



20 September 2010

Our ref: ICAEW 93/10

Committee of European Securities Regulators
11-13 avenue de Friedland
75008 Paris
France

Submitted to website: www.cesr.eu

Dear Sirs

Development of Pan-European Access to Financial Information Disclosed by Listed Companies: Committee of European Securities Regulators consultation paper ref: CESR/10-719c

ICAEW welcomes the opportunity to comment on the consultation paper *Development of Pan-European Access to Financial Information Disclosed by Listed Companies* published by Committee of European Securities Regulators (CESR) in July 2010.

ICAEW operates under a Royal Charter, working in the public interest. Its regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the Financial Reporting Council (FRC). As a world leading professional accountancy body, we provide leadership and practical support to over 134,000 members in more than 160 countries, working with governments, regulators and industry in order to ensure the highest standards are maintained. We are a founding member of the Global Accounting Alliance with over 775,000 members worldwide.

This response has been drafted after consultation with ICAEW's Corporate Governance Committee, the Financial Reporting Faculty and the Company Law Committee which includes representatives from the accounting, business and investment communities. We have highlighted some general observations below in response to the consultation questions.

GENERAL OBSERVATIONS

We are supportive of a more integrated mechanism at EU level but believe this should only be done by recognising the initiatives already existing at national level and taking into account the most cost effective solution.

Of the two options to develop a more integrated network set out by CESR in the consultation paper we favour a network model approach which would support the supervision of regulated information in the home member state. Our view is that a search mechanism linking back to the national network of 'officially appointed mechanisms' (OAMs) would be the best solution at EU level rather than to create a new system designed to operate only at EU level.

The creation of a single European OAM would unnecessarily duplicate many initiatives already in place and working well. In addition, the creation of a single European OAM will be costly to implement and add considerably to administration costs and would presumably have to be centrally funded. It would be disproportionate to have any additional costs borne by the issuer community.

RESPONSES TO CONSULTATION QUESTIONS

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

It may be the case that there is little or no demand for a virtual one-stop shop for accessing regulated information disclosed by issuers in Europe given the global nature of markets. Issuers have by and large stepped up to the challenge and have provided information and designed their websites with their shareholders in mind. With information always being readily available on corporate websites this point of access is the quickest, cost effective and most expedient way to access such information rather than to go via a gateway, central access point, mechanism. This may also be because the mechanisms used to disseminate listed company regulated information, including annual reports and accounts, often cannot currently deal with user-friendly formats, specifically PDF files. This has meant that official distribution mechanisms have not, to date, kept up with best technology and have therefore not been seen as user-friendly. OAMs may be better, but have yet to prove themselves so in most Member States.

Essentially this is an issue for investors to answer: on the face of it an integrated network could offer the potential for easier cross-border searches of information but we are not sure that the demand for this exists in the investor community. Any potential benefits for issuers are marginal at best. Regulators may benefit from an integrated network but we think any potential benefits must be viewed in the context of the additional costs. We are not convinced that investors actually want the potential for added value services: the provision of a European network may facilitate such services but the question remains are they really required and would they be used?

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?

We agree that enhanced search facilities would be extremely useful at EU level. With a powerful search mechanism the existing OAMs at national level could be fully accessed and this would help with publicising the OAM at national level.

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

A search facility at EU level would do much to improve the visibility of national OAMs. It would be useful in this regard if the list of the types of regulated information used at national OAM level were harmonised.

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

We consider the International Securities Identification Number (ISIN) to be important as the use of the ISIN could allow for the interlinking of existing databases of securities with the OAM network and thus increase transparency and flexibility.

We are not convinced that multiple country searches with a single request is demanded by the market and believe that further research on the demand for this is undertaken.

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

It is a pity that CESR has taken the position that a common input form for major shareholdings notifications is not feasible at this stage as this would be one area that would greatly assist identification of shareholders at EU level. We understand that, as matters stand, there is no fully harmonised form of notifications but we believe that such information would be an extremely useful search facility nonetheless. We do not support maximum harmonisation of levels of notification, but standardisation of the form of notification might be helpful.

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

We have no preference. However, our only thought on this is that the standard chosen should not entail excessive cost.

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

We do not immediately see the need for mandating dynamic or chain searches at either OAM or CAP level. We are of the view that basic search facilities of key data already held by national OAMs is sufficient.

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?

It would be extremely useful to have common formats but not essential and we believe that it should be for national OAMs to establish their own file formats. XBRL would be a natural progression for filings of financial information and would allow improved comparison and analysis of issuers but we are not convinced that there is a real market demand for it currently or indeed what cost implications there would be in introducing it as a mandatory measure.

XBRL will be costly to implement at the group accounts level for listed companies and we are not yet convinced that the IFRS XBRL taxonomy is developed sufficiently to provide a suitable mechanism. We suggest that the Commission investigate this issue in much more depth, including how XBRL beds down for US GAAP under SEC's rules as well as progress with the IFRS XBRL taxonomy, before taking any further measures.

Q9. Do you agree with the proposed common list of types of regulated information presented in Annex 3?

Yes, we agree that the proposed list covers most types of regulated information.

Q10. Do you have any proposals for further types of regulated information that should be included?

It would be useful to include regulatory announcements on change of directors and perhaps certain directors' dealings in shares.

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

We do not consider that the link to national business registers is a priority as it seems to us that the information available at business registries is of more relevance in terms of non-listed companies.

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)?

The benefits in our view would mainly apply to end users of accounts: investors, analysts and regulators. Theoretically, for investors and regulators, there should be a cost saving to accessing information. We feel that any potential benefits for issuers are marginal.

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

The main benefit of option 1 is that there would be a gradual transition based on national OAMs as they currently exist and therefore more cost effective. The three stage approach offers flexibility to deal with situations as they arise and for implementation to be refined or restated as and when necessary. We believe that a gradual approach to implementation is to be preferred and to work from a base of existing OAMs that are tried and tested is to be preferred over and above a higher risk, and higher cost, strategy of creating a single European OAM.

The set up costs of a single European OAM, and the waste of investment in national OAMs will almost certainly amount to higher than aggregated costs for developing national OAMs: this seems to us to be disproportionate to the net gain in transparency overall especially as issuers stand little to gain from a single OAM.

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

We agree with the analysis set out in the consultation paper.

Please contact me should you wish to discuss any of the points raised in this response.

Yours faithfully

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