



Mr. Fabrice Demarigny
Secretary General
The Committee of European Securities Regulators
11013 avenue de Friedland
75008 Paris

Yr Ref: CESR/04-021

19 February 2004

Dear Fabrice,

Provisional Mandates under the Directive on Financial Instruments Markets (ISD2)

I have pleasure in submitting Reuters response to the *Call for Evidence*. Our comments relate principally to those parts of the Provisional Mandates that concern markets transparency.

Reuters, a public company based in the EU, is the world's leading collector, aggregator/consolidator and disseminator of on-line price and price-related data from global financial markets. Reuters has acquired unrivalled expertise in these areas, having for many years been in the business of aggregating/ consolidating data from many markets and across asset classes.

As Reuters has already mentioned to officials from the European Commission, CESR and national securities regulators, we are very interested in making this expertise available to CESR for the purpose of its ISD2 Mandate. As yet, no mechanism has been established to enable CESR to draw on this expertise in an efficient and systematic way, and we continue to hope that this can be achieved.

Furthermore, the information sector is likely to be impacted by the results of the ISD2 consultations. It is also only fair, therefore, that their interests are taken into account. Just as the provisional CESR mandate stresses the need to "*avoid adding undue burdens and unnecessary costs to [investment] firms and hampering innovation in the field of financial services*" (Section 2.3), so CESR must take care that its recommendations will not cause damage to other commercial sectors.

Introduction on Reuters experience in this area:

Reuters activities in collecting price, and price relevant, information can be traced back to 1850 when Julius Reuter began to disseminate, by carrier pigeon and telegraph, the prices from the bourses of Berlin, London and Paris. However, it was in the 1960s that Reuters became a pioneer in collecting price data systematically from world markets, providing for the first time electronic equities price services for market participants

Reuters works closely with trading venues to understand not just the technical formats in which data is disseminated, but what lies behind the data. This is to ensure that Reuters services accurately represent the market on a screen, or on a data-feed, to traders, analysts, exchange official or market regulators.

Reuters has already acquired extensive experience in bringing together pools of liquidity to create virtual order books. In doing so, we work with the individual pools of liquidity, the market and regulators, to ensure that we are faithfully representing the market. By aggregating pools of liquidity, we bring increased transparency to the marketplace by facilitating, and reducing the cost of, identifying what is the best price at any time.

One of the most intractable problems facing the global investment community is the lack of precise and uniform definitions for key items of market price data. For example, there is no agreed definition on what constitutes the daily official price of each stock at the end of a day's trading on the world's exchanges. In the absence of global standards, Reuters works with the markets, in a pragmatic way, to provide markets with what they want. For example, Reuters is in the process of providing for every market two closing prices for every stock, calculated according to:

- Local standards
- 'Cross border' or 'international' standards – the 'clean last trade', i.e. the last trade with no conditions and not executed in a special market.

Reuters has played a global leadership role to enhance markets data integrity through the development of state of the art tools to ensure that data is "clean" (or carries a health warning). This is also critical with the growth in program trading.

In summary, Reuters has unrivalled—and worldwide--expertise in the business of data aggregation and dissemination from financial markets. We have advised many exchanges in this area, and have built systems for exchanges. We have already been through the process of aggregating, or consolidating, data from many markets and across many asset classes.

We are very interested in making this expertise available to CESR to inform its workstreams.

Detailed Comments on the Provisional Mandates

- Section 3.7 Articles 28, 29, 30, 43 and 44.

It is in the areas covered by Section 3.7 that Reuters believes that it can provide considerable insights into existing markets practices across the EU, and to suggest where and how improvements should be targeted. It can also provide comparisons from markets outside the EU.

We hope therefore that CESR can find a way that will enable Reuters to make a contribution to CESR's workstream in these areas.

- Section 3.8 Article 39

As set out in the Introduction, Reuters collects, aggregates and disseminates not only price data, but also price relevant data, such as ad hoc price sensitive announcements from European issuers.

We welcome the broad thrust of the amendments passed by EMAC this week to Article 17 of the Transparency Obligations Directive that are designed to establish efficient pan-European disclosure, through the promotion of competitive information markets. In our view, EMAC's amendments to the original Commission text reflect an understanding of the role that the information sector can bring in maximising markets transparency.

Our concerns in relation to Section 3.8 of the Provisional Mandate are based on the fact that many regulated markets also operate as commercial information companies, in competition with the private sector. We do not oppose this. However, we are concerned to ensure that regulatory powers cannot be exploited for commercial advantage. We believe that in those Member States where regulated markets compete with private sector information companies to collect and disseminate regulatory information, the imposition of obligations on regulated markets in the area of disclosure by issuers, as is the objective of Section 3.8, could be abused to gain advantage for their commercial information services. In our view, CESR should therefore ensure that such potential conflicts of interests are controlled. Unless, it does so, the purpose of Article 17 of the Transparency Obligations Directive will be undermined. We would be pleased to provide further background and detail on this point, if of interest.

We hope that these comments are useful, and reiterate Reuters interest in assisting CESR with its Mandate in any ways that are useful.

With best wishes

Henry Manisty
Head of Government and Regulatory Affairs