a regulated market. A standard reporting format would be beneficial for the competitiveness of European financial market. It would also improve the conditions of integration of financial markets on a global basis. In order to achieve the advantages envisaged, it is crucial that standardization is aligned on a global level. For this reason, we urge CESR to engage in a close dialogue with especially the US Securities and Exchange Commission as regards the standardization of reporting formats.

We are pleased to provide answers to the consultation questions below.

Q1. Do you consider that there should be a standard reporting format for financial reporting of issuers having securities admitted to trading on a regulated market? What kind of pros and cons would a standard reporting format have?

Yes. In general, one standard reporting format provides transparency and allows comparison, which enables better information for analysts and investors. This would support business as it would facilitate capital raisings. The more widely used a standard format is, the greater are the advantages. For this reason, one global standard format would provide the greatest improvement to business. A standard reporting format for Europe should be aligned on a global level, especially with the US.

Q2. If yes to Q1, do you consider that XBRL would be an appropriate format? Are there any other reporting formats that CESR should consider in this context?

XBRL is the most appropriate format, the one most widely used and should thus be opted for. There are two ways to perform standard formatting. One way is to require certain format for the textual formatted reports. Another way is to require electronic formats such as XBRL. In both scenarios it will be simpler for the receiver to find and compare specific information. XBRL is already an appropriate format for receivers that can process the information electronically and based on that can make their own reports for valuation, algo trading etc. For information receivers that are not yet able to process a XBRL format, such as private investors or investors from countries where XBRL is not yet widely used, the XBRL format needs to be converted into a readable format.

Q3. What kind of benefits would you consider a standard reporting format to bring for issuers, investors, auditors, analysts, OAMs or other users of financial information?

For issuers it would bring benefits as regards improved capital raising opportunities. Investors will more easily be able to compare information from issuers where the standard reporting format is implemented. This may especially be an advantage for small and medium sized enterprises which are not as broadly covered by analysts today. The more widely used the standard is, the broader are the benefits, as investors will have a more easy access to the information on which they base their investment decisions on. For issuers listed on several venues and those listed across borders there are additional benefits in a reduction of the administrative burden, in that they do not have to comply with multiple reporting standards. An accounting system supporting XBRL will facilitate that the reporting can to a large extent be generated from there, and perhaps even uploaded into a news distribution system. A standard format will also simplify the effort to monitor that issuers provides relevant information. As the auditors' work would be simplified, there is also a potential benefit for issuers in reduced cost for audits.

For investors and analysts, it would bring benefits as regards comparability. One standard reporting format facilitates comparability of issuers across Europe and supports broadening the investment base for investors.

For auditors a standard reporting format would mean simplified work.

For analysts there is a clear advantage as they will be able to implement the standards into their simulators and generate evaluations of the issuers faster and cheaper, which should also drive analysts to cover a broader range of issuers.

XBRL might open up for new business opportunities for the OAMs that are commercialized, but as most OAMs only cover one country it will be hard to compete with other regional/global data vendors. The OAM should nevertheless be indifferent to what formats to receive, store and make available, as long as the investment in the standard format is financed.

Data vendors will be able to develop various types of added value products for the benefit of investors, traders and back office handling, such as risk management and cash management.

Q4. What kind of disadvantages would you consider a standard reporting format would cause to issuers, investors, auditors, analysts, OAMs or other users of financial information? Do you see any obstacles to such reporting?

For many there will have to be an initial period of adaptation, which may be perceived as an obstacle.

Q5. What kind of costs (one-off or recurring) would you consider a standard reporting format would impose on issuers, investors, auditors, analysts, OAMs or other users of financial information? Please provide estimated costs, if possible.

The costs imposed would primarily be one-off. Generally, implementing XBRL will impose new workflows and investments on the information chain, from generator to receiver, in order to produce, deliver, distribute, receive and read information in XBRL format.

Q6. Are the above benefits, disadvantages, obstacles and costs different if the standard reporting format would only cover income statement, balance sheet and cash flow statement instead of full financial report? Please explain the differences.

No. The main cost of implementing XBRL is to setup the infrastructure. To what extent the infrastructure is utilized will only have marginal impact on the cost.

Q7. How would you assess the benefits of the use of standard reporting formats against the costs?

Benefits will clearly outweigh the costs. Once all parties have implemented the infrastructure this will have positive impact for all – issuers, analysts, regulators, investors and other information receivers, as the information will be simpler and faster to provide and much easier to analyze and compare with information from peers.

Q8. Do you envisage any liability and/or audit issues arising from the use of standard reporting format?

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Q9. Are there any other issues CESR should take into account in the analysis of the issue?

It is important that EU rules in this field does not leave room for national variations, and that the rules are uniformly implemented in all countries. Otherwise the benefits especially for issuers and investors will not materialize.

Again, the benefits of a European standard reporting format will be significantly greater if aligned at the global level, so cooperation with especially the US would indeed be necessary.

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