

LCH.Clearnet General Members Meeting

Single Order Book
March 2007



Single Order Book

Foundations

- To complete the achievement of Euronext model : one trading, one clearing, one settlement.
- To maintain the possibility for an issuer to remain multi-listed and to belong to several national indices.
- To concentrate trading of multi-listed securities on one single trading line in order to :
 - Increase market efficiency (liquidity, spread, single price...)
 - Rationalise and simplify market access (access to the market only through ISIN code)
- To refine the concept of “market place” in order to :
 - Clearly differentiate business activities (listing vs. trading)
 - Take into consideration ESES model (one CSD per security)
 - Cope with MiFID principles (trading venues identification)

Single Order Book

Main principles

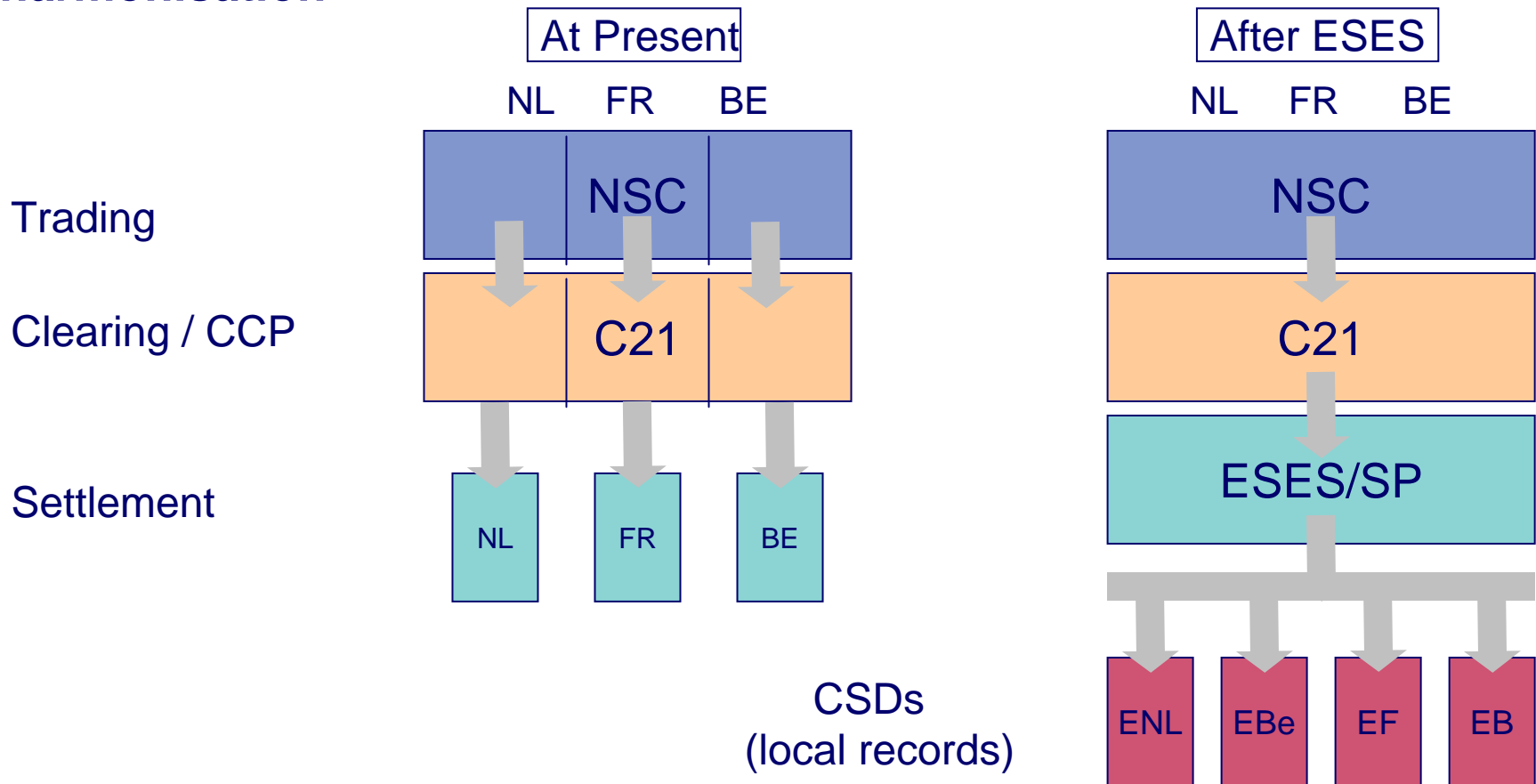
- One order book per security (single line of trading), the market of reference being determined according to following criteria:
 - Euronext Group* securities : Primary market (ISIN code)
 - Euronext non-Group securities : Most relevant market in terms of liquidity
- Harmonised corporate actions, applied based on the market of reference
- Possibility of several places of listing for external communication and financial reporting.

***having its statutory seat in BE, NL or FR (Lisbon is not in the scope of the SOB)**

Single Order Book

ESES opportunity

Full fungibility at Clearing & Settlement level, allowing a trading harmonisation



Single Order Book

French security example : ALCATEL

Market of reference = primary market

Current situation

Trading

- 06 : NSCBE0130001
- 25 : FR0000130007
- 38 : NSCNL0130001

Clearing

- CS : Belgian securities
- CS : French securities
- CS : Dutch securities

Settlement

- Euroclear Belgium
- Euroclear France
- Euroclear Nederland

Target Situation

Trading

- ~~06 : NSCBE0130001~~
- 25 : FR0000130007
- ~~38 : NSCNL0130001~~

Clearing

- CS : French securities

Settlement

- Euroclear France

Single Order Book

Dutch security example : RODAMCO EUROPE

Market of reference = primary market

Current situation

Trading

06 : NSCBE0057238
25 : NSCFR00RCEP5
38 : NL0000289320

Clearing

CS : Belgium securities
CS : French securities
CS : Dutch securities

Settlement

Euroclear Belgium
Euroclear France
Euroclear Netherlands

Target situation

Trading

~~06 : NSCBE0057238~~
~~25 : NSCFR00RCEP5~~
38 : NL0000289320

Clearing

CS : Dutch security

Settlement

Euroclear Netherlands

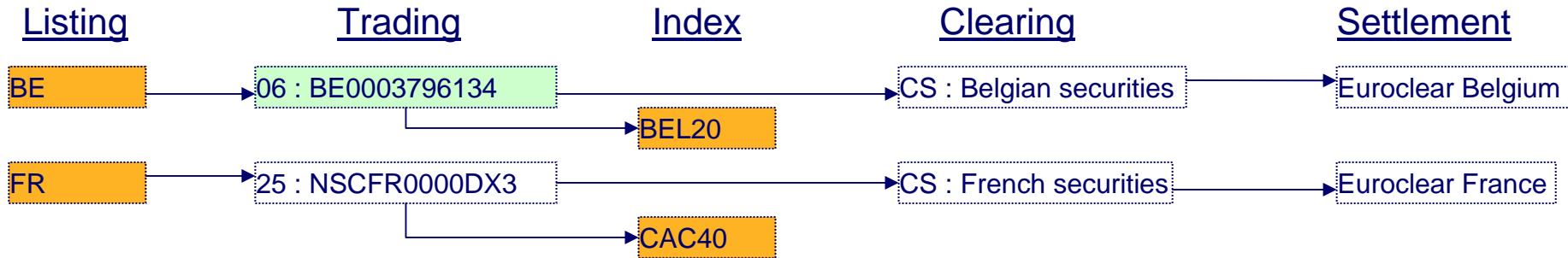


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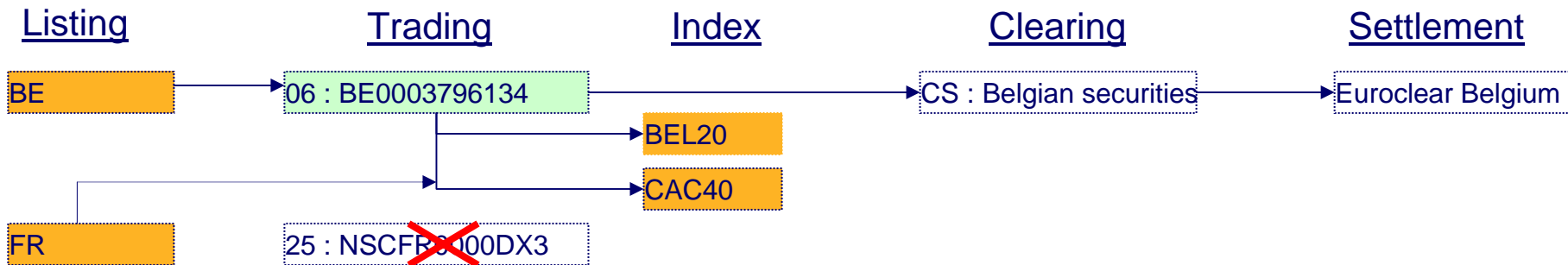
Index security example: DEXIA

Market of reference = primary market

Current situation



Target situation



Single Order Book

Non Euronext Group security example: FORD

Market of reference = most liquid market

Current situation

Trading

25 : NSCFR0FORDP0

38 : US3453708600

Clearing

CS : French securities

CS : Dutch securities

Settlement

Euroclear France

Euroclear Nederland

Target situation

Trading

25 : US3453708600

38 : ~~US3453708600~~

Clearing

CS : French securities

Settlement

Euroclear France

Single Order Book

Trading platforms : Principles

- **NSC (central order book)**

Trading on the market of reference.

Applicable jurisdiction subject to the trading place.

Reference price for :

- Valuation of positions (e.g. for risk management purpose)
- bilateral declaration on TCS (see below)

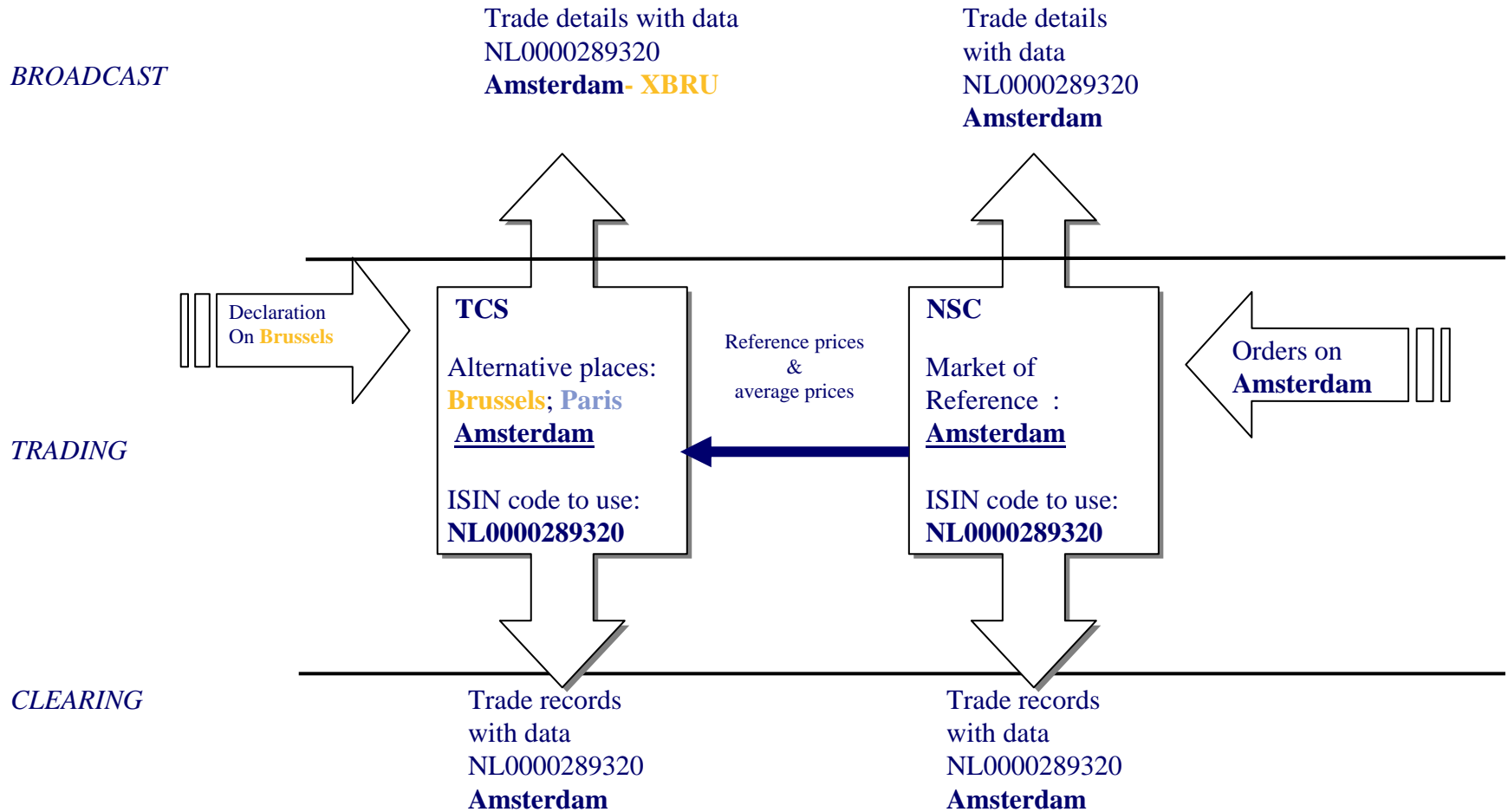
- **TCS (bilateral declaration)**

At the request of the regulators, Euronext offers the possibility to trade on every market where a given security is listed (outside the market of reference) : this is done through TCS.

- Price restriction (dependent on the price on the central order book)
- Trading place is an additional matching criteria for the declaration
- Trading members need to be registered within the chosen trading place
- From a clearing point of view, fungibility with trades done on the central order book

Single Order Book

Trading platforms : RODAMCO EUROPE illustration



Single Order Book

Attention points

- **Market impacts**

Single instrument identification (ISIN code)

- Suppression of “Euronext Codes (NSC Codes)” for multi-listed instruments (except for Portuguese ones).

Corporate action management

- Dates (Ex, Record, Payment) and Rules (dividend amount) harmonisation for all Euronext markets.

Index calculation

- Single underlying for multiple local indices calculation (examples :Dexia, Fortis...).

Derivatives

- A solution is under study for the contracts having multi-listed securities as underlying.

- **Regulatory impacts**

Membership extension on all Euronext markets

- Trading : “European passport” activation (on demand)
- Clearing and Settlement : Contracts/Agreements to be reviewed
- Modification of the rule book

Single Order Book Implementation

- **Launch strategy** (with regard to ESES migration)

28 April 2008 (evening) : preparation of Single Order Book implementation

- Purge of all the order books for the multi-listed securities (even on the market of reference)
- Closure of trading places other than the market of reference
- Business data updates
 - Quotation characteristics
 - Security/Index link

ESES minus 1day : Depository codes adjustment

- CSD of reference update

- **Timetable**

Monday 28/04/08	Tuesday 29/4/2008	Wednesday 30/4/2008	Thursday 1/5/2008	Friday 2/5/2008	Saturday 3/5/2008	Sunday 4/5/2008	Monday 5/5/2008 ESES
Last trading day multiple order books : SOB minus 1 day	SOB	SOB + 1 day		SOB + 2 days			
	ESES minus 3 Days	ESES minus 2 days		ESES minus 1day			ESES

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Questions and Answers



