

# Capital Markets Linkages: NYSE Euronext Experience

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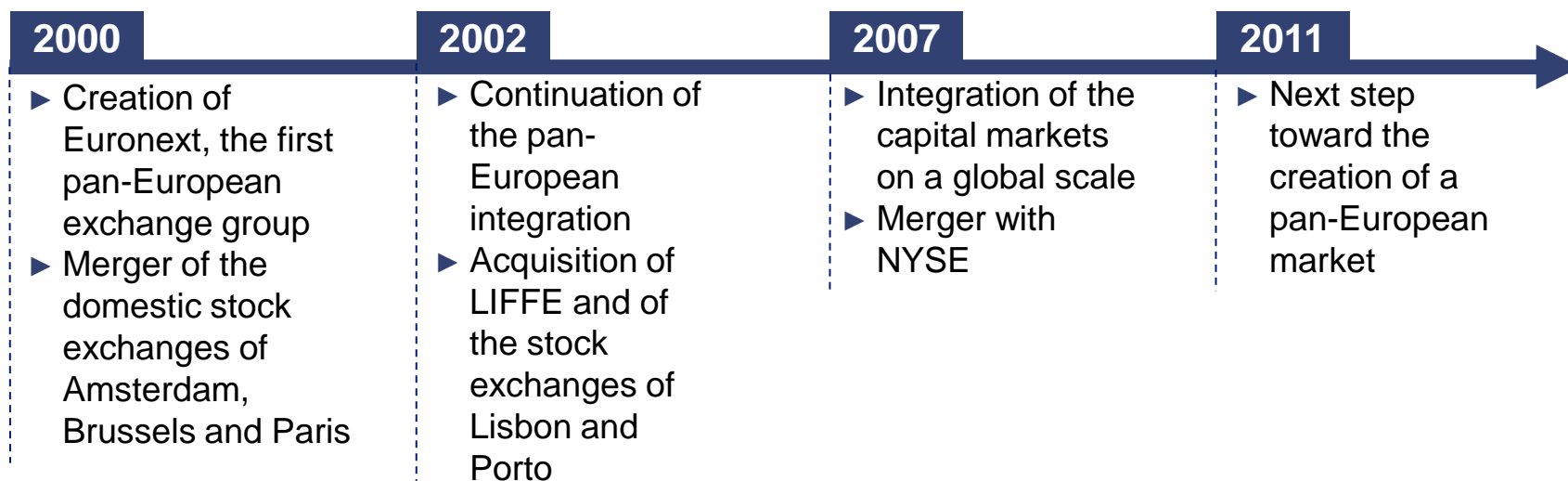
OIC Member States' Stock Exchanges- Forum 5<sup>th</sup> Meeting with capital market

# Outline

1. Brief history and positioning of NYSE Euronext
2. The benefits of integration
3. Challenges and opportunities
4. Future perspectives for the Group
5. Our order routing project

# A historical leader of capital markets integration

- ▶ The history of NYSE Euronext is that of capital markets integration, first at a pan-European level and then at a global level
- ▶ The group's history reflects the evolutions of the capital industry's business environment, which has become increasingly globalised and competitive



# Today: the most diverse exchange group

## United States

- ▶ Cash Equities
- ▶ Options
- ▶ Futures
- ▶ Fixed Income
- ▶ Listings
- ▶ Market Data

## Europe

- ▶ Cash Equities
- ▶ Options
- ▶ Futures
- ▶ Fixed Income
- ▶ OTC Derivatives
- ▶ Listings
- ▶ Market Data

## Asia & S. America

- ▶ Qatar: 20% stake in the Doha Securities Market
- ▶ China: opened Beijing office
- ▶ Japan: strategic alliance with Tokyo Stock Exchange

## Other

- ▶ Cooperation Agreements:
  - Abu Dhabi
  - Luxembourg
- ▶ Selected Technology Arrangements:
  - Doha Securities Market
  - Tokyo
  - Bursa Malaysia
  - Philippines
  - Warsaw
  - BM&F Bovespa

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# Tangible benefits for users and the market as a whole

- |   |                                           |                                                                                                                                                                                                                                                           |
|---|-------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Facilitation of cross-border transactions | <ul style="list-style-type: none"><li>▶ Single connection to access NYSE Euronext's markets</li><li>▶ Regulatory harmonisation, single rule book</li><li>▶ Single order book</li><li>▶ Single clearing house</li><li>▶ Single settlement system</li></ul> |
| 2 | Cost-efficiencies                         | <ul style="list-style-type: none"><li>▶ Cost-efficiencies passed on to NYSE Euronext's users</li><li>▶ Lower connectivity costs</li><li>▶ Lower compliance costs</li><li>▶ Lower clearing and settlement costs, cross-margining</li></ul>                 |
| 3 | Greater opportunities for issuers         | <ul style="list-style-type: none"><li>▶ Greater visibility</li><li>▶ Access to a larger pool of investors</li></ul>                                                                                                                                       |
| 4 | More efficient markets                    | <ul style="list-style-type: none"><li>▶ Deeper liquidity</li><li>▶ Decrease in bid-ask spreads</li></ul>                                                                                                                                                  |

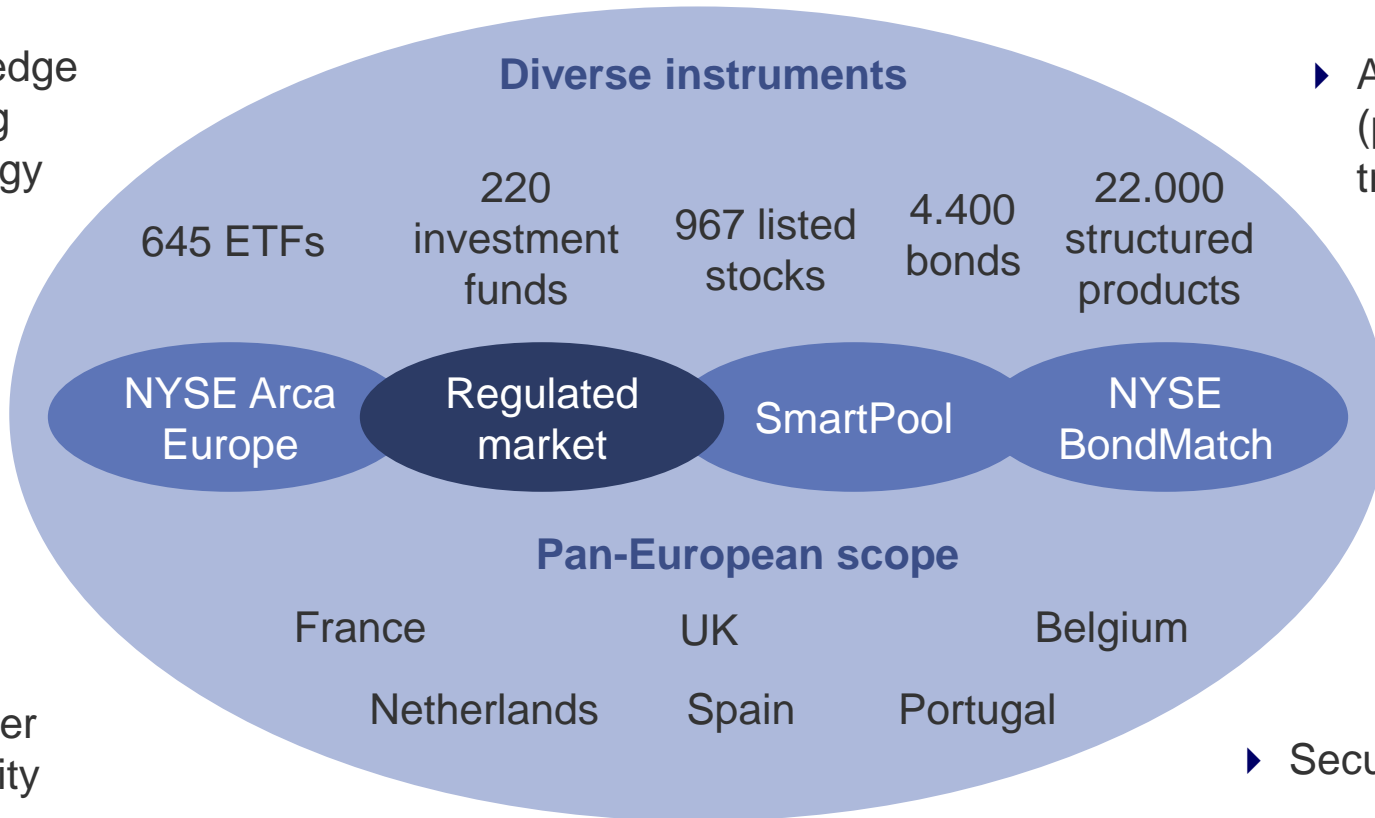
# A diversified offer for Cash & Listing in Europe

▶ One connection,  
several markets

▶ Access to  
diverse flows

▶ Cutting edge  
matching  
technology

▶ Adapted fees  
(pre and post-  
trade)



▶ Deeper  
liquidity

▶ Security and trust

# Integration does not mean forgetting local needs

- ▶ While integration provides tangible benefits, national markets have their own specificities that need to be acknowledged

## Regulation

- ▶ In Europe, NYSE Euronext is regulated by a College of Regulators



Single rule book approved by each of them

## Organisation

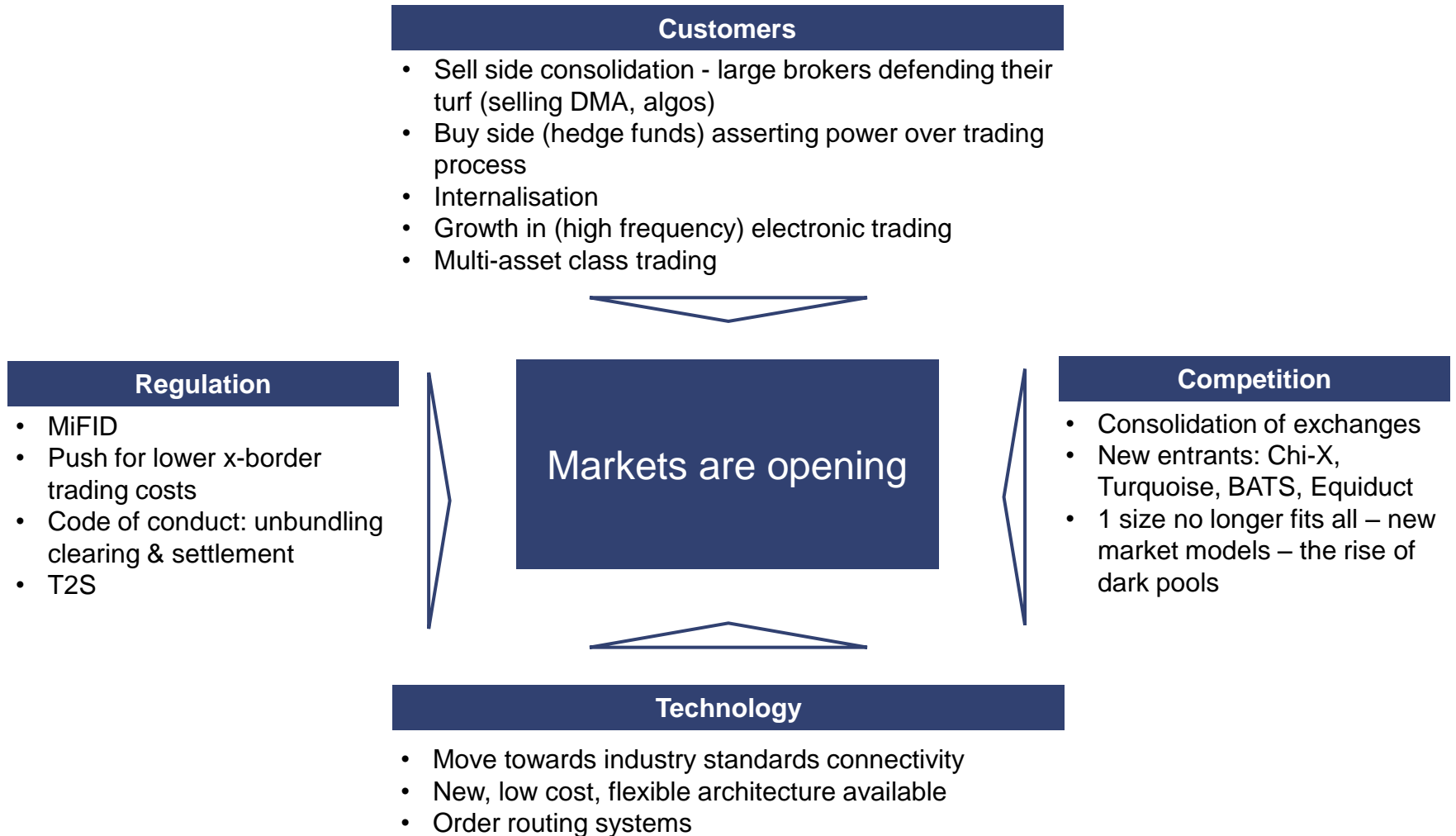
- ▶ Central functions in Paris: management, development, market surveillance, etc
- ▶ Delocalised sales teams: close to local markets and needs



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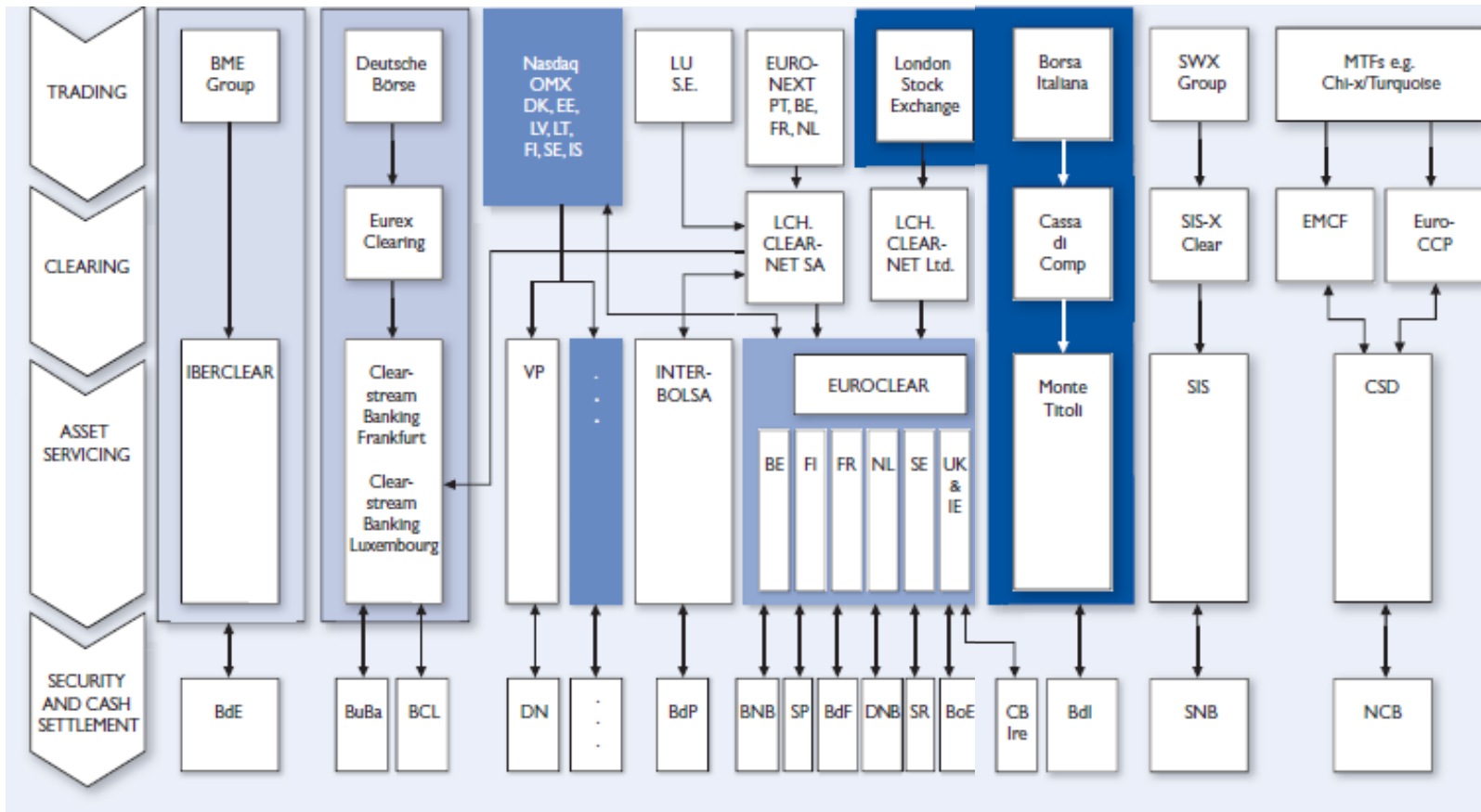
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# A quickly changing business environment



# Important frictions remain in Europe

- ▶ The more you go down the value chain, the more national differences exist



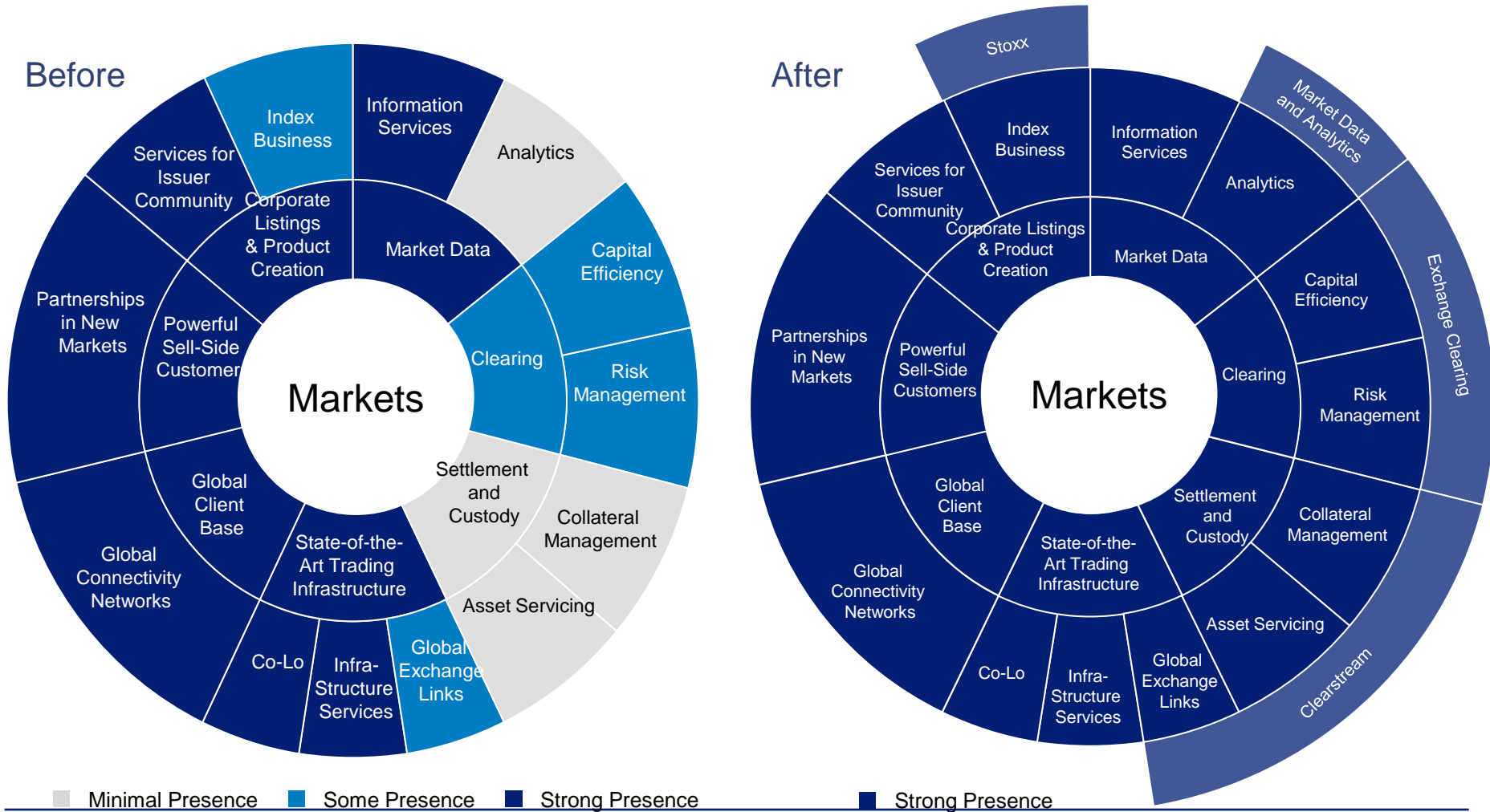
Note: The shaded boxes indicate groups of companies resulting from mergers and acquisitions.

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# The proposed merger with Deutsche Börse

► An acceleration of NYSE Euronext's strategy



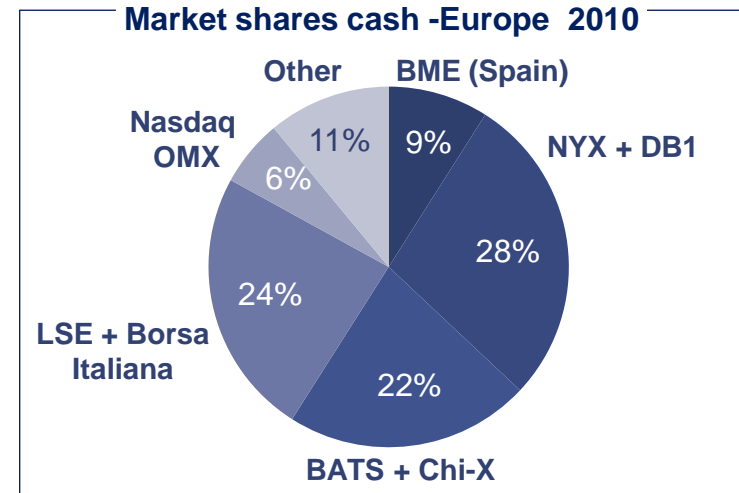
# Benefits expected from the proposed merger

## ► Trading and listing

- Cost savings
  - Connectivity costs : elimination of redundancies
  - Simpler client interface: savings in relationship management
  - Cost efficiencies will allow clients to repurpose broker support staff and resources to core business project
- Wider scope of asset classes
- Enhanced liquidity
- Largest capital raising venue, increased visibility for issuers

## ► Clearing

- Operational efficiencies:
  - Elimination of duplication of infrastructure and membership
  - Single clearing interface, standardized business practices and procedures
- More efficient capital management
  - Reduced need to move capital among multiple Clearing Houses
  - Netting effects and capital efficiencies through structured products
- Customer margin savings
- Customer default fund savings towards Clearing Houses
- Opportunities to develop new services
  - OTC services and cross margining benefits with listed products



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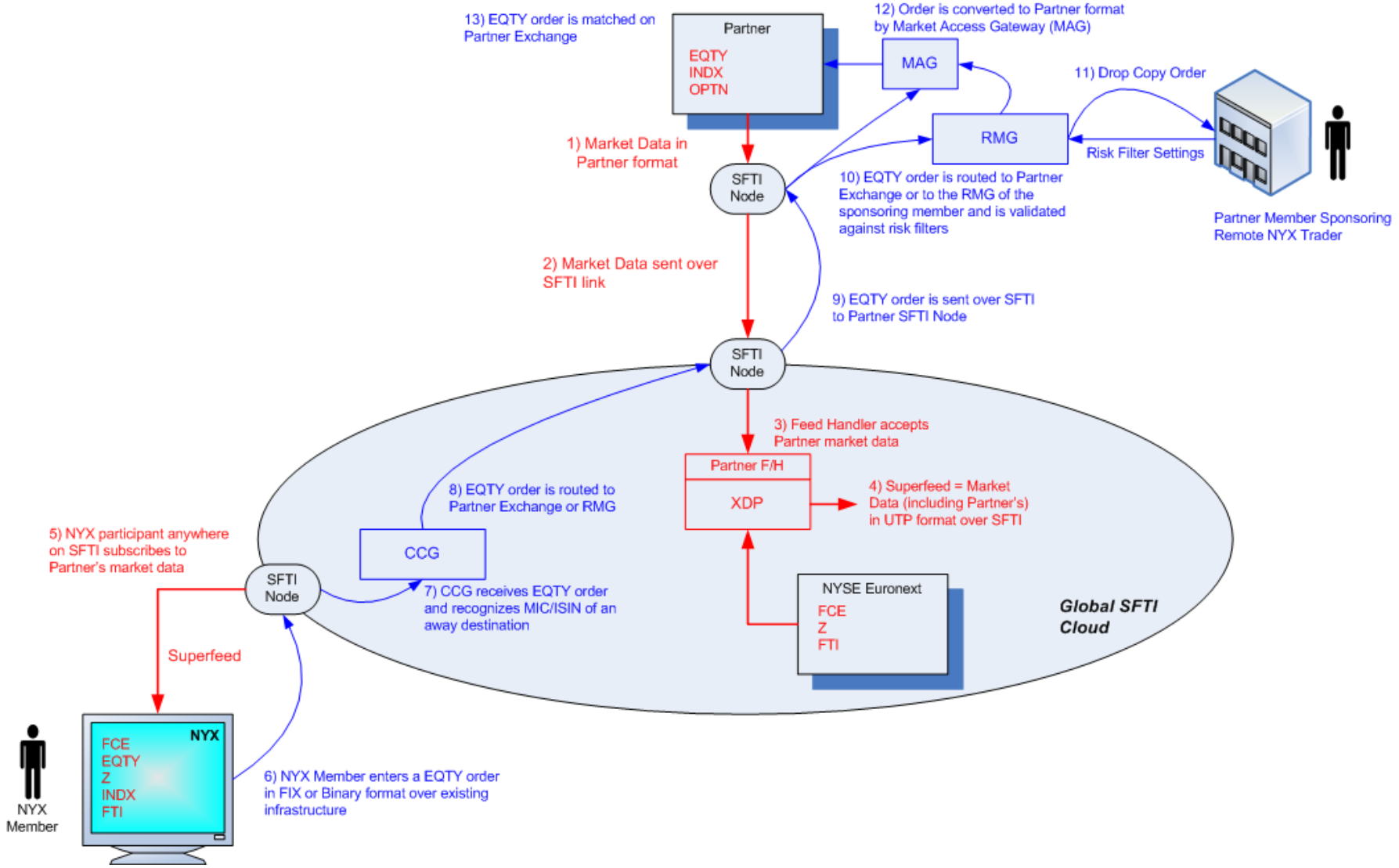
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# Two-way Order Routing

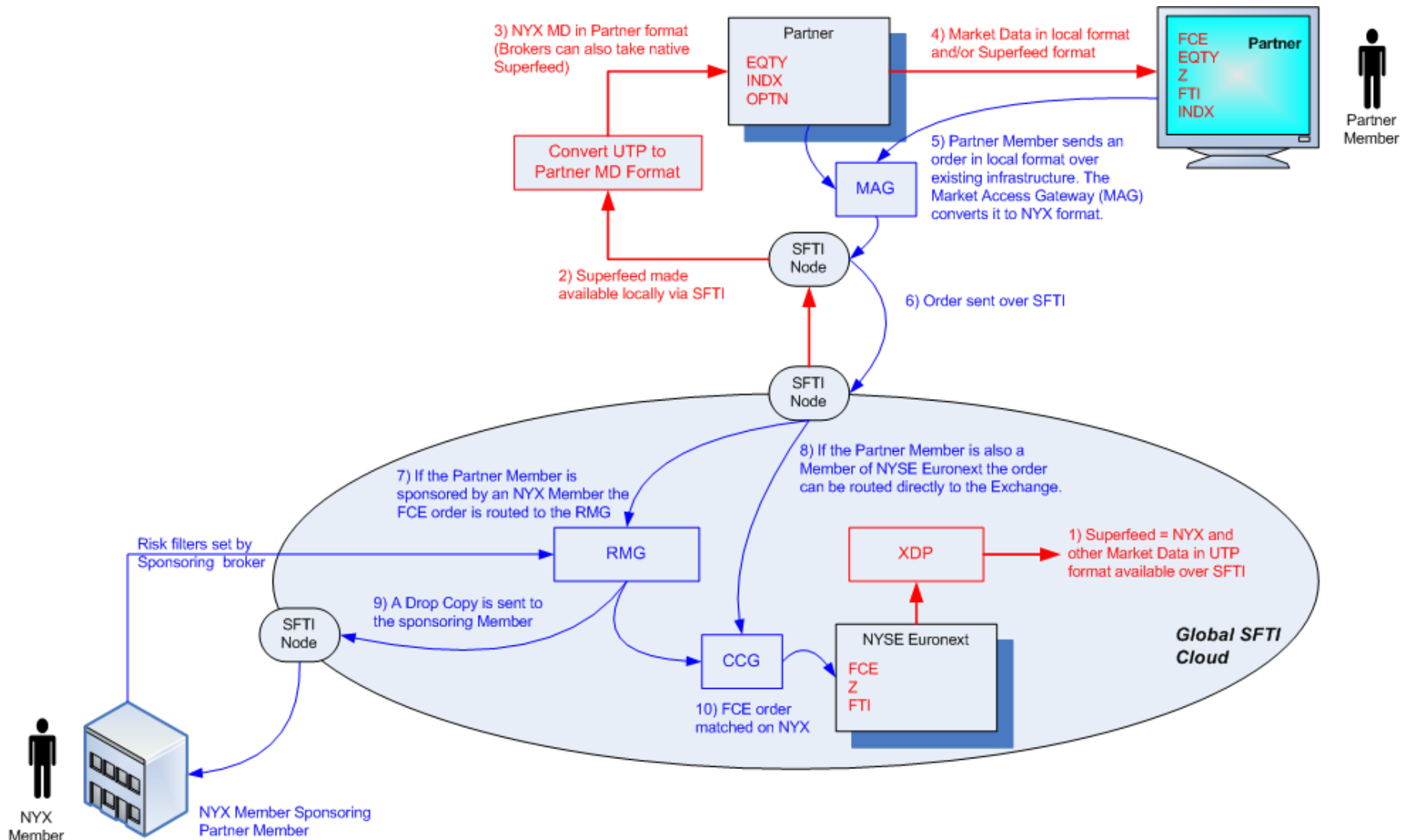
- Build a strategic partnership between the partner exchanges and NYSE Euronext by linking together the customer base of partner exchanges with the that of NYSE Euronext
  - Low cost access to 2,000+ NYSE Euronext Buy and Sell-side customers already on SFTI (the best global cash and derivatives address book)
  - Marginal effort / cost for existing SFTI users to add access to a partner exchange
- Link the partner exchange and NYSE Euronext trading communities to increase the returns from existing infrastructure
  - Low cost and low time-to-market will broaden international access quickly
  - Complements rather than replaces other access methods



# Routing Orders to a Partner Exchange



# Routing Orders from a Partner Exchange





**NYSE Euronext**

Powering the exchanging world.<sup>SM</sup>