
**30 RECOMMENDATIONS
FOR CREATING “THE ENTREPRENEURIAL EXCHANGE”**

October 2012

PROPOSAL

Time is running short. The most innovative, job-creating SMEs are dependent on bank lending, now becoming structurally scarce, and on domestic savings that are turning away from the real economy. Since the crisis, financial markets have become a source of uncertainty and additional cost for such companies, and less a source of financing. In addition, the competitive gap is widening, both with Germany and with the United States—which overcame partisan politics and passed the JOBS Act, opening up long-term financing for similar-sized US companies. If we fail to act, we will be putting our economy and the jobs of tomorrow at risk.

In view of the crisis, many observers and reports have, quite rightly, alerted political decision-makers to the need for a regulatory framework better adapted to the size of these companies. These observers have also called for regulation more in keeping with SME business models, plus a new approach to stock-exchange structures and services.

Our committee's aim was to imagine a stock exchange dedicated to the needs of SMEs that would enable them to come through the crisis and prepare for a return to growth. We started with an in-depth analysis of the business models of issuers, intermediaries, investors and the market operator, seeking a positive way to bring all of these stakeholders together and get the market functioning again following its seizure during the financial crisis.

We unanimously believe that a new stock exchange is needed, large enough to meet the challenge and serve all the companies and stakeholders using it. An exchange designed to address the financing needs of SME by offering bespoke products and services. An exchange attentive to their needs, providing personalised support and protecting them from market financial abuses. An exchange that is a natural meeting place for all those who, through its representative governance, resources, dedicated professionals and regional proximity, share an entrepreneurial spirit and identify with its name: the Entrepreneurial Exchange. An exchange that is the starting point for a new, post-crisis generation of stock exchanges, designed to bring together the financing needs of this segment of the real economy and long-term investment from every corner of Europe.

To accomplish this, we propose that the Entrepreneurial Exchange be articulated around the following principles:

- An ambitious initial set of listings adapted to each national market and composed, if possible, of the companies currently listed on Euronext Segments B and C and on NYSE Alternext;
- European aspirations and scale, with—initially or progressively—locations in France, the Netherlands, Belgium and Portugal;
- A governance structure consisting of a Supervisory Board with 10-15 members representing all exchange stakeholders and an Executive Board with a full-time chairman;
- A dedicated team specialised in the financing of and investment in Small and Midcaps;
- An appropriate regulatory framework combining the security of a regulated market and the flexibility of an organised market;
- Certain functions, such as marketing and business development, positioned to rally regional financial markets and local ecosystems and encourage them to participate;
- A dual member-intermediary status with rights and duties that make all their activities profitable and their relationship with issuers a long-term one;
- A market model and listing techniques adapted to Small and Mid Caps so as to cultivate liquidity and make high-frequency trading (HFT) prohibitive;
- Pricing that provides an incentive to develop the primary market and rebalance profitability in the secondary market;
- Made-to-measure products, such as bonds that both raise funds and create a roadmap for opening capital;
- A strong "issuer relationship" to provide information and services appropriate to the needs of SMEs;
- A commitment to growth based on marketing and direct business development, and involving all market stakeholders, at local and regional level in particular;
- A specific segment for research and development (R&D) companies;
- Openness to business and capital partnerships that create value and nurture European expansion.

The Entrepreneurial Exchange would be oriented towards the domestic, European and international fund managers essential for its growth and who want to enjoy the benefits of entrepreneurship. The Exchange would offer them critical mass and its own set of indices, making it possible to compare performance across a European base.

This ambitious project will become a reality if the government and competent domestic and European authorities take the necessary legislative, regulatory and—especially—tax decisions.

The 30 recommendations in our proposal have been enriched by a broad-based consultation and concerted effort of all stakeholders and offer a unique opportunity to provide an effective response to the need to lend fresh impetus to the financing of SMEs by the market.

Fabrice Demarigny

Chairman, Strategic Planning Committee



The work of NYSE Euronext's Strategic Planning Committee for SMEs

The recommendations in this report are the result of an in-depth study carried out by NYSE Euronext's Strategic Planning Committee (SPC) dedicated to small and medium-sized enterprises (SMEs)¹. The Committee is composed of the following members:

- Fabrice Demarigny, lawyer, partner at Marccus/Mazars, Committee Chairman
- Jean-Baptiste Bosson, Chairman and CEO, PSB Industries
- Chris Buyse, CFO, ThromboGenics
- Rogério Carapuça, Chairman, Novabase SGPS
- Dirk Jan van der Hoeden, Chairman and CEO, SNS Securities
- Eric Le Boulch, Chairman and CEO, CM-CIC Securities
- Clément Lecuivre, Head of Strategic Analysis, Innovation and Sustainable Development, Caisse des Dépôts et Consignations
- Denis Lucquin, Managing Partner, Sofinnova Partners
- Peter HJ Nederlof, Chairman and CEO, Keijser Capital N.V.
- Yannick Petit, Chairman and CEO, Allegra Finance
- Bruno Vanryb, Chairman and CEO, Avanquest Software

The Committee has worked closely with Roland Bellegarde, Group Executive Vice President of NYSE Euronext, in charge of European cash trading and listing activities, and his team, particularly Marc Lefèvre, François Houssin and Marine Laufer Tourte.

All 30 recommendations were unanimously adopted by the members of the SPC.

¹ The SPC is a consultative committee of NYSE Euronext. It is dedicated to SMEs, and its objective is to step up the development of the Small and Midcap market and address the financing challenges these companies face. It also helps define and implement NYSE Euronext's strategy regarding SMEs. The SPC brings together individuals known for their expertise and experience as French, Belgian, Dutch and Portuguese intermediaries, investors and issuers.

SPC's 30 RECOMMENDATIONS

I – Creating the Entrepreneurial Exchange

Recommendation no. 1 — Create the Entrepreneurial Exchange - (R-1)

We recommend that NYSE Euronext take the initiative and, in keeping with its structure as a federation of exchanges, set up an exchange dedicated exclusively to raising capital for Small and Mid Caps and growth companies. Called the Entrepreneurial Exchange, this exchange should be a focus for listing companies that share a commitment to growth and entrepreneurial spirit.

The Entrepreneurial Exchange would be a subsidiary of NYSE Euronext, with a governance structure consisting of a Supervisory Board with 10 to 15 members representing all exchange stakeholders and an Executive Board with a full-time chairman.

The Supervisory Board will:

- include, in addition to the market operator (NYSE Euronext), 10 to 15 financial market professionals, such as exchange member-intermediaries, issuers, investors, investment networks, other professionals in the stock exchange ecosystem and national and local stock exchange authorities. Members will be selected through a clear, transparent process to ensure that each stakeholder feels represented;
- be composed of a majority of market professionals in addition to the market operator;
- select the Chairman of the Executive Board;
- determine the strategy, objectives and resources of the Entrepreneurial Exchange.

The Executive Board will:

- have a full-time chairman;
- implement the strategy determined by the Supervisory Board so as to achieve the objectives in a spirit of entrepreneurship;
- use the resources at its disposal to operate the Entrepreneurial Exchange on a day-to-day basis;
- report to the Supervisory Board on a regular basis;
- create subcommittees of investors, issuers, exchange members or representatives of local financial markets, for example.

It should have its own team specialised in Small and Mid Caps and their requirements, and in market operations and investment dedicated to such companies.

Recommendation no. 2 — Make the exchange large enough to meet the challenge - (R-2)

We recommend that the Entrepreneurial Exchange be based on a model of virtuous growth that can achieve essential critical mass by:

- appealing to ambitious businesses: initial companies targeted for listing will be SMEs, i.e., with under 5,000 employees and with either sales of less than €1.5 billion or a total balance sheet of less than €2 billion.
- embracing pan-European scale and ambitions: the Entrepreneurial Exchange should open a market in each country (France, the Netherlands, Belgium and Portugal)—from the outset if possible—and aim to cover the European Union’s entire single market in time.

Recommendation no. 3 — Set ambitious targets for initial listings - (R-3)

To ensure that listings in each country reach the critical mass needed to give market participants enough business to make their activity economically viable, we recommend that the initial list of companies on this new Exchange be assembled by:

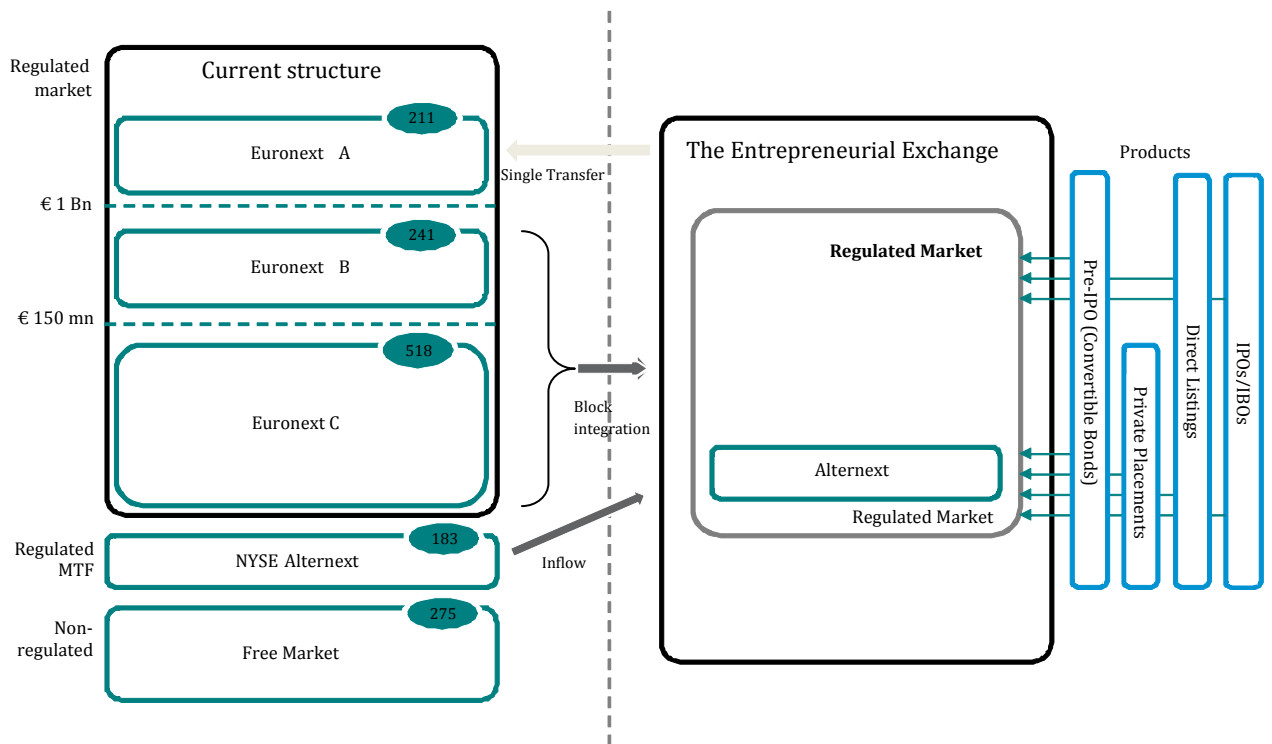
- integrating companies currently listed in Euronext’s B and C compartments at no cost (after technical analysis and validation by regulatory authorities), where this is allowed by law; if this is not possible, some listed companies meeting specific market and economic criteria (based on market size in each country) should be allowed to remain on NYSE Euronext.
- integrating NYSE Alternext-listed companies.

The creation of the Entrepreneurial Exchange should not alter the composition of primarily national indices, whose component stocks may include companies listed on NYSE Euronext or on the Entrepreneurial Exchange.

Recommendation no. 4 — Adapt the regulatory framework to SMEs - (R-4)

Without imposing additional burdens on issuers, we recommend that the framework governing the Entrepreneurial Exchange combine regulations applying to regulated markets and organised markets, and in particular the flexible and efficient framework of NYSE Alternext. We further recommend that NYSE Euronext use its influence with relevant authorities to strongly support a body of regulatory and fiscal measures that encourage market financing for SMEs.

Proposed structure, Entrepreneurial Exchange



II — Restoring a virtuous circle for intermediaries specialising in SMEs with a new membership category for the Entrepreneurial Exchange

Recommendation no. 5 – Enable intermediaries specialising in Small and Mid Caps to return to profitability (R-5)

We recommend restoring the profitability of intermediaries specialising in Small and Mid Caps by:

- adopting regulatory measures that make it easier for ISPs to offer a wide range of services, in particular by clarifying best execution rules for Small and Mid Cap shares traded on a single exchange or trading platform, and by exempting ISPs from the unbundling requirement when they trade in Small and Mid Caps;
- adopting an attractive fee structure for the Entrepreneurial Exchange to promote lasting relationships between intermediaries and Small and Mid Caps issuers.

These measures will help re-establish parity between, firstly, the range of activities handled by intermediaries, and secondly, the activities of primary and secondary markets.

Recommendation no. 6 – Establish rights and duties for a new category of member (R-6)

We recommend creating a new dual membership status for the Entrepreneurial Exchange: Listing Partner and/or Market Partner specialising in listing or raising finance for SMEs, and trading securities issued by Small and Mid Caps. To ensure a long-term commitment by such members and encourage them to contribute to the new exchange's growth, various rights and duties would be attached to this new membership category, including:

Duties:

- Qualify as an Investment Services Provider (ISP);
- Commit to playing an active role, alongside the Entrepreneurial Exchange, in seeking out new listing candidates (setting annual targets and making networks available);
- Participate actively in national and regional events organised by the Entrepreneurial Exchange;
- Carry out due diligence for listing;
- Help produce documents required for listing and advise on meeting on-going duties and obligations;
- Produce financial analyses/reports for five years on companies the member has brought to listing on the exchange;
- Be able to sign liquidity contracts and take part in improving their direct impact;
- Designate a senior contact for each listed company.

Rights:

- Access to the market at a preferred, long-term fee structure for companies that the member brought to listing or on the basis of trading volume;
- Access to the order book and/or new facilities for block trading;
- Access to information provided to issuers with which a liquidity contract has been signed;
- Use of the "Entrepreneurial Exchange" brand;
- In certain cases, participation in the governance of the Entrepreneurial Exchange;
- Subject to signature of a contract setting out their rights and duties, intermediaries that are members of NYSE Euronext can become Listing and/or Market Partners on the new exchange at no cost.

New members must choose between two options: simple Listing Partner, or combined Listing and Market Partner. After assessment of their recent performance and a more detailed definition of their duty to prospect and process applications, NYSE Alternext's current Listing Sponsors would maintain that status in the regulated section of the Entrepreneurial Exchange (Alternext).

We recommend that a detailed definition of this new dual status for members of the Entrepreneurial Exchange—including a detailed list of the rights and duties of each membership status—be set out in a framework agreement signed by the Entrepreneurial Exchange and associations representing ISPs (in France

this is AMAFI, after consultation with ALIS). In particular, the framework agreement should specify terms for interaction between Listing Partners and Listing Sponsors on the "regulated market" portion of the Entrepreneurial Exchange.

Recommendation no. 7 — Improve liquidity for Small and Mid Caps - (R-7)

We recommend that the Entrepreneurial Exchange use NYSE Euronext's electronic trading system, so that intermediaries that are already members of NYSE Euronext can join the Entrepreneurial Exchange without incurring any additional fees or technical costs.

In the light of recent events, the Strategic Planning Committee recommends that NYSE Euronext assess the relevance of separating trading groups for continuously traded stocks and those based on fixing. The Committee feels, further, that such assessment should be carried out every year.

We also recommend that NYSE Euronext make proposals to set up the following features, exclusively for the Entrepreneurial Exchange:

- larger tick sizes as envisaged in the US under the Jobs Act;
- new facilities to encourage block trading; and
- different trading hours adapted to proposed trading modes;

and that an assessment of these new features be conducted after two years of existence.

Recommendation no. 8 — Protect Small and Mid Caps from high-frequency trading (HFT) - (R-8)

We recommend that high-frequency trading (HFT) in securities on the Entrepreneurial Exchange be made prohibitive by introducing a surcharge on order cancellations beyond a certain point.

Recommendation no. 9 — Create a European regulatory framework to boost Small and Mid Caps' liquidity - (R-9)

We recommend that the neutrality and efficiency of the European legal framework be harnessed and promoted forcefully through the creation of an exchange/regulated market, and in particular that:

- proposed regulation of market abuse should not dictate a single market model for Small and Mid Caps based on market making, which we see as relatively non transparent and expensive. Instead, we call for strengthening the legal framework governing liquidity contracts for shares and bonds;
- proposed regulation of markets in financial instruments should allow the admission to trading of cross trades and automatic cross membership of regulated markets within the same stock-exchange group.
- proposed regulation of markets in financial instruments should allow market operators to take a cross-border approach to managing regulated markets within the European Union (with a "passport" for each market operator).

III - Adapting exchange structures and services to help SMEs come through the crisis and prepare for the post-crisis period

Recommendation no. 10 — Develop strong relations with issuers - (R-10)

Once the decision has been made to begin setting up the Entrepreneurial Exchange in each country, we recommend that NYSE Euronext work with issuers and their associations to write a “Charter for Relations with Issuers” laying the groundwork for strong, close ties with companies’ senior management. This Charter would be one of the new exchange's founding documents.

Recommendation no. 11 — Offer a range of customised services for SMEs and growth companies - (R-11)

We recommend that global services supplied by NYSE Euronext to issuers (ExpertLine and Connect) be made available in a way that respects the economic viability of such services, with the same quality and frequency. We also recommend developing new services, including storage of regulated information, provision of standard prospectuses, an archive of financial analysis and specialised training in decision-making.

Recommendation no. 12 — Give the Entrepreneurial Exchange a central role - (R-12)

We recommend that the Entrepreneurial Exchange make every effort to bring together issuers, investors, intermediaries, other stakeholders and the public, in order to become the focal point for trading in shares of Small and Mid Caps and growth companies in each country. The Exchange should be a hub where business partners, associations (in particular those representing issuers) and stakeholders from financial markets can confidently develop projects that facilitate the financing of Small and Mid Caps and growth companies.

Recommendation no. 13 — Offer customised financing products (IBO and Pre-IPO) - (R-13)

We recommend that the Entrepreneurial Exchange promote the development of long-term financing products, shares and bonds, and work to optimise and highlight certain products. We believe that it is especially important to develop a broad range of debt products, and in particular that:

- the Entrepreneurial Exchange should offer the option of raising funds without opening capital up to outside shareholders, through listing via bonds only (IBO);
- pre-listing (pre-IPOs) should be reserved exclusively to issuers seeking both to raise funds and to schedule future opening up of capital through convertible or redeemable bonds.

Recommendation no. 14 — Combine a regulated and an organised market - (R-14)

We recommend giving issuers and investors the security of a regulated market and the flexibility initiated with NYSE Alternext. While remaining clear, visible and transparent for investors, this solution would combine the features of a regulated market governed by European directives with those of an organised market such as Alternext.

Recommendation no. 15 — Create an exchange with a strong local focus that can reinvigorate local and regional ecosystems- (R-15)

We fully support the goal of cultivating strong local ties as the new exchange becomes established, particularly in terms of promoting good issuer relations and pursuing an aggressive business development strategy aimed at new listing candidates.

We therefore recommend that the Entrepreneurial Exchange:

- Develop a policy for marketing and promoting financing through listing to local and regional financial markets, and raise awareness of this option, particularly among local and regional entities that support businesses;
- Work with associations active in each market to set up forums for discussion and coordination of local business development strategy in partnership with all stakeholders;
- Adapt the "Entrepreneurial Exchange" brand to each regional and local system;

- Clearly identify the financial and human resources that it will dedicate to achieving these goals.

Recommendation no. 16 — Develop a specialised segment with a strong R&D focus - (R-16)

We recommend a new and specific segmentation for these R&D companies, for which the market constitutes the only source of financing. Given the unique characteristics of this type of company (long-term investment horizons, dependence on official authorisations, tax issues, etc.), we recommend setting up a working group to define the features specific to this segment (access, liquidity, further information, etc.) as soon as the decision to create the Entrepreneurial Exchange has been taken.

Recommendation no. 17 — Develop dedicated indices - (R-17)

We recommend developing a range of dedicated indices to promote companies listed on the Entrepreneurial Exchange. A benchmark index with around 50 core companies would definitely create momentum.

IV – Channelling savings into entrepreneurial success

Recommendation no. 18 — Channel savings into SMEs and growth companies - (R- 18)

The following measures are recommended for France and suggested as models for other countries:

- maintaining and developing “FIP” local investment funds (Fonds d’Investissement de Proximité) and “FCPI” funds specialising in innovation (Fonds Communs de Placement dans l’Innovation);
- enabling subscribers to multi-vehicle life insurance contracts to invest part of their funds in Small and Mid Cap shares (with subscribers free to choose);
- requiring each PEE employee savings plan to add an FCPE fund dedicated to Small and Mid Caps, and allowing higher matching contributions by employers when employee savings are channelled to a fund investing in Small and Mid Cap shares and/or bonds.

Creating new contracts targeting Small and Mid Caps and invested partly in FCPI/FIP units and/or Small and Mid Cap securities.

Recommendation no. 19 — New savings products and vehicles specialising in Small and Mid Caps and growth companies - (R-19)

The following measures are recommended for France and suggested as models for other countries:

- setting up an SME-based UCITS with a required holding period but no daily calculation of NAV, to encourage investor interest in capital increases and bond issues by Small and Mid Caps.
- creating FCPE funds dedicated to entrepreneur-driven growth (FCPCE or fonds communs de placement de croissance entrepreneuriale) in Europe, consisting partly of listed shares. These are authorised to receive private savings, and eligible for tax breaks reserved to investment in Small and Mid Caps.

V – Financing Small and Mid Caps on the market: reinvigorated, direct and local promotion

Recommendation no. 20 — Promote the legitimacy of financing via the stock exchange – (R-20)

As the Entrepreneurial Exchange is created in each country, we recommend that it works with other stakeholders, taking the initiative to design and launch a sweeping, dedicated campaign promoting the rationale for financing SMEs and growth companies through the stock exchange.

Recommendation no. 21 — Work directly and collectively to identify and appeal to companies in a position to seek financing on the market – (R-21)

We recommend that a direct business development plan targeting heads of companies in a position to seek listing on the Entrepreneurial Exchange be designed, coordinated and deployed in each country, and that the roles and responsibilities of each stakeholder in designing and deploying this plan be explicitly defined in a “Business Development Charter”.

Recommendation no. 22 — Attract investors with an ambitious marketing plan – (R-22)

We recommend that the Entrepreneurial Exchange launch an ambitious marketing plan targeting investors to promote the exchange, the companies listed on it, and the investment opportunities it offers.

Recommendation no. 23 — Create a Listing Advisory Committee to assist heads of companies seeking listing - (R-23)

We recommend that the Entrepreneurial Exchange set up an internal Listing Advisory Committee in each country. These committees would reach out to short- and medium-term candidates for listing and provide advice and assistance, helping the senior management, company and Listing Sponsor or Partner optimise the market’s resources to ensure that listing is a success. It would then track developments to ensure that commitments made by issuers and Listing Sponsors or Partners are respected.

VI - Attractive pricing, with incentives and a focus on developing primary and secondary markets

Recommendation no. 24 — Adopt pricing incentives – (R-24)

While respecting each player’s business model—including that of the market operator—we recommend that the Entrepreneurial Exchange adopt a comprehensive and attractive fee structure predicated on market recovery. This might include in particular:

- Full exemption from the annual listing fee for the first year after listing for companies with market caps under €100 million;
- Discounted annual listing fee for issuers making regular use of the market (for rights issues, bond issues, etc.);
- No fee for the initial constitution of the Entrepreneurial Exchange list, and a 50% discount on the fee charged for transfers from Euronext to NYSE Alternext;
- Lower transaction commissions for Listing and Market Partners for trades involving securities of companies brought to the market, or if the number of IPOs brought to the market exceeds a given threshold;
- A fee structure for trading and clearing securities listed on the Entrepreneurial Exchange that ensures a more equitable balance compared with trading in large caps.

Recommendation no. 25 — Set a good example for pricing – (R-25)

We recommend that the Entrepreneurial Exchange take the lead and set a good example in each country, and that all service providers participating in listings do the same, with a view to achieving a marked reduction in total fees for market listing. We urge all participants in market listings to make proposals to achieve this goal.

Recommendation no. 26 — Aim for long-term partnerships – (R-26)

We recommend that the relationship between companies listing on the Entrepreneurial Exchange and their Listing Sponsor or Listing Partner be a long-term partnership and that pricing/fees for listing and subsequent services be viewed over the long term. One way of achieving this is by offering a wider range of accompanying services.

VII – Business and capital partnerships that create value

Recommendation no. 27 — Consider the possibility of “shareholder partners” for the Entrepreneurial Exchange (R27)

If NYSE Euronext decides to open up the capital of the Entrepreneurial Exchange, we recommend that specific issues be addressed, in particular:

- • any opening of capital to shareholders must not interfere with the creation of an efficient, ambitious exchange that meets SMEs’ fundamental financing needs, which remains the founding priority;
- • any new shareholders, selected through a tender, would have to add value by bringing the Exchange new candidates for listing, networks for prospecting and transaction flows;
- • European expansion must be made a clear priority from the start, by establishing capital relationships with other European exchanges or trading platforms;
- • NYSE Euronext must remain the majority shareholder.

VIII. Optimising the regulatory and tax framework

Recommendation no. 28 — Adopt a tax framework to encourage investment in SMEs – (R-28)

We support a range of tax incentives to help channel long-term savings into SMEs and productive investment. Based on French examples and suggested as models for other countries, these include in particular:

- raise the tax incentive for investment in FIP/FCPIs to 30% (on personal income tax);
- reintroduce a tax incentive for French companies that invest cash in FIP or FCPI funds, with a 25% reduction in corporate profit tax for such investments;
- reconfirm the reduction in wealth tax (ISF) for SME equity investments at 50%;
- create a share savings plan (PEA) dedicated to Small and Mid Caps or a Small and Mid Cap compartment in a PEA, raise the ceiling to €300,000 for individuals and, to raise liquidity, reduce the holding requirement to three years;
- authorise multi-vehicle life insurance policies to offer subscribers a partial investment in Small and Mid Cap securities and extension of tax exemption for life insurance policies from eight to 12 years, with a framework setting out repurchase rights.

Recommendation no. 29 — Promote a customised European regulatory framework – (R-29)

We recommend that NYSE Euronext and all other stakeholders involved in the Entrepreneurial Exchange support proposals aimed at making Small and Mid Caps and growth companies prime drivers of growth and employment.

We recommend warning European authorities of the widening competitiveness gap between the European Union and the United States created by the US Jobs Act. In particular, we call for:

- adopting a broader definition, based on market criteria, of companies with limited capitalisation as defined in the European directive on prospectuses;
- adopting the main features of the Small Business Act for stock markets, including directives and regulations on prospectuses, disclosure requirements for listed companies, market abuse, markets in financial instruments and IFRS;
- maintaining the legal provisions now in place for liquidity contracts when the directive on market abuse is revised;
- introducing provisions for automatic multi-listings and cross-membership on regulated markets belonging to the same exchange group, paving the way for operation of a regulated market on a cross-border basis;
- raising the ceiling on State subsidies in Europe from €2.5 million to €5 million.

Recommendation no. 30 — Adapt national stock-exchange regulations – (R-30)

We recommend that market authorities in each country clarify:

- their application of the best-execution rule for companies listed on a single exchange
- exemption from unbundling requirements for intermediaries specialising in Midcaps
- delisting procedures for companies in which over 95% of capital is held
- options allowing offers for variable quantities and based on conditional subscriptions, in cases where full and detailed information is supplied to investors.

We also recommend the widespread adoption of codes of governance written especially for SMEs and urge national regulatory authorities to form teams specialising in SMEs.

Final recommendation — Launch of the Entrepreneurial Exchange

We believe that certain conditions must be met for a rapid, viable launch of the Entrepreneurial Exchange:

- An official decision to create the Entrepreneurial Exchange should be taken very soon after publication of the final SPC report and in any case before December 2012;
- The Entrepreneurial Exchange's initial financial markets should set up steering committees that would ideally include government authorities, regulators, NYSE Euronext, and bodies representing key market participants. Together they should determine how best to distribute responsibilities so as to launch the Entrepreneurial Exchange and achieve the goals detailed in the projected business plan;
- Within this framework, NYSE Euronext must take the initiative and, in coordination with the market's other stakeholders, present a business plan for its first three years at least. This business plan must specify the resources necessary to implement SPC recommendations and, depending on how much the market's other stakeholders invest, set goals for the number of companies that could be listed and the amount of capital that could be raised, as well as intermediate goals;
- NYSE Euronext should also indicate the legal structure to be implemented for the Entrepreneurial Exchange;
- The Entrepreneurial Exchange should open within a reasonable timeframe and insofar as possible before the summer of 2013;
- Once the decision to create the Entrepreneurial Exchange is taken, the SPC should be disbanded, provided these conditions are met and the task forces responsible for launching the exchange are formed.

RESULTS OF THE PUBLIC CONSULTATION

The strategic planning proposal to create an “Entrepreneurial Exchange” was released for public comment from 3 July to 17 September 2012, and generated substantial feedback from market professionals in France, the Netherlands, Belgium and Portugal. A breakdown of input appears in the Appendix to this report. Barring any restrictions specified by contributors, all responses may be consulted at <http://www.boursedelentreprise.com>

This final report of NYSE Euronext's Strategic Planning Committee (SPC) explains how key comments made during the consultation period were taken into account and how they prompted us to amend and improve our initial recommendations. In the interest of efficiency, we have opted not to rewrite our initial report, but rather to amend the 30 recommendations that now form the core of our final strategic plan. Many other opinions were also expressed during this public comment period: though not explicitly included in this report, they are nonetheless an essential part of the debate on the financing of SMEs. All should be examined, and some should be taken into account when the Entrepreneurial Exchange is launched and later as it continues to operate.

At our most recent meeting on 26 September 2012 in Amsterdam, participants analysed key comments on the major themes that form the basis for the project’s 30 recommendations:

- I – Creating the “Entrepreneurial Exchange”
- II – Restoring a virtuous circle for intermediaries specialising in SMEs with a new type of membership for the Entrepreneurial Exchange
- III – Adapting exchange structures and services to help SMEs come through the crisis and prepare for the post-crisis period
- IV – Channelling savings into entrepreneurial success
- V – Financing Small and Mid Caps on the market: reinvigorated, direct and local promotion
- VI – Using pricing incentives to grow primary and secondary markets
- VII – Forming business and capital partnerships that create value
- VIII – Optimising the regulatory and tax framework

Many respondents agreed entirely with our analysis of the financing difficulties faced by SMEs and approved our solution. On certain topics, however, they raised questions that deserve answers. After a new, in-depth discussion, we have confirmed, re-examined, improved, eliminated or added to our recommendations. In this section, we explain these decisions.

I – Creating the “Entrepreneurial Exchange”

An exchange dedicated to SMEs

While the majority of respondents approved the need to create a new exchange especially for Small and Mid Caps, some stakeholders asked why the new features we proposed (products and services designed especially for SMEs, new pricing, etc.) could not simply be applied to the current NYSE Euronext structure. Their comments led us to revisit the question, reconsidering input on the importance of NYSE Euronext’s federated model and the composition of the initial group of listed companies (see sections 2.A and 2.B). Ultimately we remain convinced that the structural changes affecting SME financing since the start of the crisis require a structural change to the stock exchange.

Our conclusion is based on the following changes to long-term SME financing: i) loan financing has been harder to come by since new, stricter prudential ratios applicable to banks have come into force; ii) new prudential ratios have caused major institutional investors to turn away from equity investments; iii) liquidity is increasingly focused on large-cap companies; and iv) the regulatory environment has been slow to recognise the special needs of SMEs. Moreover, for many reasons SMEs now believe that only very large companies can effectively use the stock exchange for financing. For all of these reasons, we are convinced that we must generate a sea change by adapting the stock exchange to SMEs. Creating a dedicated exchange in each country that is built around new financing needs is the best way to kick-start a market mechanism stalled by the crisis.

A market in keeping with NYSE Euronext's federated model

When we recommended in our initial report that a new subsidiary devoted to SMEs be created, we did not specify that this meant a single point of access to four dedicated stock exchanges, each located in a country where NYSE Euronext operates an exchange. Our silence on this point triggered numerous questions about where the Entrepreneurial Exchange would be located, about potential cross-border transfers of companies already listed and—above all—about the ability of national regulators to do their job.

To eliminate any uncertainty, we clearly state in our final recommendations that the Entrepreneurial Exchange must adhere strictly to NYSE Euronext's federated model. The Entrepreneurial Exchange must be designed as an SME-dedicated exchange in each country where NYSE Euronext operates a market, without any initial cross-border transfers of already-listed companies. Moreover, it must comply with the legal and regulatory framework applicable in each country. Finally, it must allow each national regulator to supervise and monitor operations just as it does today, both individually and as a member of the college of regulators.

→ New feature of recommendation no. 1 et seq.

Governance of the Entrepreneurial Exchange

The initial proposal to set up a governance structure for the Entrepreneurial Exchange composed of a Supervisory Board and an Executive Board was well received. But we were criticised for not providing enough information on their composition, on how responsibilities would be distributed between the two Boards, and on how market professionals could influence certain decisions.

In response, we stand by our call for a dual governance structure, which we believe will lead to the most efficient division of labour. We have nevertheless added the following items to recommendation no. 1:

The Supervisory Board will:

- include, in addition to the market operator (NYSE Euronext), 10-15 financial market professionals, such as exchange member-intermediaries, issuers, investors, investment networks, other professionals in the stock exchange ecosystem and national and local stock exchange authorities. Members would be selected through a clear, transparent process to ensure that every market professional feels represented;
- be composed of a majority of market professionals other than the market operator;
- select the Chairman of the Executive Board;
- determine the strategy, objectives and resources of the Entrepreneurial Exchange.

The Executive Board will:

- have a full-time chairman;
- implement the strategy determined by the Supervisory Board so as to achieve the objectives in a spirit of entrepreneurship;
- use the resources at its disposal to operate the Entrepreneurial Exchange on a day-to-day basis;
- report to the Supervisory Board on a regular basis;
- create subcommittees of investors, issuers, exchange members or representatives of local financial markets, for example.

Pan-European reach

A very large majority of respondents agreed that the Entrepreneurial Exchange needed to achieve critical mass, both initially and in the future, so as to generate enough business to make participants' activity economically viable. This was why we proposed creating the Entrepreneurial Exchange—from the outset if possible—, in each of the countries where NYSE Euronext operates an exchange, and respecting the federated model of NYSE Euronext.

We remain convinced that the project requires a multinational dimension, with an Entrepreneurial Exchange in each of the four financial markets. At the same time, we accept the idea that these exchanges can ramp up at different speeds.

The exchange would be named as follows:

- Bourse de l'Entreprise (French)
- The Entrepreneurial Exchange (English)
- OndernemingsBeurs (Dutch)
- Bolsa dos Empreendedores (Portuguese)

➔ New feature of recommendation no. 2

Initial group of companies listed on each Entrepreneurial Exchange

For the initial set of listings, we originally recommended transferring all companies in NYSE Euronext's Segment B and C and all of NYSE Alternext to the Entrepreneurial Exchange for each country. At the same time, we stressed that the legal and technical feasibility of this solution should be verified and that certain companies, because of their size or strategy, should be allowed to remain on NYSE Euronext.

This proposal generated numerous comments emphasising that:

- the decision to transfer to each Entrepreneurial Exchange should perhaps be left to the issuer;
- if the procedure resulted in cross-border transfers, the number of companies listed in certain countries could be considerably reduced; and
- this could have a negative impact on the composition of primary national indices where these are composed of companies in Segment B.

In response, we once again debated the idea of integrating all of Segments B and C into the initial group of companies listed on the Entrepreneurial Exchanges and amended our recommendation.

In the end, we remain convinced of the need for critical mass, so as to give each market participant enough business to make its activity economically viable. This objective received very broad support in the responses to the consultation.

Where legally and technically possible, the most efficient way to reach this critical mass would be to incorporate all of NYSE Euronext's Segments B and C and all of NYSE Alternext into the initial listings of the Entrepreneurial Exchanges in each country where NYSE Euronext operates (thus without cross-border transfers of companies).

If this is not possible, we recommend that companies be given the choice, based on specific economic and market criteria, not to be listed on the Entrepreneurial Exchange. Criteria should include in particular and depending on the size of the market in each country: i) whether the company is a component of the primary national index, ii) its total assets and iii) the change in its market capitalisation over several years and its trade volume.

We share the belief that creating the Entrepreneurial Exchange should not alter the composition of the primary national indices. In other words, the primary national indices must be able to include both companies listed on NYSE Euronext and companies listed on the Entrepreneurial Exchange.

➔ New feature of recommendation no. 3

Combining a regulated market with a market that is organised (self-regulated)

Some survey respondents pointed out that combining a regulated market (as defined by EU directives) with an “organised”, self-regulated market operating under national law in the same exchange was an entirely new idea. They wondered what impact this might have on investors.

Protecting investors’ savings and preserving their trust are essential prerequisites for the success of the Entrepreneurial Exchange. We therefore stress that our proposal does not change the protection that currently applies to NYSE Euronext markets, where regulated and self-regulated markets already co-exist. We nonetheless note the importance of making the difference clear to those who will invest in the shares of the companies listed on each Entrepreneurial Exchange.

Launching the Entrepreneurial Exchange

Many respondents wanted to better understand the steps involved in rolling out the Entrepreneurial Exchange once our final report is published. They suggested milestones and conditions required for the Entrepreneurial Exchange to become a reality.

We agree that certain conditions must be met for a rapid, viable launch of the Entrepreneurial Exchange:

- An official decision to create the Entrepreneurial Exchange should be taken very soon after publication of the final SPC report and in any case before December 2012;
- The Entrepreneurial Exchange’s initial financial markets should set up steering committees that would ideally include government authorities, regulators, NYSE Euronext, and bodies representing key market participants. Together they should determine how best to distribute responsibilities so as to launch the Entrepreneurial Exchange and achieve the goals detailed in the projected business plan;
- Within this framework, NYSE Euronext must take the initiative and, in coordination with the market’s other stakeholders, present a business plan for its first three years at least. This business plan must specify the resources necessary to implement SPC recommendations and, depending on how much the market’s other stakeholders invest, set goals for the number of companies that could be listed and the amount of capital that could be raised, as well as intermediate goals;
- NYSE Euronext should also indicate the legal structure to be implemented for the Entrepreneurial Exchange;
- The Entrepreneurial Exchange should open within a reasonable timeframe and insofar as possible before the summer of 2013;
- Once the decision to create the Entrepreneurial Exchange is taken, the SPC should be disbanded, provided these conditions are met and the task forces responsible for launching the exchange are formed;
- The task force responsible for creating a specific segment for R&D companies should be put in place (Recommendation no. 16).

➔ New feature included in the final recommendation

II – Restoring a virtuous circle for intermediaries specialising in small and mid caps with a new membership category for the entrepreneurial exchange

Rights and duties of Listing and Market Partners

The subject of rights and duties of Listing and Market Partners generated comments from those directly affected. While most respondents approved the principle that Entrepreneurial Exchange members must make certain long-term commitments, some asked that the cost of primary and secondary market activities not be increased. One of the points that attracted the most attention was that candidates would be required to obtain the status of Investment Services Provider (ISP) before becoming Listing Partners. This would mean that certain current Listing Sponsors could not become Listing Partners.

After deliberation, we decided to rewrite recommendation no. 6, while maintaining the obligation to obtain ISP and Listing and/or Market Partner status. We recommend that definitions of the roles of Listing Sponsor and Listing and/or Market Partner in the regulated segment of the Entrepreneurial Exchange be added to the framework agreement specifying the new dual status of an Entrepreneurial Exchange member.

We also recommend that an “associate” member category be created to include professionals that contribute to activity on the Entrepreneurial Exchange, such as financial analysts, chartered accountants, lawyers, etc. These professions have expressed strong interest in being closely associated with the launch and operation of the exchange.

➔ New feature of recommendation no. 6

The Entrepreneurial Exchange’s trading system

Several respondents wondered which system would be used for transactions on the Entrepreneurial Exchange and emphasised that the answer could lead to additional costs for market participants.

We recommend, more clearly than in our initial report, that NYSE Euronext’s current trading system be used for transactions on the Entrepreneurial Exchange. In this way, NYSE Euronext members that become (at no additional cost) Entrepreneurial Exchange members will not have to change their existing IT systems: using the NYSE Euronext trading system will lead to major savings when the new exchange is launched, and will generate no additional costs for Market Partners that are already NYSE Euronext members.

➔ New feature of recommendation no. 7

Better liquidity

Our recommendations for improving the liquidity of shares in the companies to be listed on the Entrepreneurial Exchange were well received by respondents.

Additional proposals aimed at further increasing liquidity were also made, in particular with regard to block trades. NYSE Euronext should examine them closely.

Lastly, certain respondents emphasised that the promoters of the Entrepreneurial Exchange should not reject the idea of organising market-making transactions in addition to the liquidity providing schemes currently in use. We do not recommend this option at the launch of the exchange, because it would lead to a significant increase in costs for member-intermediaries and investors. On the other hand, the Entrepreneurial Exchange should be prepared to reconsider this option when it conducts a liquidity analysis two or three years on.

➔ New feature of recommendation no. 7

III — Adapating Exchange Structures and Services to help SMEs come through the crisis and prepare for the post-crisis period

An ambitious offer of debt-based financial instruments

Given structural modifications in restrictions on investors and Small and Mid Caps' multiple financing needs, many respondents emphasised how critical it was that the new exchange offer and promote listing of a wide range of debt products. Our recommendation comes out clearly in favour of this, reflecting overall input received on this issue.

→ New feature of recommendation no. 13

Pre-access market

In our initial report, we recommended that the Entrepreneurial Exchange offer a special pre-access market to give young companies interested in listing in two or three years' time the opportunity to gradually assess the challenge and prepare. Overall, responses to the consultation showed that this recommendation raised more questions than it answered. Respondents also pointed out that the positioning of this pre-access market could adversely affect the image of companies preparing for listing. Lastly, it raised the more general question of the future of Marchés Libres where these exist.

After reviewing feedback, we opted to remove the gradual access option from our recommendations. We invite stakeholders active in this segment who responded to our consultation to launch local initiatives to structure existing facilities or to develop new solutions, especially in Portugal, that meet the needs of this type of business as effectively as possible.

→ Recommendation eliminated

IV — Channelling savings into entrepreneurial success

No changes made.

V — Financing small and mid caps on the market: reinvigorated, direct and local promotion

Closer relationships and re-energised local ecosystems

Many observers—including stakeholders and key players in local and regional financial markets—feel strongly that the structure of the Entrepreneurial Exchange must encourage and promote a new start for local financial ecosystems.

We fully support the goal of cultivating strong local ties as the new exchange becomes established, particularly in terms of promoting good issuer relations and pursuing an aggressive business development strategy aimed at new listing candidates.

We therefore recommend that the Entrepreneurial Exchange:

- Develop a policy for market financing to local and regional financial markets, and in particular raise awareness among local and regional entities that support businesses,
- Create forums for coordinating local business development strategy in partnership with other market stakeholders
- Adapt the "Entrepreneurial Exchange" brand to each regional and local system
- Clearly identify the financial and human resources that it will dedicate to achieving these goals.

→ New recommendation no. 15

VI — Attractive pricing, with incentives and a focus on developing Primary and Secondary Markets

No changes made.

VII — Business and capital partnerships that create value

Opening capital

We received several comments and suggestions concerning the opening of the Entrepreneurial Exchange's capital to investors. Our initial recommendation left the door open to all scenarios that allow the emergence of a stable and consensual shareholder base. Moreover, no new information or information unknown to SPC members when writing the initial report emerged during the consultation period. This being the case, we have no underlying reason to modify our recommendation on this point. Nonetheless, we would emphasise that reaching an agreement on opening up its capital must not be a factor slowing the start-up of the Entrepreneurial Exchange.

VIII — Optimising the regulatory and tax framework

Taxation and investment flows to Small and Mid Caps

We made a point of suggesting a host of regulatory and fiscal options to channel long-term savings into listed SMEs. New examples observed in France were cited. We were informed that several projects aimed at improving fiscal instruments had been launched in the four countries concerned; the key role of fiscal incentives emerged very clearly from the consultation insofar as it is possible to design measures favouring Small and Mid Caps with a neutral impact on State revenues. We agree with stakeholders that a tax-free savings product designed to encourage investment in Small and Mid Caps would have a major impact. and would be an energetic driver of success for the Entrepreneurial Exchange. As such, it should be examined in each country.

APPENDIX

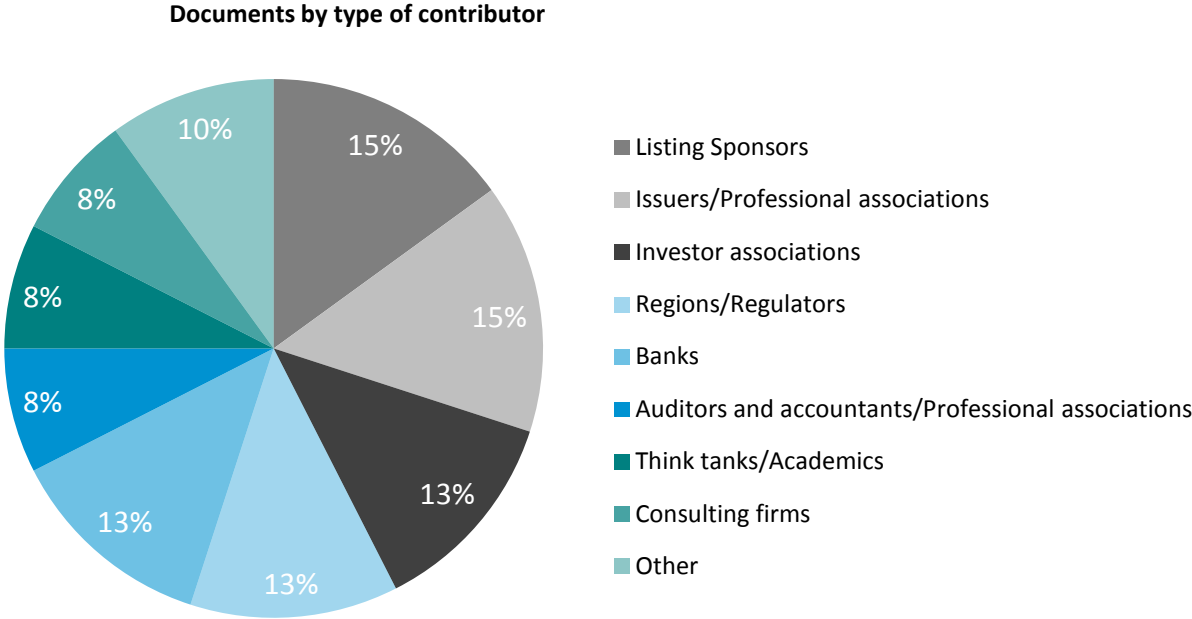
Europe-wide consultation

1. Documents and meetings with stakeholders

In preparing our report, we conducted a wide-ranging survey that produced numerous documents and sparked dialogue with stakeholders throughout the market ecosystem.

Documents

We received **40 written responses** from sources throughout the market ecosystem:



Meetings with stakeholders

In addition to collecting written responses to our survey, we met with over **40 market stakeholders and institutional investors** in July and August 2012:

AFEP

AFG

AFIC

ALIS

Allegra Finance

Alphavalue

Amafi

AMF

Bank of France

Office of the French Prime Minister

CDC

CESE

CM-CIC Securities

European Commission

Conseil Supérieur de l'Ordre des Experts-Comptables

ESL France

FBF

FFSA

ID idcaps

Lyon place financière

MEDEF

Middlenext

French Ministry of the Economy, Finance and Industry

Observatoire du financement des entreprises par le marché

Paris Europlace

Portzamparc

Poujoulat

Office of the President of France

SFAF

Toupargel

2. Public hearings

Over **200 people participated in public** hearings held in the financial centres where Euronext operates markets:

- 21 August in the Netherlands
- 22 August in Belgium
- 3 September in Portugal
- 12 September in France

The hearings provided a forum for a wide-ranging, interactive conversation among market stakeholders and resulted in four press conferences.

Stakeholders attending public hearings across Europe (sample)			
FINANCIAL ANALYSTS	BROKERS	FUNDS	LISTING SPONSORS
GAIA INDEX IDMIDCAPS SFAF FININFO	APC FEBELFIN GILBERT DUPONT	AFFIPP BEFIMMO BELFIUS PRIVATE EQUITY BNP PARIBAS PRIVATE EQUITY	ACTIFIN BOURSE INTRODUCTION BRYAN GARNIER & CO EMERIO EUROLAND CORPORATE FIRST DUTCH CAPITAL
INSURANCE COMPANIES	CONSULTING FIRMS	GIMV PETERCAM	IBI INDEPENDENT CAPITAL PARTNERS INVEST SECURITIES KEIJSER CAPITAL
AG2R LA MONDIALE C.N.P. FFSA	BMA CONSEIL SUP DE INDUS CALYPTUS CAPITAL ADVICE KEPLER CAPITAL MARKETS PORTZAMPARC SHAN	GOVERNMENT INSTITUTIONS OFFICE OF FRENCH FINANCE MINISTER PIERRE MOSCOVICI OFFICE OF BELGIAN FINANCE MINISTER STEVEN VANACKERE CAISSE DES DEPOTS FRENCH MINISTRY OF FINANCE DUTCH MINISTRY OF FINANCE	NEWCAP SGCIB SNS SECURITIES VFB
LAW FIRMS	ACCOUNTANTS/AUDITORS	INVESTORS ACCENT CICONFLEXE GROUP AFIC AMAFI AUREL BGC DACSI EUMEDION INVEST SECURITIES NATIXIS ODDO TRADINFO CDC ENTREPRISES	REGULATORS AFM AMF CMVM FSMA
DE BRAUW BLACKSTONE WESTBROEK FIDAL HOUTHOFF BURUMA NAUTADUTILH VANDOORNE	CSOEC DELOITTE ERNST AND YOUNG MAZARS PWC GRANT THORNTON		OTHER EUROCLEAR ALTERNATIVA UNIVERSITE PARIS2 EPTA
BANKS	ISSUERS		
ABN AMRO APB BANQUE DEGROOF BANQUE PLATINE BNP PARIBAS FEDERATION BANCAIRE FRANCAISE ING KEMPEN & CO RABOBANK NEDERLAND	AEM EUROPEAN ISSUERS LE POLE BOURSE DE LA CEFIM LE PUBLIC SYSTEME MEDEF MIDDLENEXT VBO-FEB VEUO		

Public hearing participants by business line

