Euronext

European Markets Users Expectations

October, 30th 2013

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1. Context and objectives

The announcement on December 20, 2012, by IntercontinentalExchange (ICE) of its intention to acquire NYSE Euronext was a major step in international market consolidation. At the same time, should the ICE project be approved by the American and European authorities, the advent of the Euronext European platform on the market is highly significant for European financial market participants (issuers, investors and intermediaries). Indeed, this development could have a significant impact on their activities, including the possible resumption of control by European actors of their basic tools for access to markets and financing.

Much as it had during the various stages of the European platform's life, Paris EUROPLACE wished to perform a thorough analysis of European User expectations for the market platform, various development scenarios, and conditions for short- and long-term implementation.

More specifically, the Paris EUROPLACE approach is based on three objectives:

- collect the objectives and expectations of the various categories of Users (at the European level) regarding a competitive European platform, and on that basis define goals and governance procedures that satisfy expectations for the platform;

- study the scenarios and implementation;

- rally Users of the Paris, Amsterdam, Brussels, and Lisbon financial markets around a common project in the interest of market Users.

2. Guidelines and recommendations

2.1 A local market infrastructure plays a strategic role in financing the economy

- **At least two vital reasons underpin today's growing awareness of the strategic role of a local market infrastructure:**

    - The experience gained from the NYSE Euronext merger: according to the individuals surveyed, the merger had a positive impact on the European market's visibility and liquidity. However, centralization of decisions within NYSE Euronext and developments following the 2008 crisis (regionalization of equity markets, greater need for market participation to finance the economy, etc.) pointed to limits in terms of strategic development, User-based governance and recognition of the priorities of European stock exchanges. Euronext's separation and autonomy represent an opportunity to remedy these issues.

    - Development of the European financing system: the trend towards disintermediation of banks and the need to develop market financing (stocks, bonds) for companies, including SMEs[1], are now clearly established. The aim is to move from a bank financing / market financing ratio of 80%/20% to one of 60%/40% over the next five years, a change that puts the importance of financing needs into perspective.

- **In this context, Users of European financial markets, whose regulated markets are operated by NYSE Euronext, believe developing a local European stock exchange is essential** and therefore involves the strategic location of resources and decision-making centers in Europe. This fits naturally with the concept of ecosystem and the implication of its various components.

- **This is true for issuers: companies, regardless of their size, must have access to an efficient local market infrastructure that allows them to diversify their financing sources (debt and equity).** Large companies have considerably reduced international listings as a result of costs and regulatory obligations. These companies stress both the importance of a principal local market that can work with them in their international development, and the need to maintain close relations with regulatory authorities. SMEs stress the significant capital requirements imposed on banks, restrictions that will limit their financing capacity even more once the economy recovers. It is of strategic importance that these companies diversify their financing sources and have greater access to capital markets (stocks and bonds).

- **Large asset managers,** who generally claim to be neutral as to the location of the infrastructure where their orders are carried out (by best-execution algorithms for best price and liquidity), report that most of their stock trading is still carried out on NYSE Euronext. **More generally, investors are dissatisfied with the multiplication of trading platforms that reduces market liquidity and with the lack of transparency and trade reporting, which are linked not only to the emergence of dark pools, but also to inconsistent clearing and custodial regulations that vary from one entity to the next.**

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[1] Please note that in France, the term SMEs includes mid-tier companies.

Investors prefer a principal, central, active market, with a wide variety of brokers and financial analysts, that would counterbalance the disadvantages of fragmented markets (liquidity problems and price formation).

- **Long-term institutional investors, who follow business financing over extended periods, consider it more efficient and logical that transactions be carried out on the price, liquidity, and transparency conditions made possible by organized, regulated markets** (including bond markets).

- **Finally, banks and financial intermediaries stress the importance of maintaining their relations with market infrastructures,** especially for post-trade functions (clearing and settlement), although front-office operators see themselves as more mobile and less attached to a local market platform. They qualify the points made by the aforementioned institutional investors and asset managers, insofar as competition among trading platforms has proven beneficial to investors by lowering trading costs.

- **Beyond the market platform itself, Users are particularly interested in the sustainability, proximity, and efficiency of the platform's ecosystem** (infrastructures, trading and post-trading activities, issuers, advisors, investment banks, access to financial markets, research, regulations, taxes). Reamrks on how this ecosystem functions should not be limited to Euronext.

From this point of view, Users are especially critical of the regulatory and tax environment (and specifically today the proposed European financial-transaction tax) and the risk that this tax would weaken the financial sector's competitiveness for the various professions in the investment and intermediation fields. At the same time, work is being done to identify the threats and to propose recommendations for initiatives.

2.2 Strategic targets

- **International visibility**

From the Users' point of view, **it is vital that the local European market have sufficient weight to attract international recognition:**

- For international groups, the market must comprise similar companies (sectors and market capitalizations), with regard to both brokers and international investors.

- Listings of the largest capitalizations must be consistent so that companies in a given sector can be compared with their peers, but also sufficiently diversified so that the benchmark index is representative of the overall economy. The market must be accessible to all international investors in order to guarantee a high degree of liquidity and to facilitate fund raising, which underscores the importance of remote-access systems and the need for active marketing (roadshows) to investors.

- Through an ambitious listing strategy, the market must define the competitive terms and conditions for optimizing listing requirements for new companies of significant size from the Euronext zone and from other countries, especially those of emerging markets. The market must be clearly positioned with regard to its competitors, especially the London Stock Exchange (LSE) and Deutsche Börse.

- **An internationally competitive and independent European stock exchange**

The stock exchange's business model must be in line with the strategic objectives of market Users, particularly the competitive positioning of associated financial markets. These objectives are:

- **Continue the long-standing strategy of a "federal European" stock exchange** that has proven effective. The Euronext model is based on its transnational scope and openness (i.e., its desire and ability to accommodate new markets), and its federating character that respects the interests and differences of the various financial markets it comprises.

- **Accelerate cost-cutting efforts**, in order to withstand the price war that other platforms (regulated markets, MTFs, OTFs) will undoubtedly launch, particularly to attract larger companies, because of the limited size of the markets concerned.

- **Implement a multimarket, multiservice strategy that allows it to attain critical size** and define a strategy of alliances and/or cooperation inside and/or outside Europe that takes advantage of opportunities that will result from the new European regulations (MiFID 2, EMIR) and the Target2-Securities (T2S) project.

- **Implement a viable economic model to attract long-term shareholders** and finance growth of innovative services.

This requires clearly defining the conditions needed, on the basis of the original stand-alone model proposed by Euronext, which currently brings together the following activities:

- cash equity / stock derivatives;
- bonds, including BondMatch;
- continental commodities;
- technologies and market data.

Furthermore, market Users are concerned about the platform's forecast profitability conditions, as it must finance i) the investments necessary for staying competitive in terms of service quality and execution cost, especially in the long run, when the technical platforms that have recently been implemented will need to be upgraded and/or replaced, and ii) ambitions for growth. This subject requires further analysis.

<u>Bond Market Efficiency</u>

In an environment of growing scarcity and expected tightening of bank financing (Basel III regulatory restrictions and its implementation by CRD IV), access to capital markets (both stocks and bonds) will be crucial for corporate financing especially of SMEs. Provisions have been made in all Euronext countries to anticipate these developments. They focus particularly on helping companies explore alternative paths to financing, including stock and bond markets.

Issuers (large companies) with access to bond markets recognize the efforts undertaken to improve issuance requirements in the Paris financial marketplace (listing costs aligned with those of other financial markets, streamlined procedure for application review by the AMF), which have led them to return to this market for their operations. Brussels has taken the same approach, with the aim of enhancing the appeal of the bond market in the Brussels stock exchange. Today, it is developing a rating offering for bond products marketed to the general public. Adequate conditions must now be developed to improve trading in the most liquid debt markets, especially with the new BondMATCH platform (regulated secondary market), to achieve spotless transparency and price efficiency. SMEs stress the need for well-functioning IBO (Initial Bond Offering) procedures, whose regulations must be gradually adjusted to balance restrictions on issuers and investors. Ratings will play a key role in the development of this market.

2.3 Implementation requirements

- **Reach critical mass to ensure international recognition**

In an environment of global competition, Euronext must meet the challenge of attaining the critical mass necessary to attract international listed issuers. This challenge is all the more crucial since Euronext's split from ICE/NYSE will deprive it of the NYSE brand, which promotes recognition in the investment community, particularly in Asia and the Gulf region.

If organic growth in the standard regulated market does not provide this critical mass, Euronext will need to develop as a multifunction market portal by drawing on new opportunities related to technological and regulatory changes. Two main areas should be explored for this purpose: bonds, in addition to BondMatch, and OTC derivatives (currently being standardized), for which ad hoc MTFs would be created.

- **Focus on competitive post-trading activity in both cash and derivatives**

Overall market efficiency is a result of the solid structuring of stock bond and derivatives exchanges and post-trade activity. **Challenges lie in the areas of service quality, costs, and competitiveness in contract management and CCPs. Another major challenge concerns the central securities depository (Euroclear), a vital part of the ecosystem.**

According to Euronext, LCH Clearnet—a key link in the value chain, particularly for derivatives—provides operating excellence for listed derivative products. The conclusion of a new agreement between NYSE Euronext and LCH Clearnet will allow New Euronext to compete on pricing and to introduce new derivative contracts. Nevertheless, some Users regard the strategy of LCH Clearnet SA as uncertain since its acquisition by the LSE, one of Euronext's major competitors.

In parallel with Euronext's new strategy, this question must be discussed between the markets it operates and the various actors on each market place.

- **Participation of Users in Euronext governance as well as** other financial-market infrastructures.

Users of financial markets associated with Euronext are attached to well-balanced governance that ensures their participation in **Stock Exchange governance, with a precise definition of the prerogatives of the different entities. This approach must also be taken with regard**

to other financial marketplace infrastructures.

Indeed, stock exchanges, even listed, are not standard companies. Their operation has a significant effect on the market model arising from practices and regulations that profoundly influence companies and both primary and secondary markets. Therefore:

- institutional investors consider the representation of their constituents to be vital;
- intermediaries have technical expertise that they would like to emphasize;
- issuers would like to participate in defining strategic guidelines, including developments for the SME segment, and in determining the composition of indices.

In concrete terms, Users want to participate in choices concerning:

- pricing policies,
- market organization provisions
- index establishment
- information regulations

2.4 Next stages

These consist in :

- A more thorough analysis of Euronext's strategic orientations, of the expectations and priorities of the Users of the financial centers associated with Euronext and of their consequences on organic vs external growth (including alliances constraints & principles), using quantitative data;
- A preparation of the IPO with respect to 3 topics: critical mass vs service mix, proximity vs global strategy & constraints, governance,
- Rallying participants in the Paris financial marketplace and associated Euronext markets around a common project, in consultation with Euronext.

3. Methodology

To ensure success for the Paris financial marketplace in this process, a working group has been set up under the leadership of Mr. Vivien Levy-Garboua, Chairman of the Paris Europlace Steering Committee. The working group includes representatives of the different categories of Users – issuers, investors, intermediaries and representatives of the French Financial Market Authorities.

This committee was charged with specifying the different topics to be studied, preparing a draft questionnaire for interviews and a list of individuals to be surveyed, and analyzing the results.

The consultation took place between April and October 2013 in the form of interviews with representatives of Paris financial marketplace Users, as well as with representatives of professional associations. As part of this project, interviews were also conducted with representatives of NYSE Euronext and actors involved in the post-trade value chain (LCH Clearnet and Euroclear). Initial contacts were established in Amsterdam, Brussels and Lisbon.

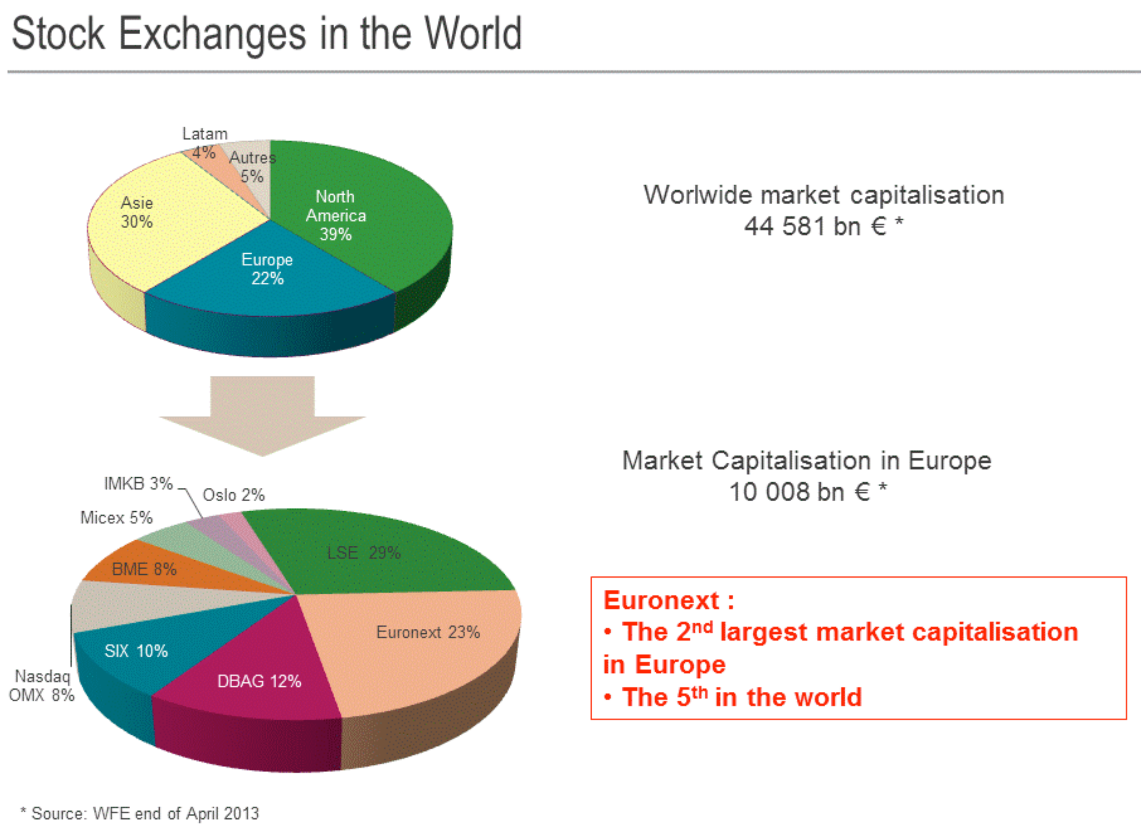
The list of establishments and professional associations interviewed is included in Appendix 1.

The consultation process led to progress in discussions regarding the future of the European platform. This process reinforced the conviction that the organization of regulated markets is at the core of the financial role of issuers, investors and intermediaries, and is essential to the life of the Paris financial marketplace and other Euronext markets.

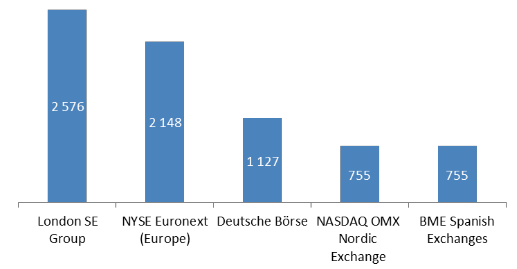
4. NYSE Euronext's international position

Equity markets: NYSE Euronext is the world's leading stock exchange in terms of both market capitalization (€15 trillion in late March 2013, i.e., greater than the London, Tokyo and Hong Kong stock exchanges combined), and transaction volumes, with more than €1.5 trillion in capital traded in the first three months of 2013.

Furthermore, today the European section of NYSE Euronext is Europe's second largest stock exchange, with a market capitalization of €2.15 trillion in 2012, compared to €2.576 trillion for London and €1.13 trillion for Frankfurt, and transaction volumes of €1.22 trillion, compared to €1.698 trillion for London and €987 billion for Frankfurt. Since the introduction of the euro in 1999, the position of top European stock exchange has alternated from year to year between Paris and London. This fact attests to the driving force of these two stock markets, which together account for more than 50% of market capitalization in Europe. In late April 2013, NYSE Euronext Europe stood as the world's fifth largest stock exchange.

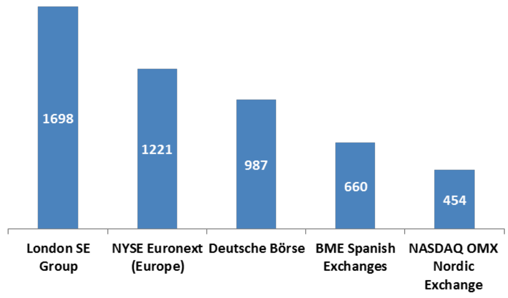


Market capitalization in Europe
(in € billions)



Source: WFE, 2013

Transaction volumes in Europe
(in € billions)



Source: WFE, 2013

With regard to equity markets, since the 2007 financial crisis there has been an undeniable slowdown, which grew more pronounced in 2012. Only 263 IPOs were recorded for the year throughout the European market, for a total of €10.9 billion, i.e., a drop of 59% in value terms and 39% in volume compared to the 430 IPOs recorded in 2011 for $26.5 billion. NYSE Euronext has also been affected by this slowdown, with a mere €2 billion raised in 2012, including €1.5 billion on Alternext. London has maintained its position and takes first place in Europe, concentrating nearly 50% of funds raised according to PWC's 2013 study.

It is vital to find a way to revive the equity financing of SMEs against a backdrop of weak economic growth.

One of the major characteristics of NYSE Euronext is the importance of major listed companies, accounting for a significant proportion of eurozone indices. NYSE Euronext also features strong sectorial diversification among listed companies and a vast array of diverse vehicles allowing for a broad range of risk-return profiles.

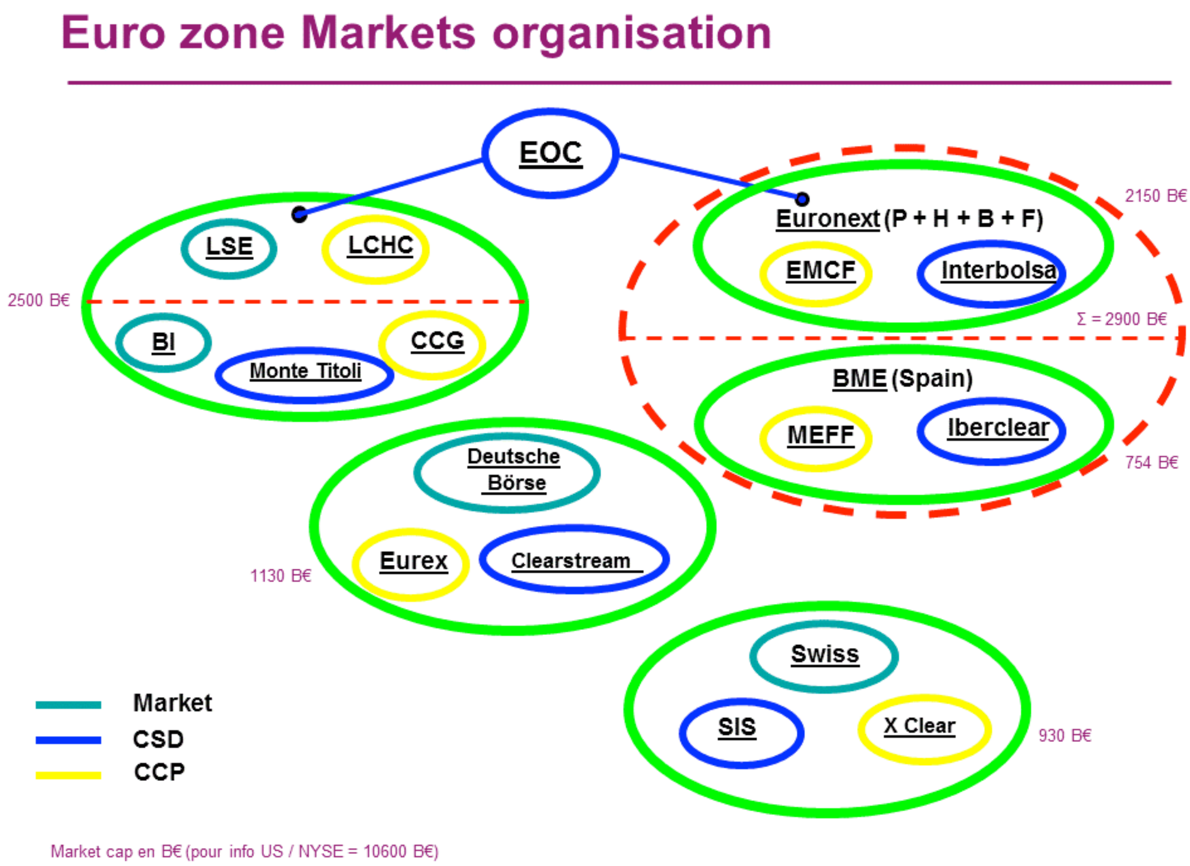
Interest rate markets: Today, NYSE Euronext Europe plays a central role on the European corporate bond market. According to BIS, in 2012 €240 billion were raised on the corporate bond market in Europe, including €80 billion in Paris, compared to €60 billion in 2011. This upward trend was continuing as of early 2013. Nearly 4,200 bonds are listed on NYSE Euronext Europe. One can note French banks' very strong presence on the market for structured investment funds. Today, nearly 25,000 structured products are listed, bringing the total of interest rate products listed on NYSE Euronext to a high level.

Considering bond markets, 3,489 new bonds were listed in Paris in 2012, compared to 5,275 in Luxembourg and 2,463 in Frankfurt.

Post-trading services: sound post-trading infrastructure (clearing houses, but also central securities depositories) provides effectiveness and secure access for international investors. In this field, the Paris financial marketplace is extremely competitive thanks to the presence of LCH Clearnet, which ensures the proper conclusion of transactions carried out by several leading depository intermediaries:

CACEIS	BNP Paribas	SG SS
Custody: €2.5 trillion (No. 9 worldwide) Depository bank: €740 billion (No. 1 in Europe) Fund administration: €1.25 trillion (No. 1 in Europe)	Custody: €6.624 trillion (No. 1 in Europe) Fund administration: €1.01 trillion	Custody: €3.449 trillion (No. 2 in Europe, No. 7 worldwide) Fund administration: €456 billion

Today, the European markets comprises a limited number of major stock market hubs featuring specific infrastructure for clearing, custody (CSD) and settlement, as shown in the following diagram:



5. Detailed feedback on Users' expectations

As pointed out in the 2006 Lachman report: "Stock market consolidation initiatives raise essential issues for all Users of the Paris financial marketplace. These initiatives can provide significant benefits in terms of security visibility among international investors, as well as cost reductions for financial intermediaries and broader liquidity. However, they may also entail more or less long-term risks that shed doubt on these benefits, including risks of marginalization due to a relinquishment of power and risks of unfavorable regulatory developments, as well as performance risks."

The main observations and expectations revealed in the interviews conducted with Users of the Paris Financial marketplace and associated financial marketplaces within Euronext (currently Brussels and Amsterdam) were as follows:

5.1 Issuers

- **Major Companies**

- **Focus on international visibility**

Major issuers emphasize first and foremost the need to maintain the high level of international visibility and easy access to international investors currently offered by NYSE Euronext. It should be noted that certain fast-growing companies consider that their visibility and their success among worldwide investors were clearly strengthened by their presence on the NYSE-Euronext stock exchange, which allowed them to establish their reputation among investors, particularly in Asia and the Gulf countries, thereby stepping up their development. However, we received no feedback concerning the benefits of seeking out additional equity capital on other stock exchanges through a secondary listing, often a complex and costly process (SOX, US market regulation, Patriot Act in the United States); issuers have no doubt as to the importance of having a link between the listing market, the regulatory authority and the location of the head office.

This means that Euronext, as it continues to develop, must maintain this international visibility and continue to provide all investors with the greatest possible liquidity. Otherwise, a portion of major listed companies could exit the Euronext exchanges in search of more efficient liquidity pockets.

Clearly, this point also relates to the issue of European regulatory and tax competitiveness, particularly as regards the implementation of Solvency II, new measures concerning money market funds and shadow banking.

- **Areas of improvement for relations with NYSE Euronext**

Issuers made no remarks on the technical performance of the platform and its operations, but two comments merit particular attention:

i. Some issuers feel they are treated as simple Users of the platform rather than clients. They call for greater transparency and consider that they are not sufficiently involved in the decision-making process: terms of market organization, definition of indices and especially pricing policies.

ii. Other issuers call for a review of pricing policies, particularly for SMEs, with regard to both the stock exchange and intermediaries.

iii. A number of people interviewed consider technological mastery and the location of data centers to be real strategic concerns.

- **Step up development of the bond market**

Issuers on the bond market highlight the efforts made by the Paris financial marketplace to promote issuance and listing of bonds on Euronext. Listing fees have been brought in line with those practiced on competing stock exchanges and the French Financial Markets Authority's review of EMTN programs and securities notes has been improved, although some difficulties persist.

Likewise, participants acknowledge efforts made to promote a liquid regulated secondary market, particularly with the implementation of the BondMatch platform.

- **Issuers are skeptical regarding the contribution of alternative platforms and dark pools**

Compared to other organized and regulated markets and alternative platforms, issuers continue to see Euronext as their principal market, where the price of their securities is set. Development of alternative platforms, and particularly dark pools, leads to market fragmentation and a division of liquidity, thus failing to realize markets' potential in terms of size and depth, considering actual transaction volume.

Finally, a lack of transparency continues to present a problem, particularly in the case of share trading.

- **SMEs**

- **Access to a local stock exchange is essential to finance growth of these companies**

SMEs are conscious of the strong balance sheet constraints facing banks, leading them to reduce bank borrowing. As a result, these companies must further develop their market financing capacity. It thus becomes a strategic issue for them to have access to these markets, for both stocks and bonds, via a local stock exchange.

Revival of the SME stock exchange, through introduction of EnterNext, is thus seen as essential. One priority highlighted by Belgian respondents, is to recenter liquidity on SMEs with the aim of enhancing appeal for investors. Another concern relates to finding a new balance for intermediary profitability, including as a way of meeting financing needs for research.

- **Dual issue of Research (equity) and Rating (credit)**

SMEs clearly suffer from recent changes to the organization of research and the associated investor-based compensation structure:

i. Relocation of analysts working on European securities.

ii. Unbundling of research, which makes it much less profitable for intermediaries to cover SMEs, leading these intermediaries to focus their research capacities on major companies.

iii. Insufficient rating diversity, leading to a substantial increase in financing costs for issuers.

All initiatives to promote the emergence of new rating institutions at the European level are obviously well received. Companies highlight the fact that, like equity research, which is paid for by investors, compensation of rating agencies by investors rather than issuers alone would substantially reduce conflicts of interest.

5.2 Investors

- **Quest for liquidity and best prices**

The central issue for institutional investors is the liquidity of their securities and cost reductions in the securities process chain, so as to ensure the highest level of management performance and optimal security in transaction processing.

These investors are in favor of all initiatives to bring about the strongest possible stock exchange offering maximum liquidity and market depth on the broadest product base.

- **A mixed view of the concept of a local stock exchange**

Major asset managers generally have no strong feelings regarding the location of a trade execution platform. They use market intermediary algorithms, which choose the trading venue according to cost and liquidity conditions on all markets.

At the same time, they realize that although an increased number of platforms may offer lower transaction costs at first glance, this system results in a significant additional costs as a result of multiple processing procedures.

As for institutional investors, data released by the French Association of Institutional Investors indicates that they disapprove of the scattering of trading platforms, which reduces market liquidity. They also denounce the absence of transparency and publicity regarding transactions, associated not only with the emergence of dark pools, but also clearing and custody rules that vary according to the actors involved. They are thus inclined to favor the conditions of an active and central principal market based on a diversity of brokers and financial analysts, thus counterbalancing the disadvantages of fragmented markets (liquidity and price formation concerns).

"Long-term" investors, who follow business financing over extended periods, consider it more efficient and logical that transactions be carried out on the basis of price, liquidity, and transparency made possible by organized, regulated markets (including bond markets).

These same investors point out that the Euronext bond market does not offer sufficient liquidity for large positions (BondMatch). To develop the secondary bond market, French intermediaries would have to ensure liquidity by adopting an active position on this market.

- **A strong desire: regulate high-frequency trading (HFT)**

In all financial markets associated with Euronext, investors are highly critical of HFT, which negatively affects the performance conditions of their orders without providing true market depth. It creates false volumes without a true increase in liquidity; their action is often seen as market abuse. For investors, one priority is to regulate HFT activities, such as by imposing restrictions on or even prohibiting order cancellations (nearly 90% of orders in order books are canceled prior to execution).

Along the same line, certain investors recommend extending centralized markets, returning to the principle of the concentration of orders to create true liquidity pockets. This recommendation refers to Asian markets, highly regulated and with little fragmentation, which are seen as efficient. Nonetheless, a return to a single market would theoretically occur at the expense of transaction prices, as competition would no longer be possible.

5.3 Intermediaries

- In the current globalized environment, the existence of a "local stock exchange" does not appear to be seen as indispensable for front offices, even though geographic proximity is an asset for commercial relationships. Front offices give priority to competition among different trading venues (regulated markets, MTFs, internalization, OTC), which they see as complementary. At the same time, the initiatives instituted under the French banking law and in the draft revision of the MiFID, both of which promote greater transparency requirements for actors as well as market organization measures (particularly circuit breakers), will lead to changes in trading methods with a potential impact on competition between organized markets and alternative platforms. Furthermore, the depth of a regulated market is the result of technical trading conditions (no quoted market price, market supervision), but above all the number of financial instruments traded on that market. Like regulators, market undertakings must offer favorable conditions for admission to trading. Competition between stock exchanges and electronic platforms also relates to the pool of companies whose securities are traded.

In particular, stock exchanges have focused on the blue chip segment in recent years. Progress achieved by stock exchanges in terms of technology and infrastructure may allow them to attract SMEs at a lower cost. It must be understood that to represent a real opportunity for stock exchanges and their members (brokerage and M&A businesses), the SME segment must attract sufficient liquidity. This is in turn conditional upon a sufficiently large number of listed issuers and a sufficient volume of shares to be traded, as well as incentives for investors to invest in this segment.

- **However, securities services business lines attach much more importance to the idea of a local stock exchange and ties to post-trading infrastructure.** CCPs are a key factor in the value chain of a properly structured mature market. They provide security, transparency and easy processing. They allow for the netting of securities transactions and ensure the proper settlement of net positions, particularly through buy-in procedures. They are even more essential for derivatives than for securities, considering the fact that they hold the open positions of clearing members and potentially end clients, throughout the life of the contracts.

Nonetheless, this key factor in the value chain should be able to deliver its services at a lesser cost. Coordination of Euronext – LCH-Clearnet strategies is indispensable.

With respect to the processing of settlement transactions, implementation of the T2S platform should ultimately allow for harmonization of procedures and price levels, and even a subsequent lowering of prices in Europe. It will also undoubtedly lead to consolidation of Central Securities Depositories (CSDs). However, in the immediate future priority must be given to maintaining ties with Euroclear France.

Considering the potential competitive benefit of incorporating the effectiveness of stock exchange – CCP – CSD links, this dimension must be taken into account when assessing alternative strategies for the stock exchange itself.

It is also important to maintain an open model for post-trading infrastructure so as to pool costs and benefit from economies of scale. From this point of view, the "silo" model presents certain disadvantages, even if the movement to consolidate CCPs in Europe cannot be ignored.

Conclusion:

In the end, a return to a more local character for Stock and Bond Exchanges is seen as fundamental by issuers and investors, as well as by regulators. Likewise, a high rate of User participation in the governance of the new system is essential, particularly through established Users' Committees and balanced representation of associated financial markets.

Finally, all parties stress their high expectations for the SMEs market, and thus with regard to Enternext.

APPENDIX 1

"Stock Exchange Users" Working Group

1.1 Paris EUROPLACE Working Group

Coordinator:

- **Vivien LEVY-GARBOUA**, Chairman of the Paris EUROPLACE Steering Committee, Advisor to the Chairman of BNP Paribas, Coordinator

Members:

- **Denis BEAU**, General Operations Director, Banque de France
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- **Arnaud de BRESSON**, Managing Director, Paris EUROPLACE
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- **Florence FONTAN,** Head of Public Affairs, , BNP PARIBAS SECURITIES SERVICES
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- **Thierry FRANCQ**, Counselor, DGT
- **Olivier GUELAUD**, Treasurer, PERNOD RICARD, representing AFTE
- **Grégoire HOPPENOT**, Reporter
- **Paul-Henri de La PORTE du THEIL**, chairman, AFG
- **Eric LE BOULCH**, chairman, CM-CIC Securities
- **Edouard de LENCQUESAING**, Counselor, Paris EUROPLACE
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- **Cyrille de MONTGOLFIER**, European Affairs Director, AXA
- **Vincent REMAY**, Chairman Advisor, VIEL
- **Christian SCHRICKE**, Managing Director, ANSA
- **Dorothée STIK**, Deputy Head Saving and Financial Markets Desk, French Treasury
- **Philippe TIBI**, Chairman, AMAFI
- **Delphine VANDENBULCKE**, Director of Market infrastructures Division, AMF

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- **Age LINDENBERGH,** Global head of Financial market infrastructure, KPMG; Advisor, Stichting Capital

❖ **Brussels**

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- **Luc GIJSENS**, Board Member KBC Group
- **Philippe LAMBRECHT**, FEB
- **Philippe MASSET**, Administrateur délégué ING
- **Jean-Paul ROUSSEAU**, Director Financial Markets & Infrastructures, Febelfin
- **Alain SCHOCKERT**, Associé Banque De Groof
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- **Raul MARQUES**, Président, APAF
- **Francisco GARCIA dos SANTOS**, Président, APC
- **João TOMAZ**, Expert, APB
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- **Luis MALCATO**, Expert, APS
- **Luis FERIA**, BCP
- **Alexandre LUCENA de VALE**, BPI
- **Rosario GALAMBA de OLIVEIRA**, Brisa
- **Renato SOARES**, Caixa BI
- **Catia LOPES**, GALP
- **Eduardo BRAGANCA**, GALP
- **Carlos MARTINS FERREIRA**, Jeronimo Martins
- **Sonia BALDEIRA**, Martifer
- **Tristão da CUNHA**, Orey
- **Nuno VIEIRA**, Portugal Telecom
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- **Philippe BERNHEIM,** Vice-Président, AFTAS
- **Cédric BESSON**, ODDO
- **Frédéric BOMPAIRE**, Public Affairs, AMUNDI
- **Gilles BRIATTA**, Deputy General Secretary, Société Générale
- **Dominique CERUTTI**, President & Deputy CEO, NYSE Euronext
- **Christian DARGNAT**, General Director, BNP Paribas AM
- **Marc DEMUTH**, Managing Director, BNP Paribas
- **Jean EYRAUD**, President, Af2I
- **Christophe HEMON**, CEO, LCH Clearnet
- **Christophe KIEFFER**, General Director, Head of negociation, AMUNDI
- **Fabienne LECORVAISIER**, CFO, Air Liquide
- **Agnès LEPINAY**, Financial and Economic Affairs, SMEs, MEDEF
- **Joël MERERE**, Executive Director, Euroclear
- **Vivien LEVY-GARBOUA**, Senior Advisor, BNP Paribas
- **Florence FONTAN,** Head of Public Affairs, , BNP PARIBAS SECURITIES SERVICES

- **Eric LE BOULCH**, chairman, CM-CIC Securities
- **Olivier GUELAUD**, Treasurer, PERNOD RICARD, representing AFTE
- **Rodolphe LAPILLONNE**, Groupe CFO, Plastic Omnium
- **Philippe MESSAGER**, Group Treasurer and Finance Director, EDF
- **Cyrille de MONTGOLFIER**, European Affairs Director, AXA
- **Christophe ROUPIE**, Trading and Securities Financing Director, AXA IM
- **Vincent REMAY**, Chairman Advisor, VIEL
- **Thomas REYNAUD**, Vice-president Finance & Business Development, Eliad
- **Eliane ROUYER**, Presidente, OCF CLIFF
- **Aldo SICURANI**, General Secretary, F2IC
- **Jacques TIERNY**, Vice-Président Exécutif, CFO, GEMALTO
- **Humbert de WENDEL**, Group Treasurer, TOTAL

APPENDIX 2

Considerations concerning Euronext governance

This note addresses governance issues for the new Euronext

The merger of ICE and NYSE Euronext will trigger the spinoff of Euronext. This should be a unique opportunity to address the major actual governance issues by designing a proper governance framework balancing powers between Investors, local financial centers and Users to guarantee real, productive dialogue between management and Users on issues of major concerns for the latter. The proposed governance is based on the recognition of Euronext as a real asset and opportunity for the concerned financial centers to leverage local business strategies in the global competition. The governance principles described below are based on a shareholding structure including a core nucleus of strategic investors with long term perspectives alongside investors seeking only a profitable investment and a clear balance of decision-making powers between the holding company and the local operating companies granting local financial centers and Users a say in decisions which are strategic for them.

I. Objectives:

- Euronext's previous governance failed to satisfy both Users and the financial markets:
  - excessive centralization of decision-making at the holding company level, as opposed to local bodies responsible for managing each of the four regulated markets in Paris, Brussels, Amsterdam and Lisbon, resulting in insufficient recognition of each individual market and the concerns of its Users;
  - lack of real dialogue with Users on issues they see as key, particularly owing to the absence of a structured framework to facilitate such a dialogue.

- The new governance (capital structure and board representation) must meet three goals:
  - reasonable financial returns for shareholders (level to be set according to prospects stemming from the business plan; NYSE Euronext's proposed plan aims at consistent dividends and moderate capital gains),
  - a strategy in line with the strategies of stakeholders (issuers, buy and sell sides) and the financial markets (Paris Amsterdam, Brussels, Lisbon),
  - an operational model that meets the expectations of Users.

- The more the shareholding structure is removed from the interests of Users and markets (due to the priority given to investors' interests), the more important it will be to set up a solid Users involvement through strong advisory committees to ensure that Users' constraints and expectations are taken into account.

- The capital and governance structure must therefore take the form of a 2-dimensional matrix, i.e.: composition and roles of the board and User committees; powers of the holding company and local markets.

II. The hypothesis of a "cooperative"

An extreme scenario would be to transform the governance framework into a cooperative model, like SWIFT. Ownership would depend on the extent to which shareholders use the platform and the board would mainly represent Users under specific rules.

In this approach, Users of Euronext stock exchanges would be called upon to create a company along the same lines as SWIFT. Through this company, they could take control of the new Euronext holding company, thus making room for other shareholders while guaranteeing that Users maintain control of the holding company.

However, it is doubtful that such an approach would be successful for Euronext:

- Euronext-operated markets face strong competition from other platforms. Moreover, their profit outlooks are uncertain due to changes in regulatory and tax environments and in the markets. Users themselves could have greatly differing points of view on these issues.

- Should Users be sufficiently motivated to become the controlling shareholders of the new holding company, they would also have to be willing to offer the seller a reasonable price, in line with the amount other potential buyers might offer. On this note, the idea of motivating User-shareholders by granting them preferential rates, as suggested by the Institutional investors French Association (AF2I), could only be put into practice if virtually all shareholders were themselves Users. Other non-user shareholders would no doubt protest against granting such advantages and reducing the company's profitability and that of their own investment.

➔ It is therefore necessary to explore other avenues.

III. Structure of the capital and of the board of directors

- The capital structure will largely determine the model selected for the new market operator, depending on the balance between shareholders who are purely investors and those more concerned by the impact that the market infrastructure will have on their own activities as issuers, investors (effective pricing, liquidity, costs) or intermediaries (brokerage, etc.). The more priority placed on the second category, the greater the risk that the market operator will manage the infrastructure without sufficient consideration for its profitability, which would weigh on its value. This is an important issue. If shareholders in the second category have a significant stake, operating and governance rules (possibly reinforced by a shareholders' agreement) should be designed to avoid their interests from becoming sources of inertia or gridlock (as in some market infrastructures). Rather, the rules must allow such interests to be sources of value-creating innovation and initiatives so that the infrastructure's operations meet the needs of professionals and the markets.

- The coexistence of these two categories would thus be advantageous. If the shareholders representing Users are sufficiently organized to represent the long-term business interests, and if the operating and governance rules foster an optimized decision-making process (to be defined), a 30%/70% ratio of Users to investors may strike a good balance.

The "strategic" shareholders representing Users should be of several "sensibilities." Ideally they would need to include issuers, institutional investors operating on the markets, and banks, ensuring adequate representation of the four stock exchanges. To boost their influence, they could be grouped into one or more companies with stakes in the holding company – like the company made up of Italian issuers with a stake in Borsa

Italiana, now part of the LSE. If not, a shareholders' agreement could unite them (or at least some of them).

- **Composition of the board**. The board should seek an appropriate balance of pure investors and Users' investors, while remaining reasonable in size.
  - The "strategic-Users" block should have a decisive influence.
  - The other directors would be representatives of the other shareholders or independent directors.
  - If it is not possible to have a representative from each local financial center, they should together be able to appoint a director who would represent them collectively.
  - Finally, the board should include the Chair of the "federal" (holding-company level) Users committee as an observer or even as a director.

IV. Users committees and structural links with the decision-making process

The new Euronext must establish procedures to consult Users in each of the exchanges it operates. Consultations should focus on topics of major interest to Users relating to business processes, market practices, and new services / instruments: listing practices, the composition of indices, pricing structures (according to the size of the issuers, needs, and the structure of the local market).

These procedures should be institutionalized, i.e. permanent, and should allow Users to express their opinions early enough in the decision-making process. Such is the case in other existing (Euroclear) and nascent (T2S, etc.) market infrastructures.

➔ This would involve creating advisory committees made up of representatives of the different categories of Users. Such committees should exist within the holding company itself and within each of the bodies operating the local exchanges. They should be systematically consulted in predefined operational areas. The committees could be associated with managerial bodies and the board of directors. Their views would be systematically conveyed to the board of directors, and their chairs would participate in the board as members or observers.

V. Taking the "financial markets" dimension into account

Significant centralization at the holding company level is indispensable to guarantee sufficient profitability in the competitive environment in which these exchanges operate, particularly to make the most of economies of scale regarding IT systems and support functions. A single order book and a highly standardized regulatory framework within the EU contribute to making such savings possible.

However, the success of the "federal" model that Euronext has advocated since its creation requires a balance between this centralization and the degree of responsibilities and decision-making powers attributed to the bodies administering the four exchanges. They must retain sufficient autonomy to ensure that the expectations and specific characteristics of the Users of these four exchanges are recognized. Financial market Users, especially in the Belgian, Dutch and Portuguese stock exchanges, currently consider that this balance is not presently ensured. They demand that local bodies once again be truly autonomous, particularly concerning listing practices, the composition of indices, pricing structures (depending on the size of issuers and the needs and structure of the local market) and dialogue with local Users. This would also require the local entities based outside of the head office of the new Euronext to reach critical mass in terms of staff count—particularly management personnel—so as to exercise these responsibilities effectively.

Recognizing the specificity of local exchanges should not lead to dismantling of common functions and decreased efficiency of elements which are crucial to the overall competitiveness of New Euronext. This requires establishing a "bottom up" approach based on common sense: How to stimulate the local ecosystem? How to give priority to local roadshows over those first made in international financial markets (as is done in Germany), etc.

These are the types of questions that ENTERNEXT faces for small-cap shares and our local exchanges.
It is thus necessary to establish local governance for market-making, with a list of functions at the local level that could benefit from the decentralization initiative in keeping with certain rules.

- Given that the smallest exchanges are primarily dedicated to small- and mid-cap shares, we could be inspired by the governance set out for the pan-European ENTERNEXT model.

- In addition, each local exchange can have its own specific character that would be for the benefit of all: the retail listed derivatives market for Amsterdam, or a privileged access to Brazil for Lisbon. If Lisbon is recognised the power to establish a Euronext strategy towards Brazil, its positioning may be rebalanced (consider the dimension the Latin American network gave to the Madrid stock exchange).

- In composing the board, one must ultimately look at how the boards of local entities can operate with the local Users' committee. If the model is pushed to its limits in seeking to give the power to each of the markets operated by Euronext, this could invert the entire structure – like in mutualist banks where the holding company belongs to the "subsidiaries." This would raise the question of the capital structure and would imply that each exchange find a duly proportionate number of local investors...

APPENDIX 3
Market Infrastructures Ecosystem

TOP 30 Equity Market Capitalisation, April, 2013

Ranking		Stock Exchanges	Market cap. 04/2013 (In EUR Mn)	% of total WFE Mkt cap.	Monthly Variation	YTD Variation	Value of bond trading 04/2013 (In EUR Mn)	Countries	AuM Q3 2012 (In EUR Mn)	Country Population (est. July 2011)	GDP 12/2011 (In EUR Bn)
1	0	NYSE Euronext (US)	11 825 241	27%	2,29%	10,59%	#N/A	USA	9 685 735	313 232 044	11 437
2	0	NASDAQ OMX	3 876 842	9%	2,28%	11,41%	#N/A	USA	9 685 735	313 232 044	11 437
3	0	Japan Exchange Group - Tokyo	3 207 217	7%	8,69%	21,40%	171	Japan	572 256	126 475 664	4 446
4	0	London SE Group	2 902 381	7%	2,92%	12,52%	322 229	Italy United Kingdom	155 642 606 002	61 016 804 62 698 362	1 369 1 677
5	0	NYSE Euronext (Europe)	2 290 632	5%	3,90%	6,50%	878	Belgium France Netherlands Portugal	66 602 1 128 735 61 050 6 446	10 413 477 65 312 249 16 847 007 10 760 305	304 1 655 522 191
6	0	Hong Kong Exchanges	2 189 446	5%	1,99%	1,81%	8	Hong Kong	#N/A	7 122 508	188
7	0	Shanghai SE	1 889 268	4%	-1,72%	-2,33%	12 428	China	283 654	1 336 718 015	5 308
8	0	TMX Group	1 643 252	3%	-2,96%	-1,30%	300	Canada	638 581	34 030 589	1 336
9	0	Deutsche Börse	1 189 676	3%	5,31%	5,39%	1 756	Germany	238 485	81 471 834	2 756
10	0	Australian SE	1 149 219	3%	2,18%	9,12%	149	Australia	1 222 796	21 766 711	1 144
11	0	SIX Swiss Exchange	1 061 194	2%	3,28%	13,29%	9 043	Switzerland	236 800	7 639 961	506
12	1	BM&FBOVESPA	943 638	2%	2,24%	1,22%	#N/A	Brazil	798 928	203 429 773	1 912
13	1	BSE India	938 776	2%	4,99%	-2,36%	2 799	India	83 551	1 189 172 906	1 400
14	-2	Shenzhen SE	927 177	2%	-0,66%	6,19%	1 943	China	283 654	1 336 718 015	5 308
15	0	Korea Exchange	870 838	2%	-0,71%	-2,77%	79 465	South Korea	193 968	48 754 657	884
16	0	NASDAQ OMX Nordic Exchange	823 702	2%	0,74%	8,93%	166 696	Denmark Estonia Finland Iceland Latvia Lithuania Sweden	84 737 #N/A 48 941 #N/A #N/A #N/A 132 266	5 529 888 1 274 709 5 259 250 311 058 2 191 580 3 525 761 9 088 728	196 20 144 9 20 32 274
17	0	BME Spanish Exchanges	770 016	2%	5,93%	1,90%	583 552	Spain	143 270	46 754 784	1 167
18	0	Johannesburg SE	658 249	1%	-0,20%	-4,34%	151 215	South Africa	105 014	49 004 031	320
19	0	Singapore Exchange	615 798	1%	1,31%	5,98%	#N/A	Singapore	#N/A	4 740 737	203
20	1	Taiwan SE Corp.	582 798	1%	3,70%	4,37%	#N/A	Taiwan	43 501	23 071 779	384
21	-1	MICEX / RTS	562 148	1%	-4,36%	-10,31%	33 685	Russia	2 185	138 739 892	1 431
22	0	Mexican Exchange	422 877	1%	-0,40%	5,93%	12	Mexico	83 141	113 724 226	900
23	0	Indonesia SE	382 484	1%	1,69%	17,62%	#N/A	Indonesia	#N/A	245 613 043	633
24	0	Bursa Malaysia	365 225	1%	3,98%	3,08%	11	Malaysia	#N/A	28 728 607	188
25	0	The Stock Exchange of Thailand	358 799	1%	2,54%	20,59%	0	Thailand	#N/A	66 720 153	257
26	0	Saudi Stock Exchange - Tadawul	292 644	1%	-0,54%	3,17%	10	Saudi Arabia	#N/A	26 131 703	425
27	0	Santiago SE	249 641	1%	-1,13%	4,92%	12 890	Chile	26 610	16 888 760	185
28	0	IMKB	218 469	0,5%	0,88%	-8,73%	46 019	Turkey	12 046	78 785 548	579
29	0	Oslo Børs	190 295	0,4%	2,18%	3,22%	50 324	Norway	71 301	4 691 849	364
30	0	Colombia SE	172 124	0,4%	-6,62%	-13,52%	62 594	Colombia	#N/A	44 725 543	245
		Total Top 30	43 463 108	97%	2,31%	7,42%					
		WFE Total (51 market cap)	44 681 197	100%	2,66%	7,68%					

North Americas	17 246 886	39%
Europe	10 008 291	22%
Latam	1 787 678	4%
Asia	13 473 010	30%

30/04/2013 - USD/EUR : 1,31681

2% of WFE market Cap out of the top 30

Top30 – Listed Derivatives YTD, April 2013

Ranking Current	vs prev. rank		Stock Exchanges	YTD Volumes April 2013 (in # contracts)	% of Total markets LD	Country
1	⇨	0	OCC	893 981 405	15,3%	USA
2	⇨	0	CME CBOT (NYSE Euronext)	795 266 911	13,6%	USA
3	⇧	1	National Stock Exchange (NSE)	753 348 421	12,9%	India
4	⇧	2	BM&FBOVESPA	581 357 236	9,9%	Brazil
5	⇨	0	Deutsche Börse (EUREX)	549 028 769	9,4%	Germany
6	⇧	1	Moscow Exchange - Micex	391 473 803	6,7%	Russia
7	⇧	1	London SE Group (liffeltom)	295 142 595	5,0%	United Kingdom / Italia
8	⇩	-5	Korea Exchange (KRX)	286 709 332	4,9%	South Korea
9	⇨	0	MCX Stock Exchange	213 956 322	3,7%	India
10	⇧	7	Ice Futures (NYBOT)	189 203 559	3,2%	USA
11	⇩	-1	Shanghai SE	156 758 219	2,7%	China
12	⇨	0	Osaka SE Group	115 457 906	2,0%	Japan
13	⇧	3	Johannesburg SE (safex)	68 214 292	1,2%	South Africa
14	⇧	5	China Financial Futures Exch.	58 905 965	1,0%	China
15	⇩	-4	Bombay SE (BSE)	58 873 502	1,0%	India
16	⇩	-3	ASX Ltd	50 322 168	0,9%	Australia
17	⇩	-2	NYSE Euronext (Europe)	50 275 127	0,9%	France / Netherlands / Belgium / Portugal
18	⇩	-4	Taiwan SE Corp	50 196 041	0,9%	Taiwan
19	⇩	-1	Hong Kong Exchanges (HKFE/SEHK)	43 049 029	0,7%	Hong Kong
20	⇧	1	NASDAQ OMX (Nordic)	41 914 781	0,7%	Iceland / Sweden / Finland / Denmark
21	⇩	-1	Australian SE (ASX24)	38 648 402	0,7%	Australia
22	⇧	1	Singapore Exhange (SGX)	37 245 683	0,6%	Singapore
23	⇩	-1	Comex	33 573 147	0,6%	USA
24	⇧	2	TMX Group (ME)	21 275 698	0,4%	Canada
25	⇩	-1	Tel Aviv (TASE)	18 763 793	0,3%	Israel
26	⇧	1	Turkish Derivatives	18 576 455	0,3%	Turkish
27	⇩	-2	BME Spanish Exchanges (MEFF)	16 795 195	0,3%	Spain
28	⇧	2	Tokyo SE Group	13 279 030	0,2%	Japan
29	⇨	0	Borsa Italiana (IDEM)	11 005 489	0,2%	Italia
30	⇨	0	Turquoise Derivatives (EDX)	5 741 408	0,1%	United Kingdom
			TOTAL	5 858 339 683	100%	
			North America	1 933 300 720	33%	
			Europe	1 379 953 622	24%	
			Asia	1 876 750 020	32%	
			latam	581 357 236	10%	
			Africa Middle east	86 978 085	1%	

Euronext :

* The 4th derivatives market in Europe

* The 17th wolrwide

Turnover of the European market undertaking

NYSE Euronext

Revenues in € millions	2012
Cash Trading and Listings	**1 790**
Transaction and clearing fees	1 190
Market Data	131
Listing	339
Other revenues	130
Derivatives	**689**
Transaction and clearing fees	621
Market Data	33
Other revenues	35
Information Services and Technology	**358**
Market Data	100
Technology services	258
	0
Total Revenues	**2 837**

London Stock Exchange

Revenues in € millions		2012
Capital Markets		**369**
Annual fees		48
Admission fees		45
Cash Equities trading UK		117
Cash Equities trading Italy		38
Derivative trading		20
Fixed income trading	637	44
Other capital markets		57
Post trade services		**280**
Clearing		50
Settlement		155
Custody and other		23
Net treasury income through CCP business		51
Information Services		**268**
Real time data		126
FTSE		62
Other information		80
Technology services		**64**
Millenium IT		27
Technology		37
Other		**16**
Other revenues		16
Total Revenues		**997**

Deutsche Börse

Revenues in € millions		2012
Xetra		**213**
Trading		91
Central counterparty equities		35
Connectivity		23
Other		65
Eurex		**843**
European index derivatives		399
European interest rate derivatives		171
European equity derivatives		40
US options	428	94
Other		139
Clearstream		**661**
Custody		335
Settlement		99
Global Securities Financing		57
Other		118
NIE from banking business		52
Market Data & Analytics		**215,4**
Total Revenues		**1 932**

BME

Revenues in € millions	2012
Equities	**108,6**
Clearing and settlement	**78,9**
Listing	**20,9**
Information	**33,3**
Derivatives	**25,5**
IT & Consulting	**15,7**
Fixed income	**9,1**
Corporate unit	**0,2**
Total Revenues	**292,2**

Revenues in € millions	2012
US	1 956
UK	401
Continental Europe (incl. Asia)	480
Total Revenues	**2 837**

Revenues in € millions	2012
UK	414
Italy	204
Other	214
Total Revenues	**832**

Sales Revenues in € millions	2012
Eurozone	1 077
Rest of Europe	728
America	295
Asia/Pacific	81
Total of all regions	**2 180**

* in EUR as of 31.12.2012
EUR / USD : 1.3215
EUR / GBP : 0.8174