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Consulting Investors on the Transparency Directive: Storage of Information

In July 2005, CESR received from the European Commission a mandate regarding the issues of **storage and filing of the regulated information** i.e. financial information (such as annual and semi-annual reports, other interim reports such as quarterly information or interim management statements), major holdings notifications, inside/price sensitive information and, according to the mandate, prospectuses. In reply to this mandate, CESR published a consultation paper on 31 January 2006 (Ref: CESR/06-025). The consultation period ends on **31 March 2006**. On **20 March 2006**, CESR would therefore like to organize an opportunity to hear investors views on this issue at its offices in Paris, and investors' associations are invited to participate.

The issue of storage is important for investors in that it should provide investors with greater access to information on all issuers across Europe. The idea is that all EU investors will be able to access information from a single source in order to evaluate their investment opportunities and to make informed investment choices. CESR considers that investors and more particularly, retail investors may wish to use the storage system to access information and therefore this system should be structured so as to be user-friendly for end investors and to respond to their expectations in terms of functionalities. We would therefore like to hear your views on the various models we intend to propose and your views on the functionalities that investors would find useful.

1. According to the Transparency Directive, each Member States will appoint one (or more) central repositories to act as storage mechanisms, these are referred to as OAM (s) (Officially Appointed Mechanism(s)) and their role will be to hold information about all listed issuers of that Member State.
2. These national systems will be interconnected providing investors with the possibility to retrieve information on issuers from all Member States. The level of integration of the systems may vary however, a great deal and therefore the steps that need to be taken to obtain the information requested by the user would vary as well. In a very integrated system, investors will be able to search all the storage systems (OAMs) at once and receive, for instance, the annual accounts of 2004 for a certain group of issuers from across the EU. If the level of integration is lower, investors may have to take further steps such as visiting various websites of different national storage systems (OAMS). On the other hand, a less integrated system of storage mechanisms may lower the cost of developing and maintaining such an IT system. Given that ultimately these costs may need to be passed on to either issuers, other entities (such as advertisers) or to end-users depending on the final approach adopted by the EU institutions, the issue deserves careful consideration and CESR is therefore keen to know what retail investors would like.
3. In its consultation paper, CESR has identified four possible (but not exhaustive) models to interconnect the national storage systems (OAMS). Investors will have access to all of these systems through the internet and all systems should be made available to investors 24 hours a day, 7 days a week.

- **Model A (referred to as the ‘Central Access Point’ – CAP model):** The investor will have access to a central European access point containing a search engine which searches each of the national storage mechanisms (OAMs). The investor would be able to find information by using several search criteria such as, the issuer’s name, the document type (i.e. annual financial statement), the date of publication, the language etc. to specify the information needed. Following the search request, the system would automatically dispatch the list of all documents links corresponding to the search criteria entered and would provide the information on all EU issuers.
 (This model is described in more detail in the consultation paper pages 28-31)
- **Model B (the ‘decentralized network model’):** This model offers investors the same search facilities and the same information results as Model A but the search facilities will be lodged at national level (on the OAM) and not through a central access point. Under this approach, search requests will individually return the documents requested, depending on the set criteria, forwarded to the different national OAM concerned.
 (This model is described in more detail in the consultation paper pages 31-34)
- **Model C (the ‘central list of issuers model’):** This model offers investors access to a central list of issuers. By clicking on the issuer’s name the investor gets automatically the list of all the national storage mechanisms holding information about this particular issuer. Then, the investor has to search the information by using the search engine of the national OAM. The system will automatically provide information that fulfils the search criteria inserted by the end-user. The information provided will concern the issuers of the OAM’s Member State.
 (This model is described in more detail in the consultation paper pages 35-36)
- **Model D (‘basic access’ model):** This model would consist of a network of links on competent authorities’ websites to the national storage mechanism. To search for information, the investor will have to know the issuer’s competent authority (regulator) in order to identify the right website to visit for the link. By clicking on the authority’s website, the issuer will find the link to the website of that national storage system. He or she can then proceed to find the information on an issuer by using the search engine of this particular storage system. As in Model C, the system will automatically dispatch information that fulfils the search criteria inserted by the end-user. The results of the search will include the issuers of that particular Member State only.
 (This model is described in more detail in the consultation paper pages 36-38)

- Q1. What kind of information do you consider important to have access to when making your investment decision?**
- Q2. How do you get this information today?**
- Q3. Which sources of information are you currently using to find information on issuers (for example do you use newspapers, the issuer’s website, the regulator’s website, the stock exchange’s website, information providers, analysts etc)?**
- Q4. What are the functionalities that you would consider to be the most important for any such officially appointed storage mechanism (OAMs) and EU network?**
- Q5. Do you envisage other possible systems for the storage and location of information on listed companies?**
- Q6. Which of the above systems do you consider more user-friendly and why?**

4. All of the systems, in their standard version will provide the investor with so-called “naked” information i.e. the information as it was prepared and filed by issuers. For example, the system would indicate a standard notification of major shareholdings which identifies who, when and what percentage the investor has acquired (for example, Mr X acquired 5% of issuer Y). The

system will not however, indicate the list of the 5 major shareholders of an issuer at a given date. Other examples of “value-added” information include: summaries of documents, financial or corporate analysis (or even advice), comparisons of companies, market data. The Transparency Directive requires national storage mechanisms (OAMs) to store ‘naked’ information as a minimum and does not impose upon Member States the obligation for OAMs to provide the added value services. On this basis, CESR took the view that the provision of ‘added value’ information would be optional and left up to national authorities or the storage system to adopt. It is expected that added-value information will be available at a higher price and request appropriate funding.

- Q7. To which extent are you interested in having access to regulated information (‘naked information’) only, independently from additional “added-value” information? How would you expect to have access to value added information? What is your current experience in this regard and what would you like to change?**
- Q8. Would you be prepared to pay for the value-added information? Would you be prepared to pay for “naked” regulated information?**
- Q9. Would investors be able to bear financially some of the costs of setting up integrated systems (i.e. a charge per report accessed)?**

Establishing language of the stored information:

5. All of the systems, in their basic format, will provide the investor with the information in the “local” national language, i.e. the language of the issuer, as there are no requirements in the Level 1 text for the issuer to provide, in all cases, information in other languages such as in English, for example (although issuers may have particular incentives to do so, such as attracting foreign investors.). The issue of what language the information is provided in, remains however another area where additional functionalities could be offered.

Establishing which languages the search mechanism should be available in:

6. CESR is also analyzing which language the end user should be able to use when entering a search request. CESR would be keen to learn the views of investors as to whether these search mechanisms need to be made available in all national languages or whether being available in English would be sufficient to ensure that most investors can search for the relevant pieces of information. CESR is therefore trying to assess whether the costs of setting up a storage mechanism (OAMs) with such capabilities will deliver sufficient benefits to investors to justify the additional investment.

- Q10. Would you expect the information stored to be translated in English? Do you consider it necessary?**
- Q11. Would you be satisfied to have the search facilities of the OAMs (or alternatively of the EU central point for the network of OAMs) in English?**

7. In all systems, the information will be filed in such a format to enable investors to view, download and print the information easily (e.g. a standard .pdf format). However, additional formats of information like XBRL (a type of financial software) are currently available and these allow more pro-active utilization of information by end-users. For instance, if all financial statements are formatted and filed to the OAM using XBRL, users could extract, download and exploit with separate software specific pieces of information (e.g. collect and treat directly with only limited manipulations all equity/debt ratios or net result/turnover ratios of a range of companies or all statements on corporate governance). Providing information in these formats will undoubtedly imply important additional costs for listed companies, OAMs and possibly for users who need sophisticated analysis tools.

- Q12. Would you expect the information to be filed in a format that would allow investors to extract and adapt it, such as word documents or excel documents?**
- Q13. What other functionalities would you expect from a storage system?**



8. Another important issue for investors is the process by which they file with the competent authority if they are or become “major shareholders”. Under the Transparency Directive those who hold more than 5% of a listed issuer are considered to be “major shareholders” and are required to file notifications of their holdings with the competent authority.
9. On this issue, CESR took into account the needs of some filers to continue to file by paper (such as infrequent filers and shareholders (mostly individuals) who must notify their shareholding when exceeding 5%). Therefore CESR considers that although the ability to submit this information electronically should be the ultimate goal, it does not propose however, to require it.

Q14. As a potential filer (major shareholder); do you think that electronic filing should be mandated?
