

21 January 2008

Reuters response to CESR ‘Consultation Paper on Improving the Functioning of the MiFID Database’ (Ref: CESR/07-832)

Founded in London in 1851, Reuters is one of the world’s leading news and information companies, providing indispensable information tailored to professionals in the financial services, media and corporate markets. Our financial data is updated 8,000 times per second and, at peak times, more than 23,000 times per second. We supply information from over 160 exchange and OTC markets globally and maintain over 200 million data records.

Reuters welcomes the opportunity to respond to CESR’s consultation on improving the functioning of the MiFID database. The consultation is timely since issues related to the MiFID database are now beginning to be revealed. As well as responding to the questions posed by CESR, Reuters also respectfully offers some more general comments on the MiFID database and some indications on how we believe its effectiveness could be maximised. We hope these comments assist the CESR review.

Question 1: Do you agree with the proposed amendments?

1 i) Exchange rate for non-Euro countries

Reuters agrees with the proposed amendment and already makes provision for this data in its services. This addition would be particularly helpful where local regulators monitor in the local currency, while regulators in other countries monitor in Euros. We believe that the effectiveness of the database would be further enhanced by adding an additional data field showing the Average Daily Turnover (ADT) in the local currency, as well as the exchange rate used to calculate the Euro equivalent, in order to manage correctly any intra-year changes to ADT values.

ii) Date of update

Reuters agrees with the proposed amendment (though we would additionally urge the inclusion of a time field as explained in our answer to question 2).

iii) Information on date of applicability

Reuters agrees with the proposed amendment, but highlights that this additional field is required before Competent Regulatory Authorities (CRAs) begin to update the lists of shares. Otherwise, there is a risk of duplicate entries and no reliable method of ascertaining which one is correct. This risk would be minimised if it were possible to search and filter by time and date of update and time and date of applicability.

II Possibility to extract liquid shares

Reuters has no view on the proposed amendment.

Question 2: Is it necessary to add other information or other search functions?

Reuters believes that the additional data fields of date and time of update and date and time of applicability should be added to the available search and filter criteria. This would mean that changes could be displayed only from a specific date, rather than showing the entire database at once.

Reuters further believes that any updates and changes to the relevant CRA as a result of the annual challenge and arbitration process in the first quarter of each year should also be available on the database. Any such changes should be dated and marked with a flag, both of which should be added to the available search and filter criteria.

With regard to the free float field, we believe it would be useful to have this value expressed as an approximate number of shares in addition to a monetary value range. This would provide a reference value that would be less sensitive to price changes.

In cases of multiple daily updates by CRAs, it would be helpful if each update were numbered chronologically. This would enable users to track the number of updates and make reference to a particular update.

Question 3: Do you agree with the proposal to identify investment firms acting as systematic internalisers?

Reuters has no view on the proposal.

General comments on the MiFID database

As one of the world's leading providers of financial information services, Reuters has adapted its products and services to the challenges presented by MiFID. By drawing on our expertise and experience in these areas, we have, in several cases, been able to offer advice and guidance to financial regulators on the development and implementation of MiFID and related regulation. Reuters offers the following comments in the same vein, in the hope that they are helpful to CESR's work.

Launch of new issues

We have encountered a number of instances where the updating of information to the database by CRAs on new MiFID shares admitted to trading on a regulated market is not as timely as might be hoped. The table in the annex lists MiFID shares that were admitted to trading on a regulated market but that had not been updated to the MiFID database on 20 December 2007. As the table makes clear, this appears to be a systemic problem that is not confined to a single CRA or regulated market.

The MiFID database is a crucial tool for pan-European information providers who rely on it to supply information on shares that are being traded on regulated markets. Failure to update this information in a timely and efficient manner risks placing pan-European providers at a competitive disadvantage relative to the information services of the stock exchange on which the share is admitted to trading. Indeed, Reuters has already received complaints about delays

in updating information on new share issues. This has resulted, in at least one case, in the non-renewal of a Reuters contract in favour of a contract with a national stock exchange.

Such competitive distortions are clearly at odds with the fundamental aims of MiFID, which include developing integrated and harmonised financial markets within the European Union. Moreover, delays in reporting information on new issues are contrary to the requirements of Article 33 of the Implementing Regulation (EC 1287/2006), which obliges CRAs to report information to CESR prior to the admission of new issues to trading on a regulated market.

One solution to this problem might be to apply the general MiFID selection criteria to the addition of any new shares admitted to trading on a regulated market, regardless of whether a share is listed on the CESR website or not. However, doing so would give rise to two problems. Firstly, there would be no ADT information, thereby precluding the ability to calculate eligibility for delayed reporting. Secondly, due to the fact that there is no harmonised pan-European approach among CRAs to what qualifies as a 'MiFID share', a much broader universe of instruments would need to be supported which would represent a substantial cost to the industry.

Method of downloading

The method for downloading data from the MiFID database could be streamlined and made more effective. The facility to download the full database via an FTP (or similar) site would make downloading faster and easier.

Accuracy of data

Reuters has encountered several instances of inaccurate data, including where shares have remained in the database despite having an expired ISIN code. We believe the following changes would provide effective solutions to minimise data inaccuracy in the MiFID database:

- i) ISINs should be verified against an algorithm so that codes that are not true ISINs are not added into the ISIN field.
- ii) Software should be deployed in the database contribution mechanism so that 'required' fields (for example Competent Authority) are always populated and match the country of origin of the share.
- iii) When an ISIN changes, data should be contributed against the new ISIN only and not both the old and new ISINs.

Feedback mechanism

It would be helpful if the MiFID database contained a way of communicating feedback to CRAs in instances of data inaccuracy or other issues. This would permit speedier resolution of problems that may not be easily identified by the CRA and provide a means for CESR to monitor such problems.

Biannual stakeholder forum

In addition to the above suggestion for ad-hoc feedback, Reuters believes it would be helpful to establish a biannual forum involving CESR, national regulators, market participants and information providers to assist in resolving issues that arise as the MiFID database becomes more established and familiar. We believe that such a forum could provide an opportunity for



exchange of information on difficulties and discussions on possible solutions that would be beneficial to all parties.

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Annex: Table of MiFID shares not updated in MiFID database on 20/12/2007

Name	ISIN	Date admitted to trade	Market
Martinsa Fadesa	ES0161376019	17/12/2007	Madrid SE
Ibr Renovables	ES0147645016	13/12/2007	Madrid SE
Laboratorios Far	ES0157261019	05/12/2007	Madrid SE
Hybrigenics	FR0004153930	17/12/2007	Euronext Paris
VGP VVPR	BE0005621926	07/12/2007	Euronext Brussels
Maire Tecnimont	IT0004251689	26/11/2007	Borsa Italiana
Damiani	IT0004249329	08/11/2007	Borsa Italiana
Sole 24 Ore	IT0004269723	06/12/2007	Borsa Italiana
Bouty Healthcare	IT000422474	09/10/2007	Borsa Italiana
Nova RE	IT0001162509	26/10/2007	Borsa Italiana
Piquadro	IT0004240443	25/10/2007	Borsa Italiana