

NYSE Euronext  
Form 10-K/A  
May 01, 2007  
Table of Contents

---

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

---

**Amendment No. 1 to**  
**Form 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**

---

For the fiscal year ended December 31, 2006

Commission File Number: 001-368007

**NYSE Euronext**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**11 Wall Street**

**New York, N.Y.**  
(Address of principal executive offices)

**20-5110848**  
(I.R.S. employer

identification no.)

**10005**  
(Zip Code)

**(212) 656-3000**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

## Edgar Filing: NYSE Euronext - Form 10-K/A

---

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Annual Report on Form 10-K or any amendment to the Annual Report on Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The registrant's common stock began trading on the New York Stock Exchange on April 4, 2007. As such, the registrant has not completed its second fiscal quarter in which its common equity was publicly traded. As of April 27, 2007, the aggregate market value of the registrant's voting stock held by non-affiliates computed by reference to the price at which the common stock last sold was approximately \$22.3 billion. As of April 27, the registrant had approximately 263.9 million shares of common stock, par value of \$0.01 per share, outstanding.

---

**Table of Contents**

**NYSE EURONEXT**

**AMENDMENT NO. 1 TO**

**ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006**

**INDEX**

Form 10-K Item Number:		Page No.
<b><u>PART I</u></b>		
Item 1.	<u>Business</u>	4
Item 1A.	<u>Risk Factors</u>	57
Item 1B.	<u>Unresolved Staff Comments</u>	71
Item 2.	<u>Properties</u>	72
Item 3.	<u>Legal Proceedings</u>	74
Item 4.	<u>Submission of Matters to a Vote of Security Holders</u>	77
<b><u>PART II</u></b>		
Item 5.	<u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	78
Item 6.	<u>Selected Financial Data</u>	80
Item 7.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	86
Item 7A.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	134
Item 8.	<u>Financial Statements and Supplementary Data</u>	138
Item 9.	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	274
Item 9A.	<u>Controls and Procedures</u>	274
Item 9B.	<u>Other Information</u>	274
<b><u>PART III</u></b>		
Item 10.	<u>Directors and Executive Officers of the Registrant</u>	282
Item 11.	<u>Executive Compensation</u>	295
Item 12.	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	296
Item 13.	<u>Certain Relationships and Related Transactions</u>	299
Item 14.	<u>Principal Accountant Fees and Services</u>	299
<b><u>PART IV</u></b>		
Item 15.	<u>Exhibits and Financial Statement Schedules</u>	300

**Table of Contents**

**REASON FOR FILING THIS FORM 10-K AMENDMENT NO. 1**

NYSE Euronext originally filed its annual report on Form 10-K on March 22, 2007 (the Original Filing ), prior to the consummation of the combination of NYSE Group and Euronext on April 4, 2007. This Amendment No. 1 to Form 10-K is being filed solely to reflect NYSE Euronext on a post-combination basis as a convenience for our investors who will receive this document in connection with our 2007 annual meeting of stockholders. The audited financial statements for NYSE Euronext, NYSE Group, Inc. and Euronext N.V., as well as the unaudited pro forma condensed combined financial statements of NYSE Euronext, contained in this Amendment No. 1 to Form 10-K are identical to those filed previously with the SEC.

As a result, the certifications pursuant to Section 302 and Section 906 of the Sarbanes-Oxley Act of 2002, filed and furnished, respectively, as exhibits to the Original Filing, have been re-executed and re-filed as of the date of this Form 10-K Amendment No. 1.

**CERTAIN TERMS**

Throughout this document, unless otherwise specified or if the context otherwise requires:

Archipelago refers to Archipelago Holdings, Inc., a Delaware corporation, and its subsidiaries and, where the context requires, its predecessor, Archipelago Holdings, LLC, a Delaware limited liability company and its subsidiaries;

combination agreement refers to the Combination Agreement, dated as of June 1, 2006, as amended and restated as of November 24, 2006, by and among NYSE Group, Euronext, NYSE Euronext, and Jefferson Merger Sub, Inc., a Delaware corporation and a newly formed, wholly owned subsidiary of NYSE Euronext;

Euronext refers to Euronext N.V., a company organized under the laws of the Netherlands, and its subsidiaries;

NYSE refers to (1) prior to the completion of the merger between the New York Stock Exchange, Inc. and Archipelago, which occurred on March 7, 2006, New York Stock Exchange, Inc., a New York Type A not-for-profit corporation and a registered U.S. national securities exchange, and (2) after the completion of such merger on March 7, 2006, New York Stock Exchange LLC, a New York limited liability company and a registered U.S. national securities exchange, and, where the context requires, its subsidiaries, NYSE Market, Inc., a Delaware corporation, and NYSE Regulation, Inc., a New York not-for-profit corporation;

NYSE Arca refers to NYSE Arca, L.L.C., a Delaware limited liability company (formerly known as Archipelago Exchange, L.L.C.), and NYSE Arca, Inc., a Delaware corporation (formerly known as the Pacific Exchange, Inc.), and NYSE Arca Equities, Inc., a Delaware corporation (formerly known as PCX Equities, Inc.);

NYSE Arca, Inc., where that specific term is used, refers to the entity registered as a U.S. national securities exchange (formerly known as the Pacific Exchange, Inc.);

NYSE Group refers to NYSE Group, Inc., a Delaware corporation, and its subsidiaries; and

NYSE Euronext we, us and our refers to NYSE Euronext, a Delaware corporation, and its subsidiaries.

**Table of Contents**

**FORWARD-LOOKING STATEMENTS**

This Annual Report on Form 10-K contains statements and from time to time our management may make statements that may constitute forward-looking statements within the meaning of the safe harbor provisions of The Private Securities Litigation Reform Act of 1995. In some cases, you can identify these statements by forward-looking words such as may, might, will, should, expect, plan, anticipate, believe, predict, potential or continue, and the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to known and unknown risks, uncertainties and assumptions about us, may include projections of our future financial performance based on our growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. In particular, you should consider the numerous risks and uncertainties described under Item 1A. Risk Factors.

These risks and uncertainties are not exhaustive. Other sections of this report describe additional factors that could adversely impact our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible to predict all risks and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy or completeness of any of these forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. We are under no duty to update any of these forward-looking statements after the date of this report to conform our prior statements to actual results or revised expectations and we do not intend to do so.

Forward-looking statements include, but are not limited to, statements about:

our business possible or assumed future results of operations and cash flows;

our business strategies and investment policies;

our business financing plans and the availability of capital;

our business competitive position;

potential growth opportunities available to our business;

the risks associated with potential acquisitions or alliances by us;

the recruitment and retention of our officers and employees;

our expected levels of compensation;

our business potential operating performance, achievements, productivity improvements, efficiency and cost reduction efforts;

the likelihood of success and impact of litigation;

our protection or enforcement of our intellectual property rights;

our ability to successfully implement and operate the NYSE Hybrid Market<sup>SM</sup>;

our expectation with respect to securities markets and general economic conditions;

our ability to keep up with rapid technological change; and

the impact of future legislation and regulatory changes on our business.

**Table of Contents**

We caution you not to place undue reliance on the forward-looking statements, which speak only as of the date of this report.

We expressly qualify in their entirety all forward-looking statements attributable to us or any person acting on our behalf by the cautionary statements contained or referred to in this section.

---

**Table of Contents**

**PART I**

**ITEM 1. BUSINESS**

NYSE Euronext was organized on May 22, 2006. As of December 31, 2006 and up until April 4, 2007, NYSE Euronext had no assets (other than the \$100.00 it received on June 1, 2006 from the sale of one share of its common stock to NYSE Group) and had not conducted any material activities other than those incident to its formation. However, on April 4, 2007, upon the consummation of the combination, NYSE Euronext became the parent company of NYSE Group and Euronext and each of their respective subsidiaries. The address of NYSE Euronext's principal executive office is 11 Wall Street, New York, New York 10005. Its telephone number is (212) 656-3000.

**NYSE Group**

NYSE Group operates and regulates two securities exchanges: the NYSE and NYSE Arca, Inc. NYSE Group is a leading provider of securities listing, trading and related information products and services. NYSE Group was formed in connection with the merger of the NYSE and Archipelago, which was completed on March 7, 2006. Although the trading platforms of the NYSE and NYSE Arca currently operate separately, we are actively integrating some of their activities to achieve revenue and cost synergies.

*The NYSE.* The NYSE is the world's largest and most liquid cash equities exchange. The NYSE provides a reliable, orderly, liquid and efficient marketplace where investors meet directly to buy and sell listed companies' common stock and other securities. For 214 years, the NYSE has facilitated capital formation, serving a wide spectrum of participants, including individual and institutional investors, the trading community and listed companies. As of December 31, 2006, 2,713 issuers, which include operating companies, closed-end funds and exchange traded funds (ETFs), were listed on the NYSE, and the NYSE's listed operating companies represent a total worldwide market capitalization of over \$25.1 trillion. During 2006, on an average trading day, approximately 1.67 billion shares, valued at over \$63.0 billion, were traded on the NYSE. The NYSE operates a hybrid market in which orders are electronically transmitted for execution. Specialists on the trading floor are charged with maintaining fair, orderly and continuous trading markets in specific stocks by bringing buyers and sellers together and, when circumstances warrant, adding liquidity by buying and selling stock for their own account. Floor brokers act as agents on the trading floor to facilitate primarily large or complicated orders. We refer to this trading model as the NYSE Hybrid Market<sup>SM</sup>.

*NYSE Arca.* NYSE Arca operates the first open, all-electronic stock exchange in the United States and has one of the leading market positions in the trading of exchange-listed securities and ETFs. NYSE Arca is also an exchange for trading equity options. Through NYSE Arca, customers can trade approximately 8,875 equity securities and over 152,000 option products. NYSE Arca's trading platforms link traders to multiple U.S. market centers and provide customers with fast electronic execution and open, direct and anonymous market access. The technological capabilities of NYSE Arca's trading systems, combined with its trading rules, have allowed NYSE Arca to create a large pool of liquidity that is available to customers internally on NYSE Arca and externally through other market centers. During 2006, on an average trading day, over 822 million shares, valued at over \$28.6 billion, were traded through NYSE Arca's trading platforms.

*Securities Industry Automation Corporation (SIAC).* SIAC has historically provided critical automation and communications services to the NYSE, the American Stock Exchange (AMEX) and other organizations to support order processing, trading and the reporting of market information, among other functions. SIAC also provides system support for certain national market system functions and for important regulatory and administrative activities.

*NYSE Regulation.* NYSE Group plays a critical role in the U.S. securities industry through its two self-regulatory organizations (SROs). As a not-for-profit company within NYSE Group, NYSE Regulation regulates the activities of members, member organizations and their employees through enforcement of SRO rules and



## **Table of Contents**

federal securities laws. In addition, NYSE Regulation surveils the trading that occurs on the NYSE and NYSE Arca, Inc., and oversees compliance by listed companies with the financial and corporate governance listing standards of NYSE Group's two SROs.

For a discussion of our revenues and other financial information with respect to our reporting segments and geographic areas, see Item 8. Financial Statements and Supplemental Information Note 5 Segment Reporting.

### **Recent Acquisitions/Strategic Investments/Alliances**

*National Stock Exchange of India.* On April 4, 2007, NYSE Group acquired a 5% equity position in the Mumbai-based National Stock Exchange of India Limited, the maximum investment permitted by any single foreign investor in a stock exchange under the securities regulations of India.

*Tokyo Stock Exchange.* On January 31, 2007, NYSE Group and Tokyo Stock Exchange, Inc. signed a letter of intent that established a strategic alliance to jointly develop and explore new opportunities in trading systems and technology, investor and issuer services, investment products, and governance and regulation. The agreement, which is non-exclusive, also may serve as a precursor for a potential capital alliance between NYSE Group and Tokyo Stock Exchange at some point in the future.

### **The NYSE and NYSE Arca**

NYSE Group's business includes two market centers: (1) the NYSE and (2) NYSE Arca. The NYSE's business is operated mainly through two separate entities:

*New York Stock Exchange LLC.* The NYSE is the entity registered as a national securities exchange. The NYSE holds all of the equity interests of NYSE Market, Inc., NYSE Regulation, Inc. and SIAC.

*NYSE Market, Inc.* NYSE Market, Inc. is a wholly owned subsidiary of New York Stock Exchange LLC. NYSE Market conducts the market activities of the New York Stock Exchange.

NYSE Arca's business is operated mainly through three separate subsidiaries:

*NYSE Arca, LLC and NYSE Arca Equities, Inc.* NYSE Arca, LLC and NYSE Arca Equities operate an all electronic trading venue for (1) equity securities listed with NYSE Arca, Inc., the NYSE, Nasdaq and the American Stock Exchange, and (2) ETFs.

*NYSE Arca, Inc.* NYSE Arca, Inc. operates an exchange for trading equity options listed on national markets and exchanges including the facilities, technology, systems and regulatory surveillance and compliance services required for the operation of a marketplace for trading options.

### **Listings Business**

NYSE Group operates two listing platforms; NYSE and NYSE Arca, Inc. As of December 31, 2006, approximately 2,713 operating companies, closed-end funds and ETFs were listed on the NYSE. The NYSE's listed operating companies represented a combined global market capitalization of approximately \$25.1 trillion as of that date. In addition, approximately 544 structured products were listed on the NYSE as of that date. As of December 31, 2006, 28 of the 30 publicly traded companies that constitute the Dow Jones Industrial Average and 85.0% of the stocks included in the S&P 500 Index were listed on the NYSE. As of December 31, 2006, the NYSE's roster of listed companies included 451 non-U.S. companies from approximately 47 countries with a U.S.-publicly-held float of approximately \$1.3 trillion and a total global market capitalization of approximately \$9.7 trillion.

As of December 31, 2006, there were approximately 155 operating companies and ETFs listed on NYSE Arca, Inc. Thirty-three of the operating companies and ETFs were exclusively listed on NYSE Arca, Inc. and 103 operating companies were dually listed with the NYSE, the American Stock Exchange or Nasdaq. Many of the



---

**Table of Contents**

companies that were dually listed on NYSE Arca and the NYSE as of December 31, 2006 delisted from NYSE Arca during the first quarter of 2007 to avoid the need to pay annual fees to both the NYSE and NYSE Arca. These companies will remain listed solely on the NYSE.

Fees are paid by companies when they initially list on the NYSE and NYSE Arca, Inc. and annually thereafter, although companies transferring to the NYSE or NYSE Arca from another exchange are not subject to listing fees. Listing fees, which are subject to a minimum and maximum amount, are based on the number of shares that a company lists with the NYSE or NYSE Arca, Inc., as applicable. Annual fees are charged on the outstanding shares of the company at the end of each year and are subject to a minimum and maximum fee. Listed companies also pay fees in connection with corporate transactions involving the issuance of new shares, such as stock splits, rights issues, sales of additional securities and mergers and acquisitions. Non-U.S. companies pay fees based on the number of listed securities issued or held in the United States.

*New Listings*

NYSE Group relies on new listings to maintain its competitive position in the United States and global markets. From 2001 to 2006, 830 U.S. and international companies listed on the NYSE. This included 190 closed-end funds, 183 transfers from other markets, 58 spin-offs and 264 domestic operating company initial public offerings and 123 international operating company initial public offerings and quotations. Among the initial public offerings of securities of U.S. issuers that would have qualified to be listed on the NYSE from January 1, 2001 to June 30, 2006, the aggregate proceeds of initial public offerings listed on the NYSE represented approximately 90% of aggregate proceeds thus qualified. From 2001 to 2006, 121 companies transferred their listing from Nasdaq to the NYSE. During that same period, only five companies voluntarily transferred from the NYSE to Nasdaq. Two additional companies elected to transfer to Nasdaq in advance of SEC approval of recent amendments made to NYSE's continued listing standards that would have resulted in such companies being deemed below compliance. In addition, from March 8, 2006 (subsequent to the merger with Archipelago) through December 31, 2006, seven operating companies and 19 ETFs have listed on NYSE Arca, Inc.

A key to the NYSE's past success and future growth is its ability to list and retain non-U.S. companies. Generally, non-U.S. companies are attracted to the U.S. and the NYSE to take advantage of the deep and diverse U.S. investor base, the visibility among the worldwide financial community that accompanies a NYSE listing, and the enhanced credibility that may be conferred by investors and other parties on a company once listed on the NYSE. From 2001 to 2006, 167 non-U.S. companies listed on the NYSE.

The NYSE actively pursues new closed-end fund listings. From 2001 to 2006, 190 closed-end funds have listed on the NYSE, raising over \$88.1 billion in proceeds in their initial public offerings. This represents 76.3% of the funds qualified to list on the NYSE and 82.0% of the total closed-end fund qualified proceeds. As of December 31, 2006, 485 closed-end funds were listed on the NYSE.

Since 1988, the NYSE has also listed both debt and equity structured products such as capital securities, mandatory convertibles, repackaged securities and equity-linked index-linked securities and for debt securities traded on the trading floor. The number of new issuances and redemptions of these securities in any given year depends on many external factors, including interest rate levels and changes, economic conditions and financial regulation. As of December 31, 2006, 544 structured products, with an aggregate market value of \$139 billion, were listed on the NYSE.

NYSE Group is also at the forefront of growth in listing and trading ETFs. ETFs are open-end investment products listed and traded in the secondary marketplace by a broad range of investors. The U.S. ETF marketplace now has over 374 listings, of which NYSE Group had 135 listings as of December 31, 2006. On July 20, 2005, Barclays Global Investors, the largest issuer of ETFs, announced its intention to transfer up to 61 listings to the NYSE and 20 listings to NYSE Arca, Inc. from AMEX over the course of 2005-2007. As of December 31, 2006, 40 of these ETFs had transferred to the NYSE and 19 of the ETFs had transferred to NYSE Arca, Inc.

---

## **Table of Contents**

### *Listing Standards*

The NYSE and NYSE Arca, Inc. require that companies seeking to list securities meet minimum financial, distribution and corporate governance criteria. While in recent years the corporate governance criteria imposed by the various U.S. markets have become substantially similar, the NYSE's overall listing standards have traditionally been, and continue to be, the most stringent of any securities marketplace in the world. All standards are periodically reviewed to ensure that the NYSE attracts and retains the strongest companies with sustainable business models.

NYSE Group is leveraging the NYSE brand to continue to build NYSE Arca, Inc.'s listing business. NYSE Arca, Inc.'s listing standards extend the NYSE's current focus on quality companies to growing companies that initially do not meet the NYSE's stringent listing standards. NYSE Arca, Inc.'s listing venue provides issuers with many of the benefits that are provided to NYSE-listed companies, including an affiliation with one of the world's leading brands, exceptional market quality and a wide range of value added products and services. By leveraging the NYSE brand across two listings platforms, NYSE Group believes that we are better positioned to serve a broader segment of corporate issuers.

### *Client Service*

NYSE Group has a team of professionals dedicated to serving the needs of its listed company community. These client service managers meet with their assigned listed companies individually and in regional executive forums that are organized by NYSE Group. They provide value by keeping issuers aware of market trends, market structure initiatives and developments in governance and regulation. NYSE Group believes that executives of listed companies place a high value on their relationship with their client service managers and on superior market quality, association with leading brands, global visibility, and unique marketing services that NYSE Group provides. Client retention is consistently very high ( *i.e.* , greater than 99.9% for the period from 2001 to 2006).

NYSE Group offers a variety of services to its listed companies, including the ability to leverage the NYSE brand in reaching out to existing and prospective investors. It sponsors virtual forums, as well as domestic and international conferences, to provide issuers access to global institutional and retail investors. NYSEnet, a password-protected website for senior executives, provides data relating to proprietary trading, institutional ownership and market activity. The NYSE has also developed eGovDirect.com<sup>SM</sup>, an interactive, web-based tool that helps listed companies meet their NYSE governance and compliance requirements efficiently and economically; as of December 31, 2006, approximately 1,667 NYSE-listed companies and closed-end funds were registered for access to this site. In addition, NYSE Group believes that its executive forums and the opportunities they offer to network with policy makers and fellow corporate executives are highly valued by the leaders of NYSE and NYSE Arca, Inc.-listed companies. Moreover, NYSE Group uses a range of advertising media, including print and radio, among others, to promote its listed companies through a variety of ongoing campaigns.

### *Options Business*

Through NYSE Arca, Inc., NYSE Arca operates a marketplace for trading options on exchange-listed securities. The underlying securities are listed and trade on NYSE Arca, Inc., the NYSE, AMEX and Nasdaq.

NYSE Arca's option market center includes the trading facilities, technology and systems for trading options as well as regulatory, surveillance and compliance services. It also qualifies the listing of options on stocks that meet certain minimum criteria. NYSE Arca's options business trades approximately 800,000 contracts each day on more than 2,000 underlying stocks.

NYSE Arca's options business uses a technology platform and market structure that is designed to enhance the speed and quality of trade execution for its customers and to attract additional sources of liquidity by allowing market makers to have access to its markets remotely and by integrating floor-based participants and

## **Table of Contents**

remote market makers. On July 28, 2006, NYSE Arca, Inc. received SEC approval to operate a new platform for options called NYSE Arca Options trading with technology based on the architecture of its equities trading platform. NYSE Arca launched the NYSE Arca Options platform on August 7, 2006, and completed the rollout of almost 2,000 option issues to the new trading platform in October 2006. NYSE Arca Options replaced the PCX+ platform. The revenue from NYSE Arca's options business is primarily derived from transaction execution services and market data services provided on a real-time or summary basis.

NYSE Group refers to permitted users of NYSE Arca, Inc.'s options trading system as options trading permit holders. Any qualified broker-dealer who wishes to trade on NYSE Arca, Inc.'s options trading system may obtain an options trading permit from NYSE Arca, Inc.

*Options Listing.* Under the rules of NYSE Arca, Inc. in order to list an option on a stock, there must be at least seven million shares of the underlying stock available for public trading, with at least 2,000 holders of the security. In addition, there must be active public trading in the underlying stock, and that stock must meet certain minimum price tests. These rules also include specialized criteria for listing options on certain types of securities, such as shares of index funds or ETFs, trust-issued receipts and American Depositary Receipts. Compliance with these rules and criteria are monitored and determined by NYSE Arca, Inc.

*Options Products.* Options contracts are contracts with standardized terms that give the buyer the right, but not the obligation, to buy or sell a particular stock or stock index at a fixed price (the strike price) for a specified period of time (until the expiration date). Options are used in various ways by a range of investors with different goals and strategies, such as protecting equities portfolios by using options as a hedge and buying puts as a protection against unexpected declines in price, or speculating on the direction of a stock price by purchasing puts or calls in anticipation of a stock's directional movement and hope of return on risk.

*Options Clearing and Settlement.* All options contracts traded on NYSE Arca's options exchange as well as other U.S. securities exchanges are issued and cleared by The Options Clearing Corporation (OCC), a clearing corporation registered with the SEC and owned by member options exchanges, including NYSE Arca, Inc. The OCC, which issues and clears all U.S.-listed options, as well as certain futures and options on futures on a number of underlying financial assets, including common stocks, currencies, stock indices and interest rate composites, is among the world's largest clearing organizations for options and equity derivatives.

*Options Transaction Fees.* In conjunction with the rollout of the new options platform, NYSE Arca introduced a new pricing schedule that provides greater cost efficiencies for options investors. Currently, transaction fees for Market Makers are \$0.16 per contract; transaction fees for Lead Market Makers are \$0.09 per contract; and transaction fees for Electronic Broker Dealer transactions are \$0.50 per contract. One Options Trading Permit (OTP) for Market Makers is \$4,000 per month per OTP. Each OTP entitles market makers to quote in an expanded number of products of their choosing. Four Market Maker OTP permits, totaling \$16,000, allow trading in all exchange products. OTP firms acting as Lead Market Makers (LMM) are assessed a fee for LMM Rights on a per issue basis in addition to the OTP Trade Participant Rights. LMM Rights per issue range from \$150 to \$3,000 per month. OTP Rights for order entry firms increased from \$750 to \$1,000 per month. OTP Rights for Floor Brokers dropped from \$1,500 to \$1,000 per month.

On January 26, 2007, a pilot program, approved by the SEC, began operating among NYSE Arca, Inc. and various U.S. equity options exchanges to quote and trade options on thirteen listed equities and ETFs in penny increments, instead of the current industry standard of quoting and trading options in five or ten cent increments. In connection with this penny pilot program, NYSE Arca instituted a new pricing model for trading in the thirteen options included in the pilot as part of its ongoing effort to attract superior levels of liquidity and price discovery at its market center. Under the new pricing structure, penny pilot issues that trade electronically will be subject to fees that reward trading participants by providing them with a credit on all transactions that add liquidity. Specifically, market makers that have a resting order or quote will receive a \$0.30 per contract credit upon execution; broker dealers and retail customers will receive a \$0.25 per contract credit when their resting

---

## **Table of Contents**

orders result in an execution. Under this new rate schedule, electronic penny pilot executions that take liquidity will be assessed \$0.50 per contract regardless of the trading participant. In addition, marketing charges will not be assessed on any penny pilot execution.

### ***Fixed Income Business***

The NYSE also operates a centralized bond market. A broad selection of bonds are traded on the NYSE, such as corporate (including convertibles), agency and government bonds. The trading volume of bonds on the NYSE is primarily in corporate bonds, with approximately 94% of this volume in non-convertible bonds. Bonds trade on the NYSE through NYSE Bonds<sup>SM</sup>, a screen-based system launched in April 2007 used by NYSE member organization subscribers. NYSE Bonds<sup>SM</sup> maintains and displays priced bond orders and matches those orders on a strict price and time-priority basis. It also reports real-time bids and offers with size and trades to our network of market data vendors.

On November 16, 2006, the SEC approved an exemption that allows NYSE members and member organizations to trade on an unlisted basis non-convertible corporate bonds issued by NYSE-listed equity issuers and their wholly owned subsidiaries. This will allow trading in approximately 5,000 bonds, compared to the approximately 820 bonds currently listed on the NYSE. The NYSE will be adding approximately 2,800 active corporate bonds that meet this SEC exemption over the next few months during Phase I of this initiative.

### ***Indices & Index Services***

*Index Calculation Services.* NYSE Arca offers an index calculation service for investment ideas that ultimately serves as the reference indicator for ETFs and other structured products. Custom index calculation is an important component to the development of traded products on the exchange, and allows the exchange to leverage its technology and understanding of traded products to better serve investors. Additionally, NYSE Arca provides various intra-day ETF fund valuation services to the ETF issuers and trading community. All of the Index Services are designed to offer our clients more tools and services to support the listing and trading.

*NYSE Group Indices.* NYSE Group has created nine benchmark indices. The NYSE established its first index, the NYSE Composite Index, in 1966 to provide a comprehensive measure of the performance of all of the common stocks listed on the NYSE. Four other NYSE-branded indices were launched in June 2002, followed by three single-sector indexes, all of which are composed entirely of NYSE-listed companies. The March 7, 2006 merger with Archipelago expanded the existing offerings with the addition of the NYSE Arca Tech 100 Index. The NYSE has licensed the NYSE Composite Index and the NYSE U.S. 100 Index to Barclays Global Investors, N.A. for use in replicating the performance of the indices in the iShares NYSE Composite Index Fund and the iShares NYSE U.S. 100 Index Fund.

The NYSE Composite Index is designed to measure the performance of all common stocks listed on the NYSE, including REITs, tracking stocks and common equity and ADR listings of foreign companies. The NYSE Composite consists of over 2,000 U.S. and non-U.S. stocks. The index utilizes a transparent, rule-based methodology that includes free-float market capitalization weighting. The float-adjusted market capitalization as of December 31, 2006 was more than \$20 trillion. All companies in the NYSE Composite have to meet the initial listing standards of the NYSE, providing a base level of quality for the index's potential components. In addition to serving as a broad-based benchmark, the NYSE Composite establishes a universe from which other NYSE-branded indices are derived.

The NYSE U.S. 100 Index is designed to measure the performance of the largest 100 U.S. stocks listed on the NYSE. The index had a market capitalization as of December 31, 2006 of over \$7.2 trillion. The component companies of this index, ranked by market capitalization, are major market participants, most of which are well known names.

The NYSE International 100 Index is designed to measure the performance of the largest 100 non-U.S. stocks listed on the NYSE. All 100 components are ADRs or shares of issuers from 19 different countries that trade on the NYSE. The index had a market capitalization as of December 31, 2006 of over \$5.7 trillion.

---

## **Table of Contents**

The NYSE World Leaders Index consists of components from the NYSE U.S. 100 and the International 100 indices. It tracks the performance of 200 leading companies across 20 countries. The index had a market capitalization as of December 31, 2006 of approximately \$13.0 trillion.

The NYSE Sector Indexes, which include the NYSE Energy Index, NYSE Financial Index and NYSE Health Care Index, were designed to measure the performance of NYSE listed stocks representing the energy, financial and health care sectors. The NYSE Energy, NYSE Financial and NYSE Health Care indices represent \$2.54 trillion, \$5.46 trillion and \$1.96 trillion in market capitalization, respectively.

The NYSE TMT index measures the performance of the largest 100 NYSE-listed U.S. and non-U.S. stocks in three sectors: Technology, Media and Telecommunications (TMT). The index had a market capitalization as of December 31, 2006 of approximately \$2.1 trillion.

The NYSE Arca Tech 100 Index (formerly the ArcaEx Tech 100 Index) is a price weighted, broad based index of 100 securities, established in 1982. Modeled as a multi-industry technology index, the objective of the NYSE Arca Tech 100 Index is to provide a benchmark for measuring the performance of companies using technology innovation across a broad spectrum of industries: computer hardware, software, semiconductors, telecommunications, data storage and processing, electronics and biotechnology, to name just a few. NYSE Arca Tech 100 Index is a tech sector equivalent to the Dow Jones Industrial Average and is a market indicator used by mutual fund rating services, analysts, asset managers and private investors to gauge the overall performance of the technology sector of the U.S. equity market. On July 28, 2006, the Exchange Traded Trust filed a registration statement to create an ETF replicating the performance of the NYSE Arca Tech 100 Index.

### ***Order Execution Business***

One of NYSE Group's primary functions is to ensure that orders to purchase and sell securities are conducted in a reliable, orderly, liquid and efficient manner. Order execution occurs through a variety of means, and NYSE Group seeks to continue to develop additional and more efficient mechanisms of trade.

NYSE Group is in the unique position of offering its customers the option of using either floor-based auction trading or electronic trading. NYSE-listed stocks show consistently lower volatility and execution costs than comparable stocks listed on other venues. The NYSE generally produces the best quoted prices in NYSE-listed stocks and warrants, and offered the National Best Bid and Offer (NBBO) 81.5% of the time in 2006. During the same time period, NYSE Arca set the NBBO 8.3% of the time in NYSE-listed securities. On a combined basis, the market centers of the NYSE Group provided the best quoted prices in NYSE-listed stocks and warrants 89.8% of the time during 2006.

Through NYSE Arca, customers can trade equity securities, ETFs and other derivative products in an all-electronic environment. NYSE Arca also provides customers with a venue for trading equity options listed on exchanges. NYSE Arca's core trading technology platform is highly reliable, efficient, and scalable, and NYSE Group is actively leveraging this technology for use in other asset classes including options and fixed income. NYSE Arca's industry-leading system is designed to accept up to 38,000 orders per second and to provide up to 3,400 simultaneous customer connections. During 2006, the system handled an average of approximately 52.3 million orders daily and approximately 2.8 million trades daily, with a capacity to handle 20 million trades daily.

### ***The NYSE Trading System***

On March 22, 2006, the SEC approved the NYSE Hybrid Market<sup>SM</sup>, which combines auction-based and electronic trading for equities listed on the NYSE. This initiative is NYSE Group's response to the request from both market professionals and individual investors for greater choice and flexibility in buying and selling stocks on the NYSE, and is also NYSE Group's strategy for adapting to the revised trade-through rule of Regulation NMS. Regulation NMS, adopted by the SEC in 2005, is a set of regulations that will govern certain aspects of trading on securities market centers. One of the principal features of Regulation NMS is the modernization of the trade-through or order protection rule. Among other things, this rule requires market centers to establish and

## Table of Contents

maintain procedures to prevent trade-throughs, which are the executions of orders at a price inferior to the best bid or offer displayed by another market center at the time of execution. This aspect of Regulation NMS will protect and apply only to quotes available for immediate execution.

The NYSE Hybrid Market<sup>SM</sup> is intended to emulate, in a primarily automatic-execution environment, the features of the traditional auction market that have provided stable, liquid and less volatile markets, as well as provide the opportunity for price improvement. The NYSE Hybrid Market<sup>SM</sup> features the following:

All quotes are automatically and continuously refreshed, with limited exceptions, and reflect the combined liquidity of the NYSE Display Book<sup>®</sup> and the electronic interest of trading floor broker agents and specialists. Limit orders are published in real time. This structure facilitates the ability of brokers and specialists to interact with supply and demand and to scale interest and provide price improvement to incoming electronic orders seeking liquidity.

Customers have the choice of auction representation and the opportunity for price improvement over the published best bid and offer.

Specialists and floor brokers supplement liquidity to stabilize price movements in both the automated and auction components of the NYSE Hybrid Market<sup>SM</sup> through the use of floor broker agency interest files, specialist files and specialist algorithmic interaction with orders. As such, both electronically and manually executed orders may benefit from the value added by specialists in committing capital and providing depth to the market, and from the competition among electronic orders, as well as those represented by floor brokers. Floor brokers participate both electronically and in person, using human judgment to process large or complex orders more effectively than would otherwise be possible on a solely electronic platform.

Those customers that desire sub-second, automatic trade execution continue to have access to floor liquidity. Customers with buy and sell orders beyond the size of the best bid or offer now have the ability to reach reserve interest at those prices, if any, and sweep the book or designate individual orders to trade at multiple price points subject to certain limitations, including the Liquidity Replenishment Points<sup>SM</sup> or LRPs described below.

In order to preserve the lower volatility that has characterized trading on the NYSE, pre-determined and published LRPs have been implemented to limit severe price moves. When activated, LRPs allow integration of the electronic market with the auction market for one transaction, thus enabling the specialist to elicit additional trading interest.

All better-priced top-of-book bids and offers entitled to protection under Regulation NMS in all other automated markets are immediately accessed, unless customers are provided the same price on the NYSE. All incoming orders from all competing market centers are automatically executed at the best price displayed on the NYSE. This creates an environment in which the best prices of each market center are protected from inferior-priced trade executions regardless of where an order is entered, and without human interaction.

As part of the NYSE Hybrid Market<sup>SM</sup> initiative, the NYSE further automated routine specialist tasks and created a new interface to facilitate algorithmic liquidity injection by specialists. In addition, the NYSE has added new functionality to trading floor broker wireless hand-held computers to further automate smart order types and create new broker interest files with layering capabilities. The NYSE Hybrid Market<sup>SM</sup> builds on the NYSE's core attributes of liquidity, pricing efficiency, low trading costs and tight spreads by broadening customers' ability to trade quickly and anonymously. The NYSE Hybrid Market<sup>SM</sup> also furthers the NYSE's goal of providing all investors, regardless of their size, with the best price when buying or selling shares. Interaction of the NYSE's automatic and auction markets also maintains opportunities for price improvement.

By continuing to maintain market quality, including low intra-day volatility, the NYSE Hybrid Market<sup>SM</sup> also allows issuers to reduce their cost of capital. Combining the NYSE's technology with the advantages of the





---

## **Table of Contents**

auction market enables the NYSE market to function more effectively and efficiently. In the NYSE Hybrid Market<sup>SM</sup>, specialists and brokers use judgment to improve prices and enhance order competition on the floor of the NYSE, while interacting with the market electronically as well as manually. NYSE Group believes that their judgment will be particularly valuable in less liquid stocks and during the opening and closing of trading, as well as during times of uncertainty, for example, when a corporate announcement or an outside event could lead to market instability and price volatility.

On February 27, 2007, the NYSE completed the rollout of Phase IV of Hybrid Market<sup>SM</sup>, which introduces intermarket sweep orders, Immediate or Cancel orders (NMS version), and the locking and crossing rules as required by Regulation NMS.

On April 2, 2007, the NYSE completed its post-NYSE Hybrid Market rollout of a new routing service that will shortly replace routing through the Inter-Market Trading system (ITS). As of April 2, 2007, the NYSE is connected to the International Securities Exchange and the Alternative Display Facility for routing to better away prices in those markets as required by Regulation NMS. The NYSE plans to use this new routing software to reach all other Market Centers currently serviced through ITS. The ITS system is scheduled to be eliminated in June 2007. The NYSE plans to complete its conversion by early May 2007.

With the implementation of the NYSE Hybrid Market<sup>SM</sup>, our software has accomplished the goal of offering customers greater choice while maintaining market quality. Almost 90% of all trades, representing more than 80% of volume, are automatically executed in sub-second speed. The Hybrid Market<sup>SM</sup>, which transparently integrates automatic execution with floor broker and specialist interest, has resulted in narrower quoted spreads and improved fill rates. We expect continued improvement with the increased usage of electronic tools by floor brokers and specialists that process price improvement messages electronically. In addition, the NYSE's performance at the best bid and offer has also improved and the introduction of Liquidity Replenishment Points (LRPs) has ensured that volatility increased only slightly with the introduction of auto executions and sweeps without unduly slowing the market.

The NYSE currently operates approximately 36,000 square feet of contiguous trading floor space where specialists, floor brokers and clerks engage in the purchase and sale of securities. As of April 9, 2007, there were 257 specialists, 563 floor brokers and 1,441 clerks conducting business on the NYSE's trading floor. Specialists on the trading floor are charged with maintaining fair, orderly and continuous trading markets by bringing buyers and sellers together and, in the relative absence of orders to buy or sell their assigned stock, adding liquidity by buying and selling the assigned stock for their own accounts. Floor brokers act as agents on the trading floor to handle customer orders.

The NYSE derives revenues from these specialists, brokers and clerks by providing them with various products and services, including space, necessary for them to engage in the purchase and sale of securities on the trading floor.

Effective December 1, 2006, the NYSE implemented new transaction fees on NYSE-listed equities traded on the NYSE, which are based on a fixed rate of \$0.000275 per share. In addition, the NYSE eliminated specialist commissions on transactions in their assigned NYSE-listed securities, including ETFs, and implemented a transaction revenue sharing program with specialist firms. In addition, as of March 5, 2007, for orders pertaining to NYSE-listed equities that are routed to other market centers for execution, the NYSE charges a rate of \$0.0025 per share.

### ***NYSE Arca Trading System***

NYSE Arca operates two all-electronic equity securities trading systems, one for trading NYSE-, American Stock Exchange- and other exchange-listed securities, and another for trading Nasdaq-listed equity securities. These trading systems offer a variety of execution-related services, including NYSE Arca's best execution routing capability and routing services through the NYSE's SuperDOT<sup>®</sup> system. NYSE Arca's systems operate

## **Table of Contents**

on three simple but fundamental principles: fast electronic execution, transparency, and open market access. On NYSE Arca, buyers and sellers meet directly in an electronic environment governed by trading rules designed to reflect these three fundamental principles.

The rules governing trading on NYSE Arca require execution of orders, without discretion, in accordance with the principles of openness, fairness and equal access. These trading rules are predicated on price-time priority within NYSE Arca, which requires execution of orders at the best available price and, if orders are posted at the same price, based on the time the order is entered on the trading system. NYSE Arca's electronic matching and routing systems actively search across multiple market centers and either match orders internally or route orders out to the best bid or offer displayed in the market using NYSE Arca's best execution routing capability. The technological capabilities of NYSE Arca's trading systems, together with its trading rules, have allowed NYSE Arca to provide access to a large pool of liquidity for its customers internally on NYSE Arca or externally through other markets.

On NYSE Arca, buyers and sellers can view the NYSE Arca open limit order book, which displays orders simultaneously to both the buyer and the seller. Buyers and sellers can submit these orders on an anonymous basis if they so choose. Once orders are submitted, all trades are executed in the manner designated by the party entering the order, which is often at prices equal to or better than the national best bid or offer. The national best bid or offer is the highest bid or lowest offer quote reported to the consolidated quotation systems pursuant to the consolidated quotation reporting plans. Buy and sell orders are posted on NYSE Arca in price order (best to worst) and then if prices are the same, they are ordered based on the time the buy order or sell order was posted (earliest to latest). NYSE Arca users may choose to have their unexecuted orders left on NYSE Arca's open order book, returned to them, or routed to other markets using NYSE Arca's best execution routing capability.

NYSE Group refers to permitted users of NYSE Arca's equity trading systems as equity trading permit (ETP) holders. Any qualified broker-dealer who wishes to trade on NYSE Arca's equity trading systems may obtain an ETP from NYSE Arca, Inc.

For equity securities, NYSE Arca charges a per share fee to each customer that executed against a buy order or sell order posted internally on the NYSE Arca system. NYSE Arca refers to these customers when they purchase or sell securities as liquidity takers, as they removed liquidity from the NYSE Arca system. A liquidity taker may be either a purchaser or a seller, and is distinguished from a liquidity provider generally by the type of buy order or sell order it posts on NYSE Arca's system. A liquidity provider will likely enter a non-marketable limit order on the NYSE Arca system (i.e., either a limit order to buy a security with a limit price below the best offer or a limit order to sell a security with a limit price above the best bid). Non-marketable limit orders are placed on the NYSE Arca limit order book and await execution. A liquidity taker, on the other hand, is likely to enter a marketable limit order (i.e., a limit order to buy a security with a limit price at or above the best offer or a limit order to sell a security with a limit price at or below the best bid for that security). Accordingly, liquidity providers generally post buy orders or sell orders that are subsequently executed against by the sell order or buy order, as the case may be, of a customer that is the liquidity taker. As discussed below, NYSE Arca pays liquidity providers a per share fee for posting buy orders and sell orders on NYSE Arca's system.

NYSE Arca also charges a per share fee (denominated in tenths of a cent per share) to customers whose orders of equity securities were routed out to an external market center displaying the best buy order or sell order in the market for a particular security.

Effective October 1, 2006, NYSE Arca changed its rates for trading NYSE-listed securities as follows: (i) the rate for removing liquidity from NYSE Arca increased from \$0.001 per share to \$0.003 per share; and (ii) NYSE Arca rebates \$0.002 per share for the provision of liquidity. These fees are now consistent with those NYSE Arca charges for trading Nasdaq- and Amex-listed securities. Effective March 5, 2007, NYSE Arca charges a fee of \$0.30 per 100 shares for routing orders for NYSE-listed securities to market centers, other than the NYSE, while it continues to charge \$0.40 per 100 shares for routing orders for Amex and Nasdaq-listed securities.

## **Table of Contents**

### ***Market Data Business***

NYSE Group collects and distributes market data, including real-time information relating to securities quotations, limit orders and the prices at which securities transactions take place. The broad distribution of accurate and reliable real-time market data is essential to the proper functioning of any securities market because it enables market professionals and investors to make trading decisions. NYSE Group believes that the quality of its market data, and the ability of traders to act on that data, attract order flow to the NYSE and NYSE Arca for execution and reinforce the NYSE brand. The pricing for market data products must be approved by the SEC on the basis of whether prices are fair, reasonable and not unreasonably discriminatory.

NYSE Group's market data activity is divided into two parts: consolidated data services and proprietary data products.

### ***Consolidated Data Services***

The SEC requires securities markets to join together in consolidating their bids, offers and last sale prices for each security, and to provide this information to the public on an integrated basis. NYSE Group works with other markets to make this market data available on a consolidated basis on what is often referred to as the consolidated tape. This intermarket cooperative effort provides the investing public with the reported transaction prices and the best bid and offer for each security, regardless of the market to which a quote is reported or on which a trade takes place.

Last sale prices and quotes in NYSE-listed securities are disseminated through Tape A, which constitutes the majority of the NYSE's revenues from consortium-based market data revenues. NYSE Group also receives a share of the revenues from Tape B and Tape C, which represents data related to trading of securities (including ETFs) that are listed on AMEX, other regional exchanges and Nasdaq.

### ***Proprietary Data Products***

NYSE Group makes certain market data available independently of other markets. The NYSE packages this market data as:

trading products (such as NYSE OpenBook<sup>®</sup>, through which the NYSE makes available all limit orders); and

analytic products (such as TAQ Data, NYSE Broker Volume<sup>®</sup> and a variety of other databases that are made available other than in real-time and that are generally used by analytic traders, researchers and academics).

These products are proprietary to NYSE Group, and NYSE Group does not share the revenues that it generates from these products with other markets.

Over the past two decades, NYSE Group has expanded its market data business by tapping new markets, in particular nonprofessional subscribers, the cable television audience and customers interested in NYSE Group's proprietary data products. Revenues for NYSE Group proprietary data products have grown significantly over the last few years, fueled in large part by the success of NYSE OpenBook<sup>®</sup>, which the NYSE introduced in 2002. The advent of trading in penny increments and the accelerated use of "black box" trading tools accelerated the success of NYSE OpenBook<sup>®</sup>.

NYSE Arca also makes certain market data available independent of other markets, including the following products:

*ArcaVision<sup>®</sup>*. ArcaVision<sup>®</sup> offers analytic tools that go beyond the traditional trading data that is available to customers. NYSE Arca developed ArcaVision<sup>®</sup> in response to customer demand for

## **Table of Contents**

increasingly detailed analyses of trading patterns, and it is designed to provide customers with critical market data on particular stocks. The ArcaVision® website is available to issuers listed on NYSE Arca, customers executing trades on NYSE Arca, and the general public. ArcaVision®'s sophisticated system enables NYSE Arca to customize the views available to each user to meet their specific needs.

*ArcaBook®.* ArcaBook® displays the limit order book of securities traded on the NYSE Arca trading platform in real time.

### ***Trade Reporting Facility***

In April 2007, NYSE Group launched a trade reporting facility serving NYSE Group customers reporting off-exchange trades in all listed national market system stocks. NYSE Group's trade reporting facility conforms to the SEC's recent approval of the National Association of Securities Dealers, Inc.'s (NASD) new trade reporting arrangement. It is anticipated that NYSE Group's trade reporting facility will enhance the range of trading products and services provided by NYSE Group to its customers by offering a reliable and competitively priced venue to report internally executed transactions.

### ***NYSE Membership Organizations***

NYSE member organizations comprise (i) entities who obtain trading licenses in accordance with the rules and regulations of the NYSE (including the rules of eligibility that will apply to those who wish to be a member organization); and (ii) broker-dealers who agree to submit to the jurisdiction and regulations of the NYSE without obtaining a trading license. As member organizations, they are subject to the rules and policies of the NYSE. In the future, NYSE Group may decide to offer member status to other types of organizations; for example, NYSE Group may decide to issue separate licenses for electronic access or access for particular products.

### ***NYSE Trading Licenses***

Physical and electronic access to the trading facilities of the NYSE, subject to such limitations and requirements as may be specified in the rules of the NYSE, are available only to member organizations that have purchased a trading license from NYSE. These trading licenses have the following attributes:

*Duration and Pricing.* The price of a trading license for calendar year 2007 was established by NYSE Group at \$50,000. During the fourth quarter of 2006, NYSE Group sold 1,065 trading licenses for calendar year 2007. The NYSE has made a total of 1,366 trading licenses available for purchase during 2007, the remainder of which can be purchased at a price that will be subject to a 10% premium and will be pro-rated based on when during the calendar year such licenses are purchased. All trading licenses for calendar year 2007 are only valid for calendar year 2007, regardless of when during the year they are purchased. Holders of trading licenses have the right to cancel their trading license prior to the end of the year.

*Approval of NYSE Regulation.* Any bidder for a trading license is subject to the approval of NYSE Regulation. NYSE Group has not determined whether it will issue separate licenses for access for particular products.

### **Securities Industry Automation Corporation (SIAC)**

SIAC, a wholly owned subsidiary of NYSE Group, provides data processing and software development services and is a registered securities information processor under the Exchange Act. Formed in 1972 as a New York business corporation, SIAC:

plans, develops, implements and operates a variety of automated information-handling and communication systems that support order processing, trading, and market data reporting, as well as trade comparison, for a broad range of securities;

## **Table of Contents**

provides systems support for essential regulatory and administrative activities; and

operates and manages the SFTI<sup>SM</sup> network, which provides resilient and reliable communications within the financial services industry.

Historically, SIAC has been operated as a cost-recovery utility. As a result, it provides its services to its customers on an at-cost, non-profit basis.

SIAC's wholly owned for-profit subsidiary, Sector, Inc., offers an array of communications and data processing services, primarily to the broker-dealer community. These services include email archiving, other books and record storage solutions, facilities management, data center hosting, disaster recovery, enterprise services and network and data distribution services. The telecommunications services include traditional point-to-point voice circuits and network management.

In addition, TransactTools, which was acquired in January 2007, provides enterprise messaging solutions for the security trading industry.

SIAC provides data processing services to the NYSE. In addition, SIAC operates the Intermarket Trading Systems and provides services to the Intermarket Surveillance Group Participants, the CTA Plan and CQ Plan and the Options Price Reporting Authority. SIAC also provides services to Sector and the American Stock Exchange pursuant to separate agreements.

## **NYSE Regulation**

*Overview.* The NYSE and NYSE Arca, Inc. are responsible for examining for compliance with and enforcing the financial, operational and sales-practice rules and codes of conduct for members, member organizations and their employees, and have responsibility for regulatory review of their trading activities. In addition, the NYSE and NYSE Arca, Inc. are responsible for enforcing compliance with their respective financial and corporate governance listing standards by listed companies.

The regulatory functions of the NYSE and NYSE Arca, Inc. are performed by NYSE Regulation, Inc., a separate not-for-profit subsidiary of NYSE Group. NYSE Regulation, employing approximately 725 people as of December 31, 2006, consists of the following five divisions and a risk assessment unit:

Listed Company Compliance;

Member Firm Regulation;

Market Surveillance;

Enforcement; and

Dispute Resolution/Arbitration.

On November 28, 2006, NYSE Group and NASD announced the signing of a letter of intent to consolidate their member regulation operations into a new self-regulatory organization that will be the private sector regulator for all securities brokers and dealers doing business with the public in the United States. The letter of intent is nonbinding and is subject to the execution of a definitive agreement. The transaction is expected to close in the second quarter of 2007. The transaction is not expected to have material financial consequences for NYSE Group. The transaction is expected to involve the transfer of approximately 470 of NYSE Regulation's current employees. Following such consolidation, NYSE Regulation will continue to perform market surveillance and related enforcement activities, and listed company compliance for NYSE and NYSE Arca, Inc.

## Edgar Filing: NYSE Euronext - Form 10-K/A

*Listed Company Compliance.* The NYSE and NYSE Arca, Inc. require their listed companies to meet their respective original listing criteria at listing, and to thereafter maintain continued compliance with their respective listing standards. The Listed Company Compliance division monitors and enforces compliance with these standards. The division is split into two parts:

the financial compliance group, which reviews a company's reported financial results both at the time of listing and thereafter to ensure that it meets original listing and continued-listing requirements; and

---

**Table of Contents**

the corporate compliance group, which ensures that listed companies adhere to the highest standards of accountability and transparency, including governance requirements for configuration of corporate boards, director independence and financial competence of audit committee members.

*Member Firm Regulation.* The Member Firm Regulation division conducts examinations of the 300 member organizations of the NYSE (representing approximately 80% of the total public customer accounts handled by broker-dealers in the United States), and more than 40 members of NYSE Arca, Inc. (for which it is the designated examining authority), for financial, operations and sales-practice compliance. In addition, the Member Firm Regulation division interprets and develops NYSE rules governing the financial, operational and sales practices of member organizations, develops and administers various industry qualifications and examinations, and administers the NYSE's continuing education programs for registered persons in the securities industry. As the primary self-regulator for its member organizations, Member Firm Regulation seeks to minimize duplication of effort with other regulatory organizations. Whenever feasible, examinations are conducted jointly with other self-regulatory organizations or responsibilities are allocated with the objective of increasing the cost effectiveness of self-regulation.

*Market Surveillance.* The Market Surveillance division is responsible for, among other things, monitoring equity insider trading activities on the facilities of the NYSE and NYSE Arca. Such monitoring of trading activities involves both real-time and post-trade review. The Market Surveillance division also reviews equity and options transactions to determine whether market rules and principles are being complied with and fairly maintained, and whether such transactions involve abusive or manipulative trading practices. The Market Surveillance division uses sophisticated technology to detect unusual trading patterns, and the staff of the Market Surveillance division also maintains a presence on the trading floor of the NYSE. Market Surveillance makes referrals to the NYSE Enforcement division and the SEC Division of Enforcement, as appropriate. NYSE Arca also maintains a surveillance group that monitors certain aspects of equities and options trading on that market.

*Enforcement.* The Enforcement division investigates and prosecutes violations of NYSE and NYSE Arca rules and U.S. federal securities laws and regulations. Enforcement cases include customer-related sales practice violations, breaches of financial and operational requirements, books and records deficiencies, reporting and supervisory violations, misconduct on the trading floor, insider trading, market manipulation and other abusive trading practices. Sources of investigations for the Enforcement division include examination findings referred by the Member Firm Regulation division, surveillance reviews referred by the Market Surveillance division, arbitration referrals from the Dispute Resolution/Arbitration division, reporting of customer complaints and settlements by member organizations, referrals from the SEC and complaints by members of the investing public and securities professionals. In 2006, the Enforcement division prosecuted 232 NYSE cases, comprised of 150 actions against individuals and 82 actions against member organizations. All settlements negotiated between Enforcement and a respondent must be reviewed and approved by the Office of the Hearing Board, which is independent of NYSE Regulation management, before becoming final. Contested hearings are also conducted before hearing panels under the purview of the Hearing Board, which operates much like an administrative tribunal.

*Dispute Resolution/Arbitration.* The Dispute Resolution/Arbitration division provides a neutral forum for the resolution of securities industries disputes in more than 46 cities throughout the United States. For more than 125 years, the NYSE has used arbitration to resolve disputes between investors and member organizations/brokers and between member organizations and their employees. Arbitration enables a dispute to be resolved quickly and fairly by impartial arbitrators, who are knowledgeable and trained in the art of resolving controversy. Mediation is another dispute resolution option that the NYSE offers. This is a voluntary process in which a neutral mediator meets with the parties and attempts to help them reach a settlement. Mediation is not binding, is not adversarial and no record of the mediation is kept. NYSE Arca provides its own arbitration forum, which is administered by the same staff that administers the NYSE arbitration program.

*Structure, Organization and Governance of NYSE Regulation.* NYSE Regulation has undertaken the regulatory functions of the NYSE and NYSE Arca, Inc. pursuant to agreements with each entity. NYSE



## **Table of Contents**

Regulation also has an explicit agreement with NYSE Group, the NYSE and NYSE Market so that adequate funding is provided to NYSE Regulation. Moreover, under the operating agreement of the NYSE, no regulatory fees, fines or penalties collected by NYSE Regulation may be distributed to NYSE Group or any entity other than NYSE Regulation.

NYSE Regulation has been and expects to continue to be self-funded through its collection of regulatory fees and fines and through its agreements with the NYSE, NYSE Market and NYSE Arca, Inc. to provide regulatory services. NYSE Regulation levies fines as a result of formal disciplinary action imposed by the Enforcement division of NYSE Regulation.

NYSE Regulation does not adjust the amount of regulatory fees charged based on the amount of fines assessed. Income from fines is used only to fund non-compensation expenses of NYSE Regulation. The use of fine income by NYSE Regulation is subject to specific review and approval by the NYSE Regulation board of directors.

NYSE Regulation incorporates several structural and governance features designed to ensure its independence, given the status of NYSE Euronext as a for-profit and listed company. NYSE Regulation is a separately incorporated, not-for-profit entity. Each director of NYSE Regulation (other than its chief executive officer) must be independent under the independence policy of the NYSE Euronext board of directors, and a majority of the members of the NYSE Regulation board of directors and its compensation committee and nominating and governance committee must be persons who are not directors of NYSE Euronext. The chief executive officer of NYSE Regulation is also not permitted to be an officer or employee of any affiliated unit other than NYSE Regulation and reports solely to the NYSE Regulation board of directors.

To reduce the conflicts that can arise from self listing, NYSE Regulation is responsible for all listing compliance decisions with respect to the listing of NYSE Group on the NYSE, and NYSE Regulation provides its board of directors with quarterly reports summarizing its monitoring of NYSE Group's common stock. A copy of these reports will be forwarded to the SEC. In addition, NYSE rules require an annual review by an independent accounting firm to ensure that NYSE Group is in compliance with the listing requirements, and a copy of this report must be forwarded to the SEC.

NYSE Regulation has adopted structural and governance standards in compliance with applicable U.S. federal securities laws, and in particular, Section 6 of the Exchange Act with respect to fair representation of members. Such structure and governance standards will be adjusted to comply with any rules finally adopted by the SEC following its proposals relating to governance, transparency, oversight and ownership of SROs.

*Regulatory Auditor.* In an Order dated April 12, 2005, the SEC instituted and simultaneously settled an administrative proceeding against the NYSE. The SEC's action related to detection and prevention of activities of specialists who engaged in unlawful proprietary trading on the floor of the NYSE. As part of the settlement, the NYSE agreed to comply with certain undertakings, one of which was to retain a third party regulatory auditor to conduct, every two years through 2011, a comprehensive regulatory audit of NYSE Regulation's surveillance, examination, investigation and disciplinary programs applicable to specialists and other floor members. The regulatory auditor is required to report the auditor's conclusions to NYSE Euronext's board and to the SEC, and those conclusions are to be included in NYSE Euronext's annual report. Accordingly, the conclusions of the regulatory auditor, James H. Cheek, III and Bass, Berry & Sims PLC, as reported to the Exchange on March 15, 2007, are as follows:

Pursuant to our retention as contemplated in that certain Order of the Securities and Exchange Commission (the "SEC") dated April 12, 2005 (the "2005 Order"), we have conducted a comprehensive regulatory audit (the "Regulatory Audit") of the surveillance, examination, investigation and disciplinary programs of NYSE Regulation, Inc. (the "NYSE Regulation") applicable to specialists, member firm floor

## **Table of Contents**

brokers, independent floor brokers, registered competitive market makers and competitive traders (collectively, Floor Members ) for the two years ended December 31, 2006 (the Audit Period ).

Based on our audit procedures and our consideration of the factors and assessments set forth in our confidential regulatory audit report (the Audit Report ) to the Boards of Directors of NYSE Group, Inc. and NYSE Regulation, the Director of the Office of Compliance Inspections and Examinations ( OCIE ) and the Director of the Division of Market Regulation ( Market Regulation ) and such other matters as we have deemed appropriate, we have concluded that during the Audit Period, notwithstanding certain weaknesses that we have identified, including those set forth in the Audit Report: (1) NYSE Regulation s policies and procedures were reasonably designed and effective to detect and deter violations of all applicable federal securities laws and New York Stock Exchange ( Exchange ) rules relating to trading by Floor Members; (2) NYSE Regulation was (i) in compliance with the above-referenced policies and procedures; and (ii) in compliance with, or is in the process of complying with, the outstanding written recommendations made by OCIE or Market Regulation relating to compliance with rules, or surveillance for rule violations, with respect to trading by Floor Members; and (3) the Exchange was in compliance with any outstanding undertakings contained in the 2005 Order and that certain Order of the SEC dated June 29, 1999 issued against the Exchange.

Because of its inherent limitations, no regulatory program or audit can provide absolute assurance that violations of federal securities laws and Exchange rules relating to trading by Floor Members will not occur or go undetected. Also, the continued reasonableness of design and effectiveness of NYSE Regulation s policies and procedures in future periods is subject to the risk that such policies and procedures may become inadequate or ineffective because of changes in business or regulatory conditions or that the degree of compliance with such policies and procedures may deteriorate.

## **Technology and Intellectual Property**

### ***Technology***

The NYSE and NYSE Arca each employ a wide range of technologies that are crucial to NYSE Group s business. Technology enables NYSE Group to maintain its competitive position and regulatory effectiveness as well as investor confidence in the reliability and integrity of its trading platforms and markets. NYSE Group is committed to the ongoing development, maintenance and use of technology and to providing its customers with technological solutions. NYSE Group s technology is subject to oversight by the SEC, through the SEC s Automation Review Program.

NYSE Group s technological initiatives are focused on satisfying each of the objectives set forth below:

*Functionality* business-driven requirements should be delivered on time and with minimal defects;

*Performance* systems should provide fast and competitive response times;

*Capacity/Scalability* systems should be capable of supporting present needs and expanding to meet projected demands;

*Reliability* the availability and performance of systems should satisfy NYSE Group s goals and objectives; and

*Total cost of ownership* systems and operating environment should be managed with a competitive cost structure.

NYSE Group s position in the capital markets requires substantial investments in business continuity, including back-up data centers, back-up trading floors and physical and information security. These investments have increased substantially following the terrorist attacks of September 11, 2001. Business drivers for NYSE Group s technology investments include:

## Edgar Filing: NYSE Euronext - Form 10-K/A

continual functional and performance improvements to NYSE Group's execution services and information products to address customer needs and the evolving competitive trading environment;

## Table of Contents

state of the art regulatory technology in support of market surveillance, member organization regulation and enforcement;

the expectations for excellent systems reliability and resiliency to maintain investor trust and confidence;

substantial investments in systems capacity to ensure that the market can maintain investor access to the market during very unusual peaks in trading activity; and

competitive cost structures for NYSE Group's systems and operating infrastructure.

### *Data Centers*

To enhance the capacity and reliability of NYSE Group's systems, it has established data centers located in Boston, Chicago, New York, San Francisco, and Northern New Jersey totaling approximately 125,000 square feet in size. NYSE Group helps ensure the integrity of its data network through a variety of methods, including access restrictions and firewalls. NYSE Group monitors traffic and components of its data network, and it uses an application to detect network intrusions and monitor external traffic. Customer circuits and routers are monitored around the clock and anomalies in customer circuits are reported to its staff and carrier support personnel for resolution.

### *NYSE Trading Technology*

The NYSE's trading systems include the following major components:

Display Book<sup>®</sup>, which is a high-performance trading system used for automatic quotation of incoming limit orders, is the principal trading system used by specialists under the NYSE Hybrid Market<sup>SM</sup>. It also provides a set of tools that are used by specialists and their trading assistants to keep track of all incoming market and limit orders and provide information display, order management capabilities, research tools, trade execution, access to regional exchanges and quote dissemination;

SuperDot<sup>®</sup>, which is a system that processes approximately 99% of electronic market and limit orders received from member organizations and routes them to broker systems or Display Book<sup>®</sup>;

Broker Booth Support System<sup>®</sup>, which is a full-service order management system supporting straight-through electronic order processing and reporting for member organizations on the floor of the NYSE;

Common Message Switch, which provides member organization access to the NYSE's order processing systems for routing and processing of orders that are destined for the Display Book<sup>®</sup> system or the Broker Booth Support System<sup>®</sup>;

NYSE e-Broker<sup>®</sup> Handheld Data Devices, which are mobile wireless handheld devices running the NYSE e-Broker application that permit member organizations on the floor to receive orders, access the Display Book<sup>®</sup>, report transactions on the floor, and generate messages to customers regarding current market conditions; and

SFTI<sup>SM</sup>, a product of SIAC, which offers financial institutions a resilient connection to the NYSE through a diversified set of major telecommunications providers. SFTI<sup>SM</sup> offers designated access points throughout the U.S. and through a highly resilient and redundant infrastructure that routes around failed circuits automatically. Network security is provided by a multi-tier security architecture known as NYSE Common Access Point<sup>®</sup>, which allows secure external access to all NYSE products and services.

### *NYSE Arca Electronic Trading Technology*

## Edgar Filing: NYSE Euronext - Form 10-K/A

*Trading Platform.* NYSE Arca operates its equities electronic trading platform on mid-range servers. NYSE Arca's industry leading system is designed to accept up to 38,000 orders per second and to provide up to

---

## **Table of Contents**

3,400 simultaneous customer connections. In 2006, its system handled an average of approximately 52.3 million orders daily and approximately 2.8 million trades daily, with a capacity to handle 20.0 million trades daily.

*Connection Options.* Customers can connect to NYSE Arca through a wide variety of order management systems, third-party private networks and service bureaus.

*Interface options.* NYSE Group offers its customers different ways of interfacing with NYSE Arca, including FIX Gateway Interface and RealTick® Interface. Through the FIX Gateway, its customers can access NYSE Arca using their existing trading system and third-party vendors. The Financial Information Exchange (FIX) protocol is a messaging standard developed specifically for real-time electronic exchange of securities trading information. NYSE Arca confirms a customer's FIX connectivity through NYSE Arca Certification Testing.

### ***Intellectual Property***

NYSE Group owns the rights to a large number of trademarks, service marks, domain names and trade names in the United States and other countries. It has registered many of its most important trademarks in the United States and other countries. These include New York Stock Exchange, NYSE, The Big Board, NYSE Composite Index, The World Puts Its Stock In Us, Archipelago, ArcaEx, Archipelago Exchange, Pacific Exchange, and images of the NYSE Trading Floor and building façade. Registration applications for other marks are pending in the United States and in other countries.

In addition, NYSE Group owns a number of registered U.S. trademarks or service marks which are used in its operations. There are also a number of pending applications.

NYSE Group holds the rights to a number of patents and has made a number of patent applications. However, it does not engage in any material licensing of these patents nor are these patents, individually or in the aggregate, material to NYSE Group's business operations.

NYSE Group owns the copyright to a variety of material. Those copyrights, some of which are registered, include printed and online publications, web sites, advertisements, educational material, graphic presentations and other literature, both textual and electronic.

### **Euronext**

Euronext was the first genuinely cross-border exchange organization. Following the merger of the Paris, Amsterdam and Brussels exchanges in 2000, Euronext acquired the London-based derivatives market LIFFE (London International Financial Futures and Options Exchange), and merged with the Portuguese exchange, BVLP in 2002. As a result, Euronext now provides services for regulated cash and derivatives markets in Belgium, France, the UK (derivatives only), the Netherlands and Portugal. It also has (jointly with Borsa Italiana) a major stake in *Società per il Mercato del Titoli di Stato* (or MTS), the leading electronic market for European wholesale fixed income securities, and sells software and IT trading solutions through its subsidiary GL TRADE, a leading provider of front to back-office trading, clearing and settlement solutions, and AEMS, an associate held 50/50 by Atos Origin S.A. and Euronext under the control of Atos Origin S.A. Euronext integrated its constituent markets based on a horizontal market model designed to generate synergies by incorporating the individual strengths and assets of each local market. This business model covers technological integration, the reorganization of activities into cross-border, streamlined strategic business units (or SBUs), and the harmonization of market rules and the regulatory framework.

Since its creation, Euronext has fostered the consolidation of European financial markets by integrating local exchanges across Europe in order to provide users with a single market that is broad, highly liquid and cost-effective.

---

## **Table of Contents**

Following successful completion in 2004 of a four-year migration, Euronext's cash and derivatives markets operate on single, harmonized IT platforms, NSC (*nouveau système de cotation*) for cash trading and LIFFE CONNECT® for derivatives. As a result, every market participant now has a single point of access to trading cash and derivatives instruments, respectively. This has also helped to enhance the visibility of listed companies, reduce average trading fees and facilitate the comparison of investments. IT services, including the management of its trading platforms, are provided to Euronext by AEMS, which is a leading global provider of technology services to the capital markets.

The integration of Euronext's trading platforms has been fostered and accompanied by regulatory harmonization. A single rulebook governs trading on Euronext's cash and derivatives markets, respectively, containing a set of harmonized rules and a set of exchange-specific rules. Regulation of Euronext and its constituent markets is conducted in a coordinated fashion by the respective national regulatory authorities pursuant to memoranda of understanding relating to the cash and derivatives markets.

Euronext operates as a fully integrated organization of multinational teams based on three cross-border, product-based strategic business units, which are assisted by cross-border central support departments that provide services to the entire group. Each of the strategic business units (Cash Trading and Listing, Derivatives Trading, and Information Services) operates under a single chain of command, and is responsible for activities and staff at all of Euronext's markets, irrespective of their actual geographic location. The central support departments are responsible for various functions (finance and general service; human resources; legal affairs, regulation, compliance and European affairs; corporate information systems; corporate strategy, etc.) and coordinate matters between the strategic business units.

Euronext's customers are comprised mainly of exchange organization members and financial institutions that have direct access to trading on Euronext's markets, companies whose securities are listed on Euronext's markets and that seek to raise capital, institutional and retail investors who trade on Euronext's markets, organizations that use Euronext's technologies and services and users of financial information. As of December 31, 2006, there were 220 members of Euronext's cash markets and 848 members of its derivatives markets.

Clearing and settlement of trades on Euronext's markets is effected by LCH.Clearnet and Euroclear, respectively, except for Euronext Lisbon where settlement is currently effected by Euronext's wholly owned subsidiary, Interbolsa. LCH.Clearnet and Euroclear provide these services pursuant to contractual arrangements with Euronext, which also has a substantial minority shareholding in the former and a small shareholding in the latter. Euronext previously owned its clearing and settlement service providers but gradually divested them through the creation of LCH.Clearnet, which resulted from the merger of Euronext's former subsidiary Clearnet S.A. and the London Clearing House Limited, and the sale to Euroclear of its national central securities depositories (Sicovam, Necigef and CIK) other than Interbolsa.

In 2006, Euronext was Europe's largest stock exchange organization in terms of the volume and value of transactions processed through the central order book, the second largest derivatives exchange in Europe in terms of the volume of transactions processed and the second largest derivatives exchange worldwide in terms of the value of transactions processed per day. Thirty-three of Europe's one hundred largest companies by market capitalization as at December 31, 2006 were listed on Euronext and Euronext was the leading European market for initial public offerings in 2006 by offer value (€ 21.4 billion).

### **Recent Acquisitions/Strategic Investments/Alliances**

In March 2007, Euronext and the Luxembourg Stock Exchange announced the execution of a Master Agreement (subject to receipt of all required regulatory and competition authorities approvals) formalizing their agreement for mutual cooperation established in a memorandum of understanding between the two parties in 2006. This agreement will lead to the creation of a European Economic Interest Grouping (EEIG) from April 2007, whose first members will be the founders—Euronext and the Luxembourg Stock Exchange. The EEIG's

**Table of Contents**

purpose will be to develop a shared standard, called LuxNext, for listing and trading corporate bonds through the use and promotion of a comprehensive, integrated solution based on leading-edge technology.

As a result, during the second quarter of 2007, all securities listed on the Luxembourg Stock Exchange will be available on NSC<sup>®</sup>, the single pan-European trading platform used by all Euronext cash markets. This will give Euronext members access to nearly 40,000 instruments traded on the Luxembourg Exchange, including 29,000 bonds issued by more than 4,000 entities in over 100 countries. In addition, Euronext will adopt the SAGE<sup>®</sup> services and listing tools used by the Luxembourg market for the listing of corporate debt instruments.

In December 2006, Euronext acquired 100% of Hugin ASA, Europe's leading provider of technology solutions for connecting companies (listed and non-listed) with their stakeholders, particularly investors and other members of the financial community. Hugin was founded in Norway in 1995 and has ten offices in nine European countries. This acquisition follows the expansion by Euronext into the corporate news distribution market initiated in March 2006 when the French firm *Companynews* was also fully acquired.

In March 2007, Euronext acquired 51% of SecFinex, a European electronic trading platform for securities lending. SecFinex is an Internet-based service that enables participants to agree to stock loan trades efficiently and anonymously with each other on a price-driven screen.

On March 1, 2007, GL TRADE completed the acquisition of FNX Solutions, a U.S. company specialized in OTC product management solutions for capital markets and hedge funds.

**Business Segments**

Euronext has seven principal cross-border business segments, as summarized in the table below. Euronext manages its primary business segments on the basis of three cross-border, product-based strategic business units (Cash Trading and Listing, Derivatives Trading and Information Services).

The following information is prepared in accordance with IFRS.

Business Segment	Function	2006 Revenues (in millions of euros)	% of Total Revenues
Cash trading	Management of trading in cash instruments	286.9	26.0%
Listing	Listing of cash instruments	55.6	5.0%
Derivatives trading	Management of trading in derivative products	391.6	35.5%
Information services	Sale of market data and related information products	112.0 <sup>(1)</sup>	10.2%
Sale of software	Provision of electronic trading solutions through GLTRADE	184.6	16.8%
MTS fixed income	Management of trading in government bonds and repos, etc.	24.0 <sup>(2)</sup>	2.2%
Settlement and custody <sup>(3)</sup>	Settlement of transactions and the safe-custody of securities	14.6	1.3%
Other		32.9	3.0%
<b>Total</b>		<b>1,102.2</b>	<b>100.0%</b>

(1) Including the revenues of *Companynews*.

(2) Consists of the proportional consolidation (51%) of MBE Holding.

(3) Included in Post-Trade Services Providers.



**Table of Contents**

**Cash Trading**

***General***

Euronext is Europe's largest cash market based on average daily trades and average daily turnover. During 2006, on an average day, 860,692 trades, valued at 10.6 billion, were executed on Euronext exchanges for all cash instruments while the total number of trades in all cash instruments amounted to 219 million during 2006.

The following tables set forth comparative data regarding cash trading (total market capitalization of listed companies and number of trades conducted via the central order book) on different European exchanges during 2006.

Using Euronext's electronic trading platform, NSC, Euronext's members enter trades into a cross-border central order book and have access to equities with a total market capitalization of 2,812 billion as of December 31, 2006 issued by issuers in 28 countries. The cash trading business unit comprises trading in equity securities and other cash instruments including funds, bonds, warrants, trackers and structured funds. Euronext

---

## **Table of Contents**

generates cash trading revenues by collecting fees charged based on trades made, by number and value. Euronext also charges its members connection fees for access to its NSC trading platform ( 12.3 million in 2006). In 2006, Euronext generated cash trading revenues of 286.9 million, or 26% of its total revenues.

### ***Trading Platform and Market Structure***

#### ***Trading Platform***

Cash trading on Euronext's markets in Amsterdam, Brussels, Lisbon and Paris takes place via the NSC system, Euronext's common electronic trading platform for the cash market. The NSC system was originally the trading platform for Euronext Paris; Euronext Brussels and Euronext Amsterdam migrated to NSC in 2001 and Euronext Lisbon migrated in 2003. The NSC system is a fully automated electronic trading platform that allows trading members either to route their clients' orders electronically or to enter orders manually into computer workstations installed on their premises and linked to the NSC system. The NSC system maintains an order book for every traded security, in which it matches buy and sell orders electronically. After a trade has been executed, trade confirmations are sent electronically in real time to the trading members.

Customized versions of the NSC system, which AEMS supplies to other stock exchanges, are currently used by 15 exchanges worldwide (including Euronext's four cash markets), more than any other trading platform. One of the strengths of the NSC system is its ability to process the wide variety of order types permitted under Euronext's trading rules, as further described below. The NSC system also includes the ability to combine most of these order types and to execute large orders within a single order book, which allows trading members to adapt their trading strategies and also to increase liquidity. Another strength of the NSC system is its scalability.

Between 2003 and 2005, technology enhancements allowed Euronext to expand the order handling capacity of the NSC system by more than three times and to improve response times by more than 50%. While order and trade volumes have continuously increased on Euronext, the order-handling capacity of NSC, the cash trading platform of Euronext, which enjoyed 100% availability over the year, doubled in 2006. The NSC order latency, already reduced by 50% in 2006, to under 100 milliseconds, is expected to be cut to under 5 milliseconds in 2007.

#### ***Harmonized Rulebook and Market Model***

Cash trading on Euronext is governed both by a single harmonized rulebook for trading on each of Euronext's markets in Paris, Amsterdam, Brussels, and Lisbon and by the various non-harmonized Euronext Rulebooks containing local exchange specific rules. Euronext's trading rules provide for an order-driven market using an open electronic central order book for each traded security; various order types and automatic order matching; and a guarantee of full anonymity both for orders and trades. See Regulation European Regulation. The main features of the Euronext market model include:

*Order matching and execution.* Trading on Euronext takes place on the basis of two trading mechanisms:

*Continuous trading.* During continuous trading, each incoming order is checked immediately for possible execution against orders already in the central order book to determine whether the new order can be matched against an already-recorded order. Orders in the central order book are executed according to price/time priority at the limit price of orders then contained in the central order book. Continuous trading is advantageous only if there are sufficient orders in the central order book. Accordingly, under Euronext's trading rules, financial instruments may be traded continuously only if they meet specified liquidity criteria or are traded with the support of a liquidity provider.

*Auction mechanism.* Under the auction mechanism, orders are not executed immediately, but instead are recorded and accumulated without execution until prices are determined by auction at set times. The auction price is the price that produces the highest executable volume. For

**Table of Contents**

securities in which the auction mechanism is the sole basis of trading, the auction method increases the likelihood of matching orders by concentrating orders at a particular moment in time. Under Euronext's trading rules, less liquid securities are required to be traded in auctions only.

*Liquidity providers.* For certain segments, Euronext's trading rules allow for, and in some cases require, the involvement of liquidity providers. Liquidity providers are trading members that agree with Euronext to enter buy and sell orders for their own account in the central order book, with a view to enhancing the liquidity of a given financial instrument. These orders must meet minimum size requirements and the spread (the difference between the prices of buy and sell orders) may not exceed a pre-determined level.

*Order types.* Euronext's trading rules permit a wide variety of order types, from market orders (orders to execute trades at any price in the central order book until all orders on the opposite side have been executed) and limit orders (orders to execute trades at or above (in the case of sell orders) or at or below (in the case of buy orders) certain specified price limits) to more complex orders such as iceberg orders and stop loss orders (orders stored and automatically triggered by the system when specific prices are reached). Additional order types supported include fill-and-kill, fill-or-kill, minimum-quantity, must-be-filled, market-to-limit / market-on-opening, stop-limit and stop-loss. Certain of these order types add additional liquidity to the market. For example, the ability to place iceberg orders (which are large orders displayed in smaller parts) allows investors that do not wish to reveal the exact volume of securities they wish to buy or sell to nevertheless place their orders in order to keep their price privacy in the order book. It is unlikely that such orders would be placed if the full volume of the orders were revealed, due to the effect that such information might have on the market (the market moves against the large order). Euronext also offers the possibility to match, directly in the order book, guaranteed cross-trades, *i.e.*, the possibility to organize a trade between two internal accounts (house or client orders).

*Trading outside the central order book.* Euronext's trading rules permit market participants to execute certain trades, including block trades or VWAP trades, outside the central order book. Off-order book trading can facilitate trades that are particularly large or enhance off-hours trading capabilities. Using this option, market participants can carry out mutually agreed trades that do not have to be routed through the central order book and that can be carried out at any time of day. The Euronext rulebook specifies minimum transaction sizes for block trades as well as price ranges relative to specified prices displayed in the central order book. Although executed off-order book, these trades executed in accordance with the Euronext rulebook are considered to be executed on one of Euronext's regulated markets and are required to be immediately reported using Euronext's trade confirmation system.

*Trading safeguards.* To avoid undesired volatility, if any order entered in the central order book would cause the price of any security to cross a specified threshold, the NSC system triggers automatic trading interruptions to ensure fair and orderly trading. In continuous trading, the member that entered the order that triggered the trading suspension is provided a time window within which it can confirm the pending balance of its order. Absent such confirmation, the balance of the trade is cancelled.

**Products Traded**

Euronext's cash trading markets accommodate trading in a wide variety of cash instruments, including:

*Equities.* Euronext is Europe's largest cash equities market in terms of average daily trading volume. During 2006, on an average day, 821,545 shares, valued at 10.2 billion, were traded on Euronext for equities. As of December 31, 2006, customers using Euronext's NSC trading platform could execute trades in the stock of 1,210 companies located in 28 countries.

*Funds.* As of December 31, 2006, members could execute trades in over 287 investment funds.



## **Table of Contents**

*Trackers.* Euronext has developed a special product segment, NextTrack, that is dedicated to trading in trackers, also known as Exchange Traded Funds, or ETFs. As of December 31, 2006, members could execute trades in 160 trackers linked to 75 different indices. Trackers are open-ended investment funds that track an index or replicate the performance of an index or a basket of shares, and are traded on Euronext in the same way as ordinary financial instruments. Originally focused on European large caps including geographical and sector indices, the range has gradually been extended to other asset classes such as bonds and real estate. Different investment styles have also been integrated with the addition of trackers on small and mid-caps and social responsibility indices, along with new geographical regions including Japan and emerging markets.

*Structured funds.* In 2006, Euronext listed its first structured funds, which allow investors to combine management techniques such as leverage and guaranteed principal with the benefits of listing. As of December 31, 2006, members could execute trades in seven structured funds linked to three different indices, which form part of the NextTrack segment.

*Warrants & Certificates.* Via NextWarrants, Euronext's market segment dedicated to warrants, warrants on approximately 300 underlying instruments were available as of December 31, 2006. NextWarrants trades are executed on a specific module of the NSC trading system, NSC-Warrants, a dedicated platform that takes into account the specific market structure of warrants.

*Bonds.* A broad selection of bonds is traded on the Euronext platform, such as corporate (including convertible) bonds and government bonds. As of December 31, 2006, 3,366 bonds were listed.

### ***Trading Members***

As of December 31, 2006, 220 members from 12 countries were eligible to trade on Euronext's cash markets. The majority of the members are based in Euronext's marketplaces, while remote members are mostly found in the United Kingdom and Germany. Between 2002 and 2006, the share of cross-border trading on Euronext marketplaces (*i.e.*, trades originating from members not located in the corresponding country) increased from 9.0% to 24.0%. The following table shows the evolution in cross-border trading between 2002 and 2006:

Cross-border trading between 2002 and 2006:

### ***Market Position and Competition***

Euronext provides cash equity trading services in respect of Belgian, Dutch, French and Portuguese-listed equities, and in respect of such services does not face significant competition from any other stock exchange. Inter-exchange competition is marginal and inherently limited by the circumstance that trading in individual equities is typically concentrated on a single exchange, generally the domestic exchange on which the equity was initially listed.

---

## **Table of Contents**

While the competitive constraint exercised by other exchanges is limited, Euronext faces significant and growing competition from trading services provided by a wide array of alternative off-exchange trading venues. Euronext faces competition from large brokers and customers, who have the ability to divert trading volumes from Euronext in one of two ways. First, large banks may assume the role of principal and act as counterparty to orders originating from retail investors, thus internalizing order flow that would otherwise be traded on an exchange. Second, banks and brokers may enter into bilateral trading arrangements by matching their respective order flows, thus bypassing the trading platform Euronext provides. Furthermore, Euronext competes with an array of automated multi-lateral trading platforms, such as ITG/Posit, E-crossnet, and Chi-X. The competitive significance of these various alternate trading venues is likely to increase substantially in the future, with the regulatory environment in Europe becoming more hospitable to off-exchange trading as a result of the reforms contained in MiFID. MiFID will come into effect on November 1, 2007, although individual EU Member States are required to incorporate MiFID into their domestic legal regimes by January 31, 2007. See Risk Factors Risks Relating to NYSE Euronext's Business The implementation of the European Directive on Markets in Financial Instruments, or MiFID, may accelerate the development of off-exchange trading in Europe, which may harm NYSE Euronext's competitive position.

## **Listing**

### ***General***

Euronext's listing business manages the admission of new securities to its markets. As at December 31 2006, 33 of the top 100 European companies by market capitalization (FTSEurofirst 100 index) were listed on Euronext. In 2006, 21.4 billion in offering proceeds was raised in 142 initial public offerings on Euronext.

Euronext's exchanges list a wide variety of securities, including non-U.S. and domestic equity securities, convertible bonds, warrants, trackers and debt securities, including corporate and government bonds. Representatives of the listing business work with domestic and international candidates as well as their financial intermediaries and manage their files until the first day of listing. Once a security has been admitted to listing, Euronext handles all of the corporate events related to the security and produces notices for the market.

At the end of 2006, 1,210 companies were listed on Euronext, of which 954 were based in one of Euronext's home markets. The remaining 256 listed companies are registered elsewhere and chose Euronext as their primary European market for raising capital. Intent on becoming the gateway to the eurozone, Euronext is focused on increasing its share of these non-domestic listings in the future.

Euronext generates listing revenues when securities are admitted to listing for the first time. It also generates revenues by charging admission fees to companies that wish to issue additional shares or other financial instruments, and by charging annual listing fees to companies listed on its markets. In 2006, Euronext generated 55.6 million in listing revenue, or 5% of total revenues.

### ***Organization of Listed Companies***

#### ***EU Regulated markets: Eurolist***

In 2005, Euronext created a single list, Eurolist by Euronext, to encompass all of its regulated national markets. The three main markets of Paris (*Premier Marché*, *Second Marché* and the *Nouveau Marché*) were merged into Eurolist by Euronext in February, followed by corresponding steps in Amsterdam, Brussels and Lisbon in April. Issuers still choose an initial entry point (Paris, Amsterdam, Brussels or Lisbon) for the listing of their securities, which has important regulatory consequences, but once admitted these securities are then accessible from all Euronext markets through Eurolist.

As part of their admission to Eurolist by Euronext, all companies are placed in market segments based on their market capitalization, in order to enable investors to distinguish easily between large, medium-sized and small companies (capitalizations of over 1 billion (Segment A), between 150 million and 1 billion (Segment B), and below 150 million (Segment C), respectively).

---

## **Table of Contents**

### *Sector classifications*

Every company listed on Euronext (and other financial markets) is assigned a standardized sector classification based on its activities. In 2005, a new classification system, the Industry Classification Benchmark, was launched by the FTSE and Dow Jones Indices to replace the FTSE Global Classification System. The new Industry Classification Benchmark system came into force on Euronext's markets on January 2, 2006 following a transitional period.

### *Market segments*

Euronext offers listed companies that meet specified criteria the opportunity to become members of its market segments, primarily for marketing purposes. The market segments are separate from the industrial sector classification received by each listed company. Listed companies are not required to be included in one of Euronext's market segments, but may opt in through an inclusion agreement. These market segments include NextEconomy® (which consists of companies whose core business lies in new technologies) and NextPrime® (which consists of companies from traditional sectors of the economy). To be admitted to membership in the NextEconomy and NextPrime market segments, an issuer must meet specified financial transparency requirements (including a requirement to publish accounts in English and in accordance with IFRS) and satisfy (e.g., via a market maker) the liquidity conditions to be eligible for continuous trading.

### *Indices*

Euronext compiles and promotes indices to enhance the profiles of issuers listed and products traded on its exchanges and to increase trading revenues, in particular national indices.

### *Alternext and other tailored solutions for SMEs*

In May 2005, Euronext launched Alternext Paris, an innovative market tailored to the needs of small to medium-sized companies, or SMEs, which was followed by the launch of Alternext Brussels in June 2006 and Alternext Amsterdam on November, 2006. Alternext is expected to be launched in Lisbon in 2007. Alternext is governed by the respective local legal framework and a body of rules laid down by the market operator, Euronext, and applicable to all participants. It is not a regulated market, as defined by MiFID, but provisions equivalent to those set forth in the European Market Abuse Directive nevertheless apply to trading on Alternext for the benefit of investors. From Alternext's launch in May 2005 through December 31, 2006, 75 companies were listed on Alternext, of which 57 were listed in 2006. These companies do business in a variety of sectors, ranging from software and internet services to electronics and real estate. Key features of the Alternext market include:

Alternext is open to SMEs from all sectors of the economy, so long as they can present at least two years of financial statements.

Companies listing on Alternext can make their initial listing in connection with a public offering pursuant to a prospectus approved by the competent EU authority. They can also directly list their shares on Alternext in connection with a private placement via an information document, so long as the private placement was made in the two preceding years of an initial listing and involved placing at least 5 million with at least five qualified investors.

For a public offering, the minimum free float after listing is only 2.5 million. For a private placement, the minimum free float after listing is 5 million.

Companies seeking a listing on Alternext must engage the services of a listing sponsor, both in the run-period prior to initial listing and while they remain a listed company. The listing sponsor declares

**Table of Contents**

to Euronext that it will ensure that listed companies meet their disclosure requirements for Alternext and guides and counsels the listed company and in France the listing sponsor makes a contractual commitment to Euronext to ensure that listed companies meet their disclosure requirements.

Companies listing on Alternext have greater flexibility in their choice of accounting standards and are subject to less extensive ongoing post-listing reporting requirements than companies listing on Eurolist. For a description of these requirements see Listing Standards.

Other efforts to promote trading in the securities of SMEs include:

Euronext has introduced small and mid-cap expert status to promote analysis of SMEs (segments B and C of Eurolist, and Alternext) and enhance their liquidity. Euronext grants small and mid-cap expert status to brokers meeting specific research, marketing and promotion requirements relating to small and mid-caps.

In 2005, Euronext launched a new line of indices especially for SMEs in Amsterdam, Brussels and Paris. More recently, in September 2006, Euronext launched an all share index for Alternext including all the stocks listed on Alternext Paris, Brussels and Amsterdam.

**Listing Standards**

Through close cooperation with the regulators of the financial markets in each of the EU member states where Euronext operates, Euronext has adopted a harmonized rulebook that sets out a unified set of listing standards with which issuers must comply, regardless of which of Euronext's markets (Paris, Brussels, Amsterdam, Lisbon) is chosen as the entry point. These harmonized listing standards and the local applicable rules from Euronext Rulebook II set forth the criteria required for the listing of securities on Euronext's exchanges, as well as ongoing requirements, particularly with respect to financial reporting. The following chart summarizes certain of the applicable listing standards.

	<b>EUROLIST</b>	<b>ALTERNEXT</b>	
	EU Regulated Market	Alternext-Regulated Market	
Nature of Market	EU Regulated Market		
Target Issuers	Blue Chip and Mid-Cap	SMEs	
Initial Listing Transaction	Public offering	Public offering	Private Placement
Offer Document	Prospectus	Prospectus	Offering Circular
Free float requirement	25% of outstanding securities; or 5% of capital amounting to at least 5 million	At least 2.5 million	At least 5 million
Sponsor	Yes	Yes	
Listing Agent	Yes	No	
Years of Accounts Required	3 years audited, half year interims (reviewed) required if more than 9 months after end of fiscal year	2 years, most recent year audited, half year interims required if more than 9 months after end of fiscal year	
Accounting Standards	IFRS	Local GAAP permitted	
Shareholder reporting thresholds	Varies per country	50%, 95%	
Ongoing Financial Reporting	Annual audited accounts, reviewed six month accounts	Annual audited accounts, six month unaudited	





---

## **Table of Contents**

Each year, a number of companies cease to be listed on Euronext, as a result of both normal corporate actions, such as mergers and acquisitions, and a desire on the part of some companies, in light of continued European integration, to reduce the number of exchanges on which they are listed given the related regulatory commitments. New listings on Euronext have helped to offset partially these delistings.

### ***Market Position and Competition***

Euronext provides primary and secondary listing services to issuing companies, with the level of competition in respect of each service varying significantly. In relation to the provision of primary listing services to issuers based in Euronext's home markets, Euronext does not face significant competition. Most issuing companies seek to list their shares only once, on their relevant domestic exchange. Accordingly, Belgian, Dutch, French and Portuguese companies typically obtain a primary listing on the relevant regulated national exchange operated by Euronext, and are admitted to trading either on Eurolist by Euronext, or, in the case of certain small- to medium-sized companies, Alternext. There are no rival regulated exchanges offering primary listing services in Euronext's home territories, and therefore no material competition in respect of those issuing companies seeking primary listings that are situated in Euronext's home markets, except for MEDIP, a regulated market operating in Portugal by MTS Portugal that provides a platform for the wholesale trading between specialists of Portuguese government bonds.

Euronext competes with other exchanges worldwide to provide secondary listing services to issuing companies located outside Euronext's home territories, and primary listing services to those companies that do not have access to a well-developed domestic exchange. With its presence in five European national markets, and its cross-border integrated exchange model, Euronext is the natural gateway to the Eurozone, providing issuing companies with access through a single point of entry to a broad European investor base. As such, Euronext competes primarily with those other continental European exchanges that offer access to the Eurozone capital pool.

Euronext expects that competition to provide primary and secondary services to non-European issuing companies will intensify in the future, with Euronext having launched market initiatives in several key developing markets, including China, Russia and Israel, in 2005. For example, in September 2006, Euronext and the Shanghai Stock Exchange signed a memorandum of understanding designed to increase their cooperation. In particular, the parties will study the possibility of distributing certain of their respective products in China and on the Euronext markets. The two stock exchanges will also share information regarding products and services, the financial and regulatory environment and practices in force within their respective markets, as well as technological aspects, in order to contribute to their development. As Euronext continues to target issuing companies located in developing markets, it will likely compete more vigorously with exchanges globally.

### **Derivatives Trading**

#### ***General***

Euronext.liffe is Euronext's international derivative markets business, comprising derivative markets in Amsterdam, Brussels, Lisbon, London and Paris. Euronext.liffe is the second largest derivative market in Europe by volume, and the second largest in the world by average daily value of trading. During 2006, average daily volume was 2.9 million contracts valued at almost 1.4 trillion. 730 million contracts were traded on Euronext.liffe in 2006. The total value of contracts traded on Euronext.liffe was 365 trillion in 2006.

Through a single electronic trading platform (known as LIFFE CONNECT<sup>®</sup>), Euronext.liffe offers a wide and growing range of derivative products to customers in 31 countries. The roll-out of LIFFE CONNECT<sup>®</sup>, which was originally the trading platform of LIFFE, was effected in 2003 and 2004 across all of Euronext's derivatives markets. Through this platform, Euronext.liffe offers customers sophisticated trading in a wide range of interest-rate, equity, index, commodity and currency derivative products. Moreover, customers who might

## **Table of Contents**

normally use the OTC market to trade equity derivatives can also now trade cheaply and efficiently using one or more of Euronext.liffe's three new wholesale services Afirm, Bclear and Cscreen launched in 2005, as described below.

Euronext's revenue from derivatives trading on LIFFE CONNECT<sup>®</sup> consists of fixed per-contract fees for the execution of trades of derivatives contracts (futures and options, including equity, commodity and interest-rate derivatives) on Euronext.liffe. Revenues therefore depend on the number of contracts traded on Euronext.liffe and fees charged per contract. See Management's Discussion and Analysis of Financial Condition and Results of Operations of Euronext for further information. In 2006, derivatives trading revenues were 391.6 million, or 35.5% of Euronext's total revenues.

### **Trading Platform and Market Structure**

LIFFE CONNECT<sup>®</sup> is the central electronic trading platform for Euronext's derivative markets. Initially developed in 1998 with customers and selected independent software vendors to replace LIFFE's open outcry trading floor with a fully electronic market, reflecting the benefits of the trading platform, LIFFE CONNECT<sup>®</sup> is now used not only by Euronext.liffe's derivative markets in Amsterdam, Brussels, Lisbon, London and Paris, but also by other exchanges including the Chicago Board of Trade (CBOT), the Kansas City Board of Trade (KCBT), Minneapolis Grain Exchange (MGEX), Winnipeg Commodity Exchange (WCE) and Tokyo Financial Exchange (TFX).

LIFFE CONNECT<sup>®</sup> features an open system architecture. An Application Program Interface (API) allows users to build or purchase trading or view-only applications to suit their specific business needs. Traders commonly do this via one of the many front-end trading applications that have been developed by independent software vendors (ISVs). These applications are personalized trading screens that link the user to the market via a chosen network. This offers the potential to integrate front/back office trading, settlement, risk management and order routing systems.

Key features of the LIFFE CONNECT<sup>®</sup> trading platform include:

*Capacity, performance and scalability.* LIFFE CONNECT<sup>®</sup> has been designed to handle significant order flows and transaction volumes and to be scalable. Between 2003 and 2005, technology enhancements resulted in a more than five-fold expansion of the order handling capacity of the LIFFE CONNECT<sup>®</sup> system, and further enhancements took place in 2006 leading to a doubling of order handling capacity as compared to the level achieved at year-end 2005. A further threefold increase in capacity in 2007 is planned.

*LIFFE Market In Depth.* LIFFE CONNECT<sup>®</sup> disseminates the full order book to all trading clients. Users are continually notified of all active orders in the central order book, making market depth easy to monitor. Furthermore, the Euronext liquidity provider system (ELPS) delivers full screens and tight spreads for all series, delivering deep liquidity and enabling investors to enter and exit the market easily.

*International distribution network.* LIFFE CONNECT<sup>®</sup> is available in the world's major financial centers with approximately 800 sites trading on the system in 31 countries, covering all major time zones.

*Matching.* Orders can be matched either on a price/time or pro rata basis, configurable by contract with transacted prices and the aggregate size of all bids and offers above and below the market updated on a real-time basis.

*Wide range of strategies and order types.* It is possible to trade a wide range of order types and strategies on LIFFE CONNECT<sup>®</sup>, providing flexibility and increased trading opportunities. LIFFE CONNECT<sup>®</sup> offers a large choice of strategy trading with implied pricing, to maximize derivatives liquidity. The range of strategy-types offered at host level includes six futures strategy types with

---

## **Table of Contents**

implied in and out prices on calendar spreads, butterflies, strips, packs, bundles and condors, as well as 40 options strategies. LIFFE CONNECT® also offers 20 delta neutral strategy types. Offering this full range of strategy markets at the trading host level reduces legging risk and lowers the cost of trading.

### ***Products***

#### *Interest rate products*

Euronext.liffe's core product line (in addition to equity option contracts, described below) is its portfolio of short-term interest rate contracts. Short-term interest rate contracts enable users to manage the risks associated with interest rate fluctuations in the world's major currencies, from anywhere between three months to five years into the future. Euronext.liffe's main products within this range are based on the euro and sterling interest rate. Trading volumes in Euronext.liffe's flagship product in this area, the Euribor Contract, have grown as the euro has increasingly established itself as a global reserve currency.

#### *Equity products*

Equity options enable holders to hedge against, or speculate on, changes in share prices. More than 400 European equity options (including options on shares not listed on Euronext) can be traded on Euronext.liffe, making the exchange a leading market for equity options trading worldwide. Equity options trading has historically been particularly active at Euronext Amsterdam. The successful full-screen market model, which now characterizes this equity options market, is currently being rolled out to the other Euronext.liffe centers.

#### *Equity index products*

Equity index derivatives allow holders to hedge against, or speculate on, changes in the future level of a particular index, the investor paying or receiving a cash sum representing its loss or gain on the future or option. Euronext.liffe's equity index derivatives allow customers to hedge against fluctuations in a range of European stock market indices and the European equity market as a whole.

#### *Commodity products*

Commodity derivatives allow holders to hedge against changes in the price of a number of commodities, including agricultural products such as wheat, corn, rapeseed and soft products such as cocoa, sugar and coffee. Euronext.liffe is a leading provider of soft and agricultural commodity derivatives, and is the only exchange to offer commodities globally on an electronic trading platform. Volumes have grown strongly in recent years, as investors seek to use commodities to help diversify their portfolios.

#### *Currency products*

Currency derivatives allow investors to speculate upon, or protect themselves from, changes in the exchange rate between two currencies. Trading in currency derivatives on Euronext.liffe has declined significantly in recent years following the introduction of the euro.

#### *OTC products*

In 2005, Euronext.liffe launched three integrated services designed to provide straight-through-processing from pre-trade price discovery to post-trade registration, administration and clearing of wholesale equity derivatives trades. Together, these new services offer a flexible, secure, simple and cost-effective way of conducting wholesale equity derivatives trades. The three services include:

*Afirm.* Afirm is an off-exchange post-trade matching service offering affirmation or matching through to confirmation for OTC equity derivatives transactions. Afirm is designed to allow equity derivative market participants to reduce costs through the automation of manual processes and to reduce operational risk through real-time confirmation. Benefits offered by the service include

## **Table of Contents**

automated trade confirmation, FpML messaging capability, and flat fees per trade confirmed through the service, irrespective of the size of the transaction.

*Bclear.* Bclear provides OTC equity derivative market participants a means of registering, processing and clearing wholesale equity derivatives within the secure framework of an exchange and clearing house. Through Bclear, users can register OTC business for trade confirmation, administration and clearing as an exchange contract, while retaining the flexibility to specify contract maturity, exercise price and settlement method on futures and options on 650 European blue-chip stocks and 12 indices.

*Cscreen.* Cscreen is a dynamic application that enables brokers and traders to post and respond to Indications of Interest (IOI) for wholesale equity derivatives.

### ***Trading members***

Trading members in Euronext's derivative markets are either dealers or brokers. Trading members can also become liquidity providers. Liquidity providers enter into agreements with Euronext, specifying their responsibilities. Liquidity providers are able to place several series of bulk quotes in one order, allowing trading members to send buy and sell orders for many contract months using only one message. If a trading member is disconnected from the trading system, all of its quotes (except good-till-cancelled orders) will be automatically cancelled by the system through a bulk cancellation function.

### ***Market position and competition***

Euronext.liffe competes with a number of European derivatives exchanges, most notably Eurex, the derivatives platform operated by Deutsche Börse, as well as the OTC markets. The overwhelming majority of derivatives transactions are executed OTC, and the ability of customers to switch trading volumes OTC exercises a significant competitive constraint on Euronext's activities.

## **Information Services**

### ***General***

Financial information is essential for exchange trading. Accordingly, Euronext's Information Services business unit distributes and sells market information to data vendors (such as Reuters and Bloomberg) and financial institutions and manages over 200 national and international indices. Its core activity is the distribution of real-time market data. The real-time information is subject to fees, to be paid by vendors and users. Delayed data, data that is at least 15 minutes old, is currently provided free of charge. Furthermore, the Strategic Business Unit (SBU) offers analytical services used for trading algorithms and analyses and provides information about corporate actions of securities listed on Euronext.

Information Service's revenues consist of fees charged to a variety of users for the use of Euronext's real-time market data services. In addition, Euronext charges data distributors license fees for the right to distribute Euronext data to third parties and service fees for their direct terminal connections. See Management's Discussion and Analysis of Financial Condition and Results of Operations of Euronext for further information. In 2006, Euronext Information Services generated revenues of \$112 million, including its subsidiary *Companynews*, or 10.2% of Euronext's total revenues. A significant proportion of these revenues came from monthly end user fees, which are collected by data distributors based on the level of end user usage they report to Euronext.

In 2006, the SBU acquired *Companynews* and Hugin. The two companies have leading positions in the field of news distribution and investor relation services in Europe and are to be integrated into one independent entity, a full subsidiary of Euronext. The integrated new company will enhance Euronext's presence in the market for corporate news distribution, broadening its range of services for listed and unlisted companies.

## **Table of Contents**

### ***Real-time Market Data***

The main activity of the Information Services SBU is the distribution of real-time market data. This data includes price, transaction and order book data on all of the instruments traded on the cash and derivative markets of Euronext, as well as information about Euronext's indices. The data is marketed in different information products, and can be packaged according to the type of instrument (shares, derivatives or indices), the depth of the information (depth of the order book, number of lines of bid and ask prices), and the type of customer (professional or private).

The data is disseminated primarily via data vendors, but also directly to financial institutions and other service providers in the financial sector. The SBU charges fees for the dissemination of data; an annual connection fee is charged to receive data directly from Euronext. A license fee is applicable when real-time data is redistributed. In addition, license holders pay a monthly fee based on the number of end users receiving data from them and the information product subscribed to. As of December 31, 2006, the SBU had 177 license holders, and approximately 207,000 of Euronext real-time information products were viewed by end users. Many other users receive the same market data with a delay of 15 minutes.

The consolidation of all Euronext market data into one feed Euronext Market Data Solution (EMDS) was completed in February 2006. Further enhancements and continued growth of the system's capacity were realized in the rest of the year to cope with the soaring data volumes, particularly caused by derivatives, which was partly due to the successful rollout of the ELPS (Electronic Liquidity Provider System) model to Brussels and Paris.

### ***Other Information Products***

In addition to real-time market data, Euronext provides the following additional market data services:

#### ***Historical and analytical services***

*Historical market data covering all Euronext's markets.* This service, called NextHistory, is aimed at professionals in the financial industry. NextHistory gives customers online access to historical market data via [www.databyeuronext.com](http://www.databyeuronext.com) or via DVD. It offers a choice between end-of-day and intraday market data on both equities and derivatives for all of Euronext's markets, in some cases going back as far as the early 1980s.

*Daily updates about the composition of all Euronext indices.* Euronext has developed a product called Index File Service for traders, asset managers, structured product desks, analysts, professional investors, vendors and others that rely on up-to-date index information for activities including trading, fund management, research, data dissemination and risk management. Euronext's subscribers pay a fee to receive daily information on the exact composition and weighting of indices as well as precise details of changes in index levels and the closing prices of constituent shares.

#### ***Referential and Corporate action services***

*Market snapshots.* This service provides full market overviews at fixed times every trading day. Various services are available and are aimed at vendors and professionals in the financial industry. A more harmonized version of this service is scheduled to be launched in 2007.

*Corporate actions.* The Information Services SBU provides information concerning corporate actions to the market. This product has benefited from the harmonisation and integration of the processing of corporate actions within Euronext. The development of this referential data product will continue in 2007. The product will include corporate actions products in machine and non-machine readable formats.

#### ***Official Lists***

The Information Services business unit publishes a number of daily official price lists, such as the *Cote officielle* in Paris, the Daily Bulletin in Lisbon and the Amsterdam Daily Official List.



**Table of Contents****Indices**

Through its subsidiary, Euronext Indices B.V., Euronext markets, maintains and improves existing indices and develops new ones when added value for market participants is identified. Companies listed on Euronext are indexed according to size, segments and sectors, per national market as well as Euronext wide. Apart from these proprietary indices, Euronext also maintains and develops customised indices with or for clients, not necessarily based on Euronext listings only. The use of these indices is diverse; from derivatives trading to enhancing the profile of listed companies, issuing index-linked products and market analysis.

Euronext maintains over 200 indices, including the flagship AEX®, BEL 20®, CAC 40®, PSI 20® and Euronext 100® indices. Euronext's primary indices are set forth in the following table:

	<b>Euronext Amsterdam</b>	<b>Euronext Brussels</b>	<b>Euronext Lisbon</b>	<b>Euronext Paris</b>	<b>Euronext wide</b>
Blue chip	AEX	BEL 20	PSI 20	CAC 40	NextCAC 70 Euronext 100
				CAC Next 20	
Midcap	AMX	BEL Mid		CAC Mid 100 SBF 120 (*) SBF 80	Next 150
				CAC Mid & Small 190	
Small cap	AScX	BEL Small		CAC Small 90	
Specialised sector/segment Indices				CAC IT CAC IT 20	NextPrime NextEconomy Alternext (**)
All Share Indices	AAX	BAS	PSI Geral	CAC AllShares SBF 250	
Sector Indices (All share)	Dutch ICB Industries & Sectors indices	Belgian ICB Industries & Sectors indices	Portuguese ICB Industries indices	French ICB Industries & Sectors indices	

(\*) Includes CAC40 stocks.

(\*\*) Launched in 2006.

**Corporate news distribution and Investor Relations services**

In 2006, Information Services acquired *Companynews* (March 2006) and *Hugin* (December 2006) in order to meet the demand for specialised services in corporate news distribution resulting from the European Transparency Directive that became effective in January 2007. This Directive requires that listed companies adhere to minimum requirements in disclosing price sensitive information. In order to do so, most of these companies are expected to outsource their needs to a specialized service provider.

The integration of these two European leaders in news dissemination services reflects the SBU's strategy to develop services for listed and unlisted companies in the field of news distribution and investor and public relation services and strengthen its position in the corporate news distribution market.

**Sale of Software: GL TRADE****General**

GL TRADE, a subsidiary of Euronext, is a global provider of front to back-office solutions for international financial institutions on both the buy side and the sell side. GL TRADE's software and proprietary network give GL TRADE's customers real-time access to more than 120 electronic markets around the world and link participants in the international financial community. Using GL TRADE's products and services, its customers



## Edgar Filing: NYSE Euronext - Form 10-K/A

can trade shares, bonds, commodities and derivative instruments, view comprehensive financial information and automate all of their order flow from the front to the back office. GL TRADE serves over 750 major financial institutions.

---

## **Table of Contents**

GL TRADE has been listed on Eurolist by Euronext in Paris since 1999 and has been included in the Next Economy segment since the segment's launch. It had a market capitalization of approximately 360 million as at December 31, 2006. As the owner of approximately 40% of GL TRADE's shares, both directly (9.3%) and indirectly via a 55.8% shareholding in a company (Financière Montmartre) that holds 55.2% of GL TRADE's shares, Euronext is GL TRADE's major shareholder and consolidates the financial statements of GL TRADE into its own financial statements. In addition, the founders of GL TRADE have been granted a put option on up to 10.5% of GL TRADE share capital as at June 30, 2004. The option can be exercised at any time after February 28, 2006 and the exercise price has been set at the average market value of the previous 40 trading days, less 1 euro. In 2006, Euronext's revenues from GL TRADE amounted to 184.6 million, or 16.8% of Euronext's total revenues.

### ***Products and Services***

GL TRADE has developed a range of front-to-back office solutions and services to meet the needs of the financial community. GL TRADE's offering is structured around six business lines, consisting of:

Front Office Solutions (GL TRADE's historical core business);

Buy Side Trading Solutions: GL FAST;

Post Trade Derivatives;

Back Office Securities;

Cash and Risk Management: TRADIX; and

Banking Risk: Fermat.

#### ***Front Office Solutions***

GL TRADE offers its clients GL STREAM, the first straight through processing solution for multiple listed security types (equities, futures, options, commodities, forex and bonds). The system offers automated handling and real-time optimization of all processes involved in managing a market order.

GL STREAM covers trading and order management and market connectivity. It has been developed with an open architecture and a flexible infrastructure that can operate either on the client's site or on an ASP model. GL STREAM is fully compatible with third-party applications via the FIX (Financial Interface eXchange) protocol, and, for clients seeking the best possible performance, via APIs (Application Protocol Interface).

*Trading and order management.* Volumes traded on financial markets are constantly growing. Client needs are therefore evolving towards more powerful order management and trading solutions. In addition, the future implementation of new regulations in the U.S. (Reg. NMS) and in Europe (MiFID) will require brokers to make strategic choices in terms of best execution, order internalization and reporting. The GL STREAM Workstation combines client orders and market orders on a single screen (with 500,000 listed products viewable on a single screen, along with visualization of a full range of market data). A wide range of fully integrated modules facilitates the execution of complex orders.

*Market connectivity.* Traders can access electronic financial markets via GL GATEWAYS, which are directly connected to the central systems of markets. GL TRADE offers broad access to centers of liquidity: 120 electronic markets worldwide, including 68 equity and bond markets and 52 derivatives markets, including commodities. Continuous efforts to optimize order-processing servers have made it possible to transfer an order to the market in under three milliseconds, with the ability to place 6,000 orders per second in each market.

## Edgar Filing: NYSE Euronext - Form 10-K/A

*Market data and content.* GL TRADE's market information service supplies essential financial information directly to users' screens. It offers, in real time, data from specialist information providers (AFP, AFX, Dow Jones, S&P MarketScope, Trading Central, etc.) and from connected markets: real-time pricing, order books and market depth. It includes all U.S. data flows (Nasdaq/INET, the NYSE, NYSE Arca, Inc., The NASDAQ Market Center) in particular.

---

## **Table of Contents**

*GL NET: A dedicated network for order routing and transmission of financial data.* GL NET is a dedicated international private network serving clients in the financial services industries. It enables real-time trading in all types of financial securities on 120 cash, derivative and OTC markets. Designed with an open architecture, it can be accessed not only through GL TRADE workstations by both buy side and brokers, but also via FIX applications or third-party systems. The GL NET network links the main members of the financial community with the growing number of buy side users. The network provides its members with optimal levels of security, reliability and availability for the transmission of orders. Its large bandwidth ensures an average speed for order routing of 0.25 seconds worldwide, with no loss or distortion.

*Buy Side Trading Solutions: GL FAST.* GL FAST offers the buy side community the GL WINWAY workstation. This links the recognized benefits of the GL WIN platform with the features of GL XLS, an analytical module designed for clients that use Excel to manage their orders. This solution enables buy side clients to develop trading strategies and to forward their orders to several brokers. GL WINWAY provides all buy side trading functionality, such as market access and algorithmic trading. This solution is also available as an ASP offering.

*Post Trade Derivatives: post-trade management for derivatives markets.* Post trade solutions provide automated real-time management of the entire deal settlement process and manage the allocation and delivery of all necessary information to the back office. The acquisition of Ubitrade in December 2004 enabled GL TRADE to integrate a dedicated listed derivative market back office solution within its existing product range. GL TRADE is currently able to offer full and integrated solutions from front office to back office on listed derivatives markets. This integration has also led to the creation of a wholly ASP front to back solution, which will enable faster deployment for new members.

*Back Office Securities: post-trade management for equity and bond markets.* The acquisition of MSTs back office business in late 2003, and that of Oasis in July 2005, have enabled GL TRADE to integrate sophisticated electronic back office solutions for equity and bond markets into its product offering. These provide management of settlement and delivery data flows with international custodians, calculation of provisional cash balances and associated borrowing-lending functions. Oasis has also added connection to U.S. clearing houses and settlement agents to its offering, which includes the production of information required under local laws.

*Cash and risk management: TRADIX.* The TRADIX business line offers French and international banks and major companies effective cash management and risk hedging solutions. Following the strong sales performance of TRADIX in 2006, particularly in France and the Middle East, GL TRADE plans to seek similar success in other regions, drawing on the strength of GL TRADE's sales networks and the synergy identified with trading and order management products.

*Banking risk management: Fermat.* GL TRADE is the sole distributor in Germany of Fermat banking risk management products. These help calculate regulatory solvency ratios, produce simulations and supply regulatory authorities with the information required under the Basel II rules.

### ***Customers***

GL TRADE sells its products and services primarily to large international financial institutions that use its solutions in connection with their brokerage activities. GL TRADE has approximately 750 clients (excluding individual GL multimedia clients). Sell side clients account for approximately 70% of the total and buy side clients for approximately 20%. Back office clients make up most of the remaining balance. Approximately 60% of GL TRADE's clients are equities specialists and 20% are derivatives specialists.

### ***Market Position and Competition***

GL TRADE's business can be split into four main competitive segments: order processing, electronic trading networks, provision of financial information to financial institutions and settlement-delivery systems. GL TRADE's order processing systems for equity markets compete with those offered by Orc Software, SunGard, Royal Blue and RTS. For derivatives markets, GL TRADE's main competitors are Patsystems, NYFIX and

## Table of Contents

Trading Technologies. In electronic trading networks, GL NET faces competition from companies like Bloomberg and Reuters as well as financial institutions that develop solutions in-house. In the derivatives back office market, GL TRADE competes with the market leaders, Rolfe & Nolan and SunGard. TRADIX, which faces competition from numerous other companies, has made a strategic decision to focus on the specific niche of corporate cash management teams. On the buy side market, GL TRADE's flagship product, GL WINWAY, faces competition primarily from very large brokers and from Trading Screen. Companies such as Flextrade and Portware pose the main challenges in algorithmic trading, sometimes known as execution management systems.

### MTS

Euronext currently owns 51% of an Italian joint venture entity, MBE Holding, that owns 60.37% of the voting shares of *Societa per il Mercato del Titoli di Stato* (which is referred to in this document as MTS), which is a leading electronic trading platform for European fixed-income securities, particularly government bonds. Borsa Italiana owns the other 49% of MBE Holding as at December 31, 2006. Euronext proportionally consolidates MBE Holding in its accounts. MTS generated total revenues of \$59.3 million in 2006, up 1.9% on 2005. Euronext consolidated MTS for one month in 2005 following its acquisition by MBE Holding, recording consolidated revenues from MTS of \$1.4 million.

### *Overview of MTS*

MTS is a regulated electronic exchange for government bonds and other types of fixed income securities. MTS is authorized to conduct these activities by Italy's Ministry of Economy and Finance and is regulated by the Bank of Italy and the *Commissione Nazionale per le Società e la Borsa* (CONSOB), the Italian stock market regulator. Since the adoption of the Euro in 1999, MTS has covered the national debt markets of every EU member state as well as government bond markets of other countries. The MTS market model uses a common trading platform for all domestic marketplaces, while corporate governance and market supervision are based on the respective national regulatory regimes. The MTS Group today covers over 30 marketplaces through various companies and continues to expand its geographic scope. In 2005, MTS signed a memorandum of understanding with the Shanghai Stock Exchange to cooperate in creating a domestic fixed income market in the People's Republic of China, and also signed an agreement with the State of Israel to establish MTS Israel, which will be the official electronic inter-dealer market for Israeli government bonds.

### *MTS Marketplaces*

MTS and its subsidiaries operate several marketplaces offering a wide range of products, among which the most significant are:

MTS Italy Cash, which provides wholesale electronic markets for Italian government bonds and other types of fixed income securities;

EuroMTS Cash, which is the reference electronic market for EuroBenchmark bonds with a pool of instruments that includes benchmark securities from Austria, Belgium, Brazil, Bulgaria, China, Croatia, Cyprus, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Israel, Italy, Lithuania, Mexico, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, South Africa, Spain, Sweden, Turkey and Venezuela, as well as agency and supranational bonds, inflation-linked bonds, covered bonds from Spain, France, Germany, the UK and Ireland, and benchmark treasury bills;

MTS Deutschland Cash, which manages the electronic trading platform for German government bonds, Länderbonds and German treasury certificates;

MTS Money Markets, which deals primarily in repos and European treasury bills; and

BondVision, which is a leading dealer-to-client (B2C) fixed income electronic bond trading market. It was launched in 2001 in response to demand from institutional investors for access to the liquidity of the MTS Markets. While the dealers active on BondVision are largely those dealers active on the MTS B2B platforms, its clients are institutional investors, including investment managers, hedge funds, private banks and proprietary traders.



---

## **Table of Contents**

Before the acquisition of MTS, Euronext and MTS had closely cooperated for many years through two partnerships aimed at promoting bond markets and indices: MTS France and MTSNext. MTS France operates the leading electronic trading platform for French sovereign and quasi-sovereign securities. Euronext Paris and MTS each hold a 22.5% stake in MTS France, with the remainder being held by French primary dealers. MTSNext is a joint-venture between MTS and Euronext responsible for the management and promotion of the EuroMTS Indices.

### ***Competition***

Almost the entirety of fixed income securities trading takes place off-exchange. MTS' key competitors are inter-dealer brokers (or IDBs), such as ICAP plc and Cantor Fitzgerald & Co. (that, through eSpeed, Inc., operates the world's largest market for government bonds), which provide specialist intermediary services that facilitate fixed income securities transactions. Fixed income securities are also traded bilaterally by large financial institutions and commercial banks, and through a variety of electronic multi-lateral trading venues.

### ***The MTS Acquisition and Related Agreements***

On November 18, 2005, Borsa Italiana and Euronext acquired 51% of MTS through MBE Holding. Euronext and Borsa Italiana's respective cash contributions were €69 million and €56 million to capitalize MBE Holding, which in turn subscribed newly issued MTS shares in a share capital increase. The subscription price paid by MBE Holding was subsequently distributed as share premium reserve to compensate MTS' original shareholders. After the acquisition by MBE Holding of the 51% stake in MTS, MBE Holding purchased, via a pre-emptive rights subscription and sale mechanism, an additional 9.37% of MTS shares, bringing its current shareholding to a 60.37% stake. Primary international banks and financial institutions own the remaining 39.63% of MTS.

Under the terms and conditions of the acquisition agreement, each of Euronext and Borsa Italiana undertook, for a period of 10 years:

to maintain and develop the role of MTS as a European hub for all sovereign and governmental bonds and develop the role of MTS as a European hub for fixed-income products;

to maintain the headquarters of MTS in Italy and to keep MTS subject to Italian corporate and regulatory laws and regulations;

to preserve the MTS market as a regulated investment exchange with the highest standards of transparency; and

not to amend certain provisions of the bylaws of MTS without the consent of the Italian Ministry of Economy and Finance.

Further, the bylaws of MTS prohibit Euronext from undertaking, directly or indirectly, including through any company within the group of such controlling entity, any new activity in the European Union that competes with any screen-based wholesale bond markets which MTS operates, except for the wholesale market of derivative financial instruments.

### ***MTS and MBE Holding Governance Arrangements***

On October 21, 2005, Euronext and Borsa Italiana entered into a shareholders' agreement with a five-year term relating to MTS and MBE Holding. The most important ownership arrangements contained in the shareholders' agreement and the related bylaws of MTS and MBE Holding include:

Each of Euronext and Borsa Italiana agrees to hold MTS shares only through MBE Holding and to automatically terminate the shareholders' agreement in the event that either party ceases to hold its initial holding in MBE Holding.

Until November 18, 2013, Borsa Italiana has the right, at its sole discretion, to sell to Euronext (which will be obliged to purchase) all, but not less than all, of the shares then owned by Borsa Italiana in MBE Holding at a price reflecting agreed pricing terms mainly

correlated to MTS performance.



**Table of Contents**

In the event of a change of control of either Euronext or Borsa Italiana, the other party will have the right to purchase all of the other party's shares in MBE Holding at fair market value within 90 days thereof.

Under the MBE Holding and MTS by-laws, in the event that either party intends to transfer MBE Holding Shares or MTS shares to a third party (other than an affiliate), the other party has a right to purchase the underlying shares on a preferential basis. As to MBE Holding shares, in the event that the non-transferring party decides not to exercise such right and the transfer results in a change of control in MBE Holding, the non-transferring party has the right to sell to the acquiring third party all or part (but not less than 15% of the share capital of MBE Holding) of its MBE Holding shares. As to MTS shares, a transferring shareholder must obtain prior approval from the Italian Ministry of Economy and Finance before executing a transfer of MTS shares that would result in a change of control of MTS.

**Post-Trade Service Providers**

Clearing and settlement of trades executed on the Euronext exchanges is effected by LCH.Clearnet (for central counterparty clearing) and Euroclear Group (for settlement, except for trades executed on the markets organized by Euronext Lisbon in Portugal, where it is still effected by Interbolsa, a wholly-owned subsidiary of Euronext Lisbon). LCH.Clearnet and Euroclear are independent entities that provide services to Euronext pursuant to contractual arrangements. Euronext initially owned the entities that provided clearing and settlement services to its continental European exchanges, but gradually divested them to LCH.Clearnet (for the clearing entities) and Euroclear (for the settlement entities). Interbolsa, which provides settlement services to Euronext Lisbon, is the only post-trade entity currently fully-owned by Euronext. In addition to receiving clearing services from LCH.Clearnet, Euronext also has a substantial minority shareholding in and board representation on LCH.Clearnet. Euronext also has a small shareholding in and board representation on Euroclear.

***Euronext's Relationship with LCH.Clearnet***

LCH.Clearnet Group Ltd. was created in December 2003 as a result of the merger between Banque Centrale de Compensation S.A. (known as Clearnet) and The London Clearing House Limited (LCH). Prior to the merger, Clearnet was owned, directly and indirectly, as to 80.5% by Euronext, and 19.5% by Euroclear, and LCH was owned as to 75% by various commercial and investment banks, stockbrokers, dealers and trading companies that in each case were party to an active clearing membership agreement with LCH, and 25% by three UK-based exchanges, namely LIFFE Administration and Management (a Euronext subsidiary) (17.7%); London Metals Exchange (LME) (5.4%); and International Petroleum Exchange (now ICE Futures) (1.8%). Upon completion of the merger, LCH (now LCH.Clearnet Limited) and Clearnet (now LCH.Clearnet S.A.) became wholly-owned subsidiaries of LCH.Clearnet Group Ltd.

In March 2007, Euronext and LCH.Clearnet Group Ltd. reached an agreement regarding Euronext's investment in LCH.Clearnet, consisting of ordinary shares (representing 24.9% of LCH.Clearnet's fully diluted share capital) and redeemable, convertible preference shares (RCPS) (representing 16.6% of LCH.Clearnet's fully-diluted share capital, which are redeemable under their terms in December 2008). The agreement provides for the early redemption of all of the RCPS and the repurchase of ordinary shares held by Euronext such that it would retain only a 5% shareholding post-repurchase. The RCPS would be redeemed at their redemption value of approximately \$199 million, plus accrued but unpaid dividends. The repurchase of 26,183,362 ordinary shares of LCH.Clearnet held by Euronext would be effected at a price of \$10 per ordinary share, the value at which the shares were issued at the time of the LCH/Clearnet merger in 2003. The transaction remains subject, among other things, to approval by LCH.Clearnet's shareholders, to the successful issuance of preferred securities by LCH.Clearnet and to regulatory and other appropriate consents. The agreement provides for the ordinary share buyback to be implemented in two tranches. The first tranche is expected to be completed in 2007, and the second tranche is expected to be completed in 2008.

---

## **Table of Contents**

Euronext has a multi-faceted relationship with LCH.Clearnet, as shareholder, clearer to its exchanges and service provider.

### *Euronext's Relationship as Shareholder*

Euronext currently holds, through its subsidiaries, a number of shares in LCH.Clearnet Group Ltd. representing 24.9% of LCH.Clearnet Group Ltd.'s fully diluted share capital, and redeemable convertible preference shares (or RCPS), which are voted by an independent third party and which on conversion or sale will convert into ordinary shares representing 16.6% of LCH.Clearnet Group Ltd.'s fully diluted share capital. Euronext is entitled to appoint two board representatives for so long as it holds shares representing 15% or more of LCH.Clearnet Group Ltd.'s fully diluted share capital, and one representative for so long as it holds between 5% and 15% of LCH.Clearnet's fully diluted share capital. In addition, Euronext is entitled to appoint two board representatives for so long as it holds RCPS representing in excess of 6.6% of LCH.Clearnet Group Ltd.'s fully diluted share capital, but such entitlement decreases to one board representative once Euronext holds RCPS representing less than that amount.

Currently, Euronext has appointed Jean-Francois Théodore, Olivier Lefebvre, Clara Furse (the Chief Executive of the London Stock Exchange) and Dominique Hoenn to the board of LCH.Clearnet Group Ltd. pursuant to these rights.

LCH.Clearnet Group Ltd. shares may only be held by three categories of shareholders: users, exchanges or Euroclear, and each member is subject to a specified maximum number of voting rights that may be exercised at a general meeting. Where shares are to be transferred, pre-emption rights will operate to provide either users or exchanges with a right of first refusal over the shares, thus maintaining, at the shareholders' option, the initial balance between shareholder categories, but there may be no transfer to any person (other than Euroclear) not party to a clearing agreement as user or exchange. The restrictions on share ownership and transfer are in effect until at least December 22, 2008 and may be extended by the board with shareholder approval.

### *Euronext's Relationship as Exchange*

LCH.Clearnet clears trades executed on the markets organized by Euronext Amsterdam, Euronext Brussels, Euronext Lisbon, Euronext Paris and LIFFE. The Euronext group remains the most significant group of exchanges to which LCH.Clearnet provides clearing services.

Euronext Amsterdam, Euronext Brussels, Euronext Lisbon and Euronext Paris are parties to an amended and restated clearing agreement entered into in October 2003 with LCH.Clearnet S.A. and LCH.Clearnet Group Ltd., pursuant to which such Euronext exchanges designate LCH.Clearnet S.A. as their central counterparty clearing house to provide clearing services for transactions executed on those exchanges. This clearing agreement may be terminated upon 30 months notice.

LIFFE is party to a clearing agreement with LCH.Clearnet Limited, originally entered into on June 7, 1988 and amended and restated on July 16, 1996, pursuant to which LCH.Clearnet Limited is appointed as the designated clearing house. This clearing agreement may be terminated upon 36 months notice.

### *Euronext as Administrative Service Provider*

Under the terms of a transitional services agreement entered into in connection with the merger between LCH and Clearnet, Euronext agreed to provide on a transitional basis certain administrative services to LCH.Clearnet that, prior to the merger, had been provided to Clearnet by or on behalf of Euronext. LCH.Clearnet's reliance on the provision of such transitional services has been decreasing over time and the obligation of Euronext to provide such transitional services largely expired in December 2006, though some real estate and fee calculation services are continuing by mutual agreement.

## **Table of Contents**

### ***Euronext's Relationship with Euroclear***

Euroclear is a partner of Euronext for the settlement of transactions concluded on its markets pursuant to contractual arrangements in place.

The Euroclear system was created in 1968 to hold securities for its participants and to settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment. The Euroclear system provides various other services, including securities lending and borrowing and collateral management. In addition to its role as the leading International Central Securities Depository (ICSD), Euroclear also acts as the Central Securities Depository (CSD) for Dutch, French, Irish, Belgian and UK securities.

Euroclear Group currently settles transactions conducted on each of Euronext's markets, except for Euronext Lisbon. Euronext formerly had a substantial minority stake in the French CSD (Sicovam SA) and was formerly the owner of the CSDs in the Netherlands (Necigef) and Belgium (CIK), but divested them to Euroclear in 2001, 2002 and 2006, respectively, and they now operate as Euroclear France, Euroclear Netherlands and Euroclear Belgium, respectively.

Euronext has a direct shareholding of 2.75% in Euroclear plc, together with an indirect shareholding through Sicovam Holding (Euronext holds 9.6% of Sicovam Holding, which holds 13.1% of Euroclear plc). Jean-Francois Théodore currently represents Euronext on the Supervisory Board of Euroclear plc.

### ***Interbolsa***

Interbolsa is the Portugal-based CSD that settles trades conducted on Euronext's market in Lisbon. Interbolsa is a wholly-owned Euronext Lisbon subsidiary. Euronext has been in regular contact with Euroclear to discuss developments in the area of European consolidation and its impact on the Portuguese securities market and ECSDA (European Central Securities Depository Association). In 2006, Interbolsa generated revenues of 14.5 million. See Management's Discussion and Analysis of Financial Condition and Results of Operations of Euronext for further information.

### **Atos Euronext Market Solutions**

#### ***Background***

Euronext outsources the information technology requirements of its business such as development, maintenance of information technology applications, and use of resources and software to Atos Euronext Market Solutions S.A.S. ( AEMS ), an entity 50% owned by Euronext and 50% owned by Atos Origin. The AEMS outsourcing arrangements provide Euronext with several substantial benefits in its day-to-day business, as well as generating additional revenue for Euronext. By working with Atos Origin, an information management services and information technology company, Euronext gains access to international technology skills and resources at reduced cost. The nature of the arrangements ensure that Euronext continues to receive high levels of service for its information technology needs from employees of AEMS who are already familiar with Euronext's systems. Euronext also benefits, through its equity investment in AEMS, from third-party revenues generated by AEMS, which licenses software and provides information technology services to third-party customers around the world.

AEMS grew out of Euronext's prior outsourcing 50/50 entity with Atos Origin, called AtosEuronext S.A. (AtosEuronext). The AtosEuronext entity was created in 2000 through the contribution of assets, people and technology. Euronext's contribution to AtosEuronext included the intellectual property rights for its NSC trading system, originally developed by Euronext Paris. AtosEuronext became responsible for developing, maintaining, and marketing the majority of Euronext's software products for its exchange activities.

## **Table of Contents**

On July 22, 2005, Euronext formed AEMS as a continuation and expansion of Atos Euronext. The main assets Euronext contributed were the activities of LIFFE Market Solutions, the information technology division of its derivatives trading business Euronext.liffe (including the proprietary LIFFE CONNECT<sup>®</sup> electronic trading system developed by LIFFE), and its 50% stake in Atos Euronext. Atos Origin contributed its own 50% share in AtosEuronext, plus other major assets from market-related businesses, including middle and back-office solutions, and its 51% stake in the connectivity platform Bourse Connect.

### ***AEMS Business Overview***

AEMS is the world's largest provider of information technology solutions for exchanges, clearing houses, banks and intermediaries. AEMS has approximately 1,300 employees, mainly in Paris and London, and has customer sites in 16 countries, and operates data centers in Amsterdam, London, Chicago and Paris. AEMS provides hosting and technical operations for each of Euronext's five markets and Euronext is AEMS' largest customer.

AEMS provides solutions for the entire range of activities of the exchange business, from exchange trading and trade support to post-trade activities. AEMS provides Euronext and other exchanges with trade services such as the capture, booking, routing, and matching of trading orders, and links to exchanges. Its trade support services, primarily to banks and brokers, include deal capture and trade administration, trade confirmation, position monitoring, risk control, portfolio management, and back-office services. Finally, AEMS provides post-trade services to clearing houses, banks, and brokers, including clearing and settlement-related services, interface to clearing and depository services and clearing houses, custodial services, depository management, credit control and collateral management, and general ledger services.

Some of the major systems and platforms that are now owned or licensed to AEMS, and are provided or licensed by AEMS to Euronext, and in some cases to third-party customers in the financial industry, are:

NSC (*nouveau système de cotation*): A cash trading system for equity securities, bonds and other products, currently used by 15 exchanges globally (including Euronext's four cash markets).

LIFFE CONNECT<sup>®</sup>: An electronic trading platform for futures and options used by major derivatives exchanges worldwide.

Clearing 21<sup>®</sup>: A global clearing services solution for equities, bonds, futures and options used by clearing houses.

PAM: A market-access workstation used by traders to view market information and send and manage financial exchange orders.

ARAMIS: A real-time financial market supervision tool used by market regulators and supervision teams to ensure market integrity.

SARA: An international (G30) standards-compliant solution for clearing, settlement and depository.

TRS-CPS: A combined post-trade management and clearing solution used by Euronext.liffe's London derivatives market, ICE Futures and LCH.Clearnet.

In addition to the services provided to the exchange industry, AEMS offers interbanking solutions through platforms such as the Cristal platform, which manages the flow of cash between banking institutions and the French Central Interbank Settlement System. AEMS also provides solutions for the securities industry based on the Titan and Investiciel platforms.

---

## **Table of Contents**

### ***AEMS Business Units***

AEMS is organized into three business units: Exchange; Clearing & Settlement; and Capital Markets.

#### ***Exchange Business Unit***

The Exchange Business Unit provides a broad range of information technology solutions and products for Euronext's cash and derivatives exchanges as well as for a number of other leading exchanges including, on the derivatives side, the Chicago Board of Trade and the Tokyo Financial Exchange (TFX) and, on the cash side, 15 cash markets. The services offered include end-to-end solutions linking exchanges to trading institutions and post-trading settlement, delivery and payment.

One of the most important products offered by the Exchange Business Unit is LIFFE CONNECT<sup>®</sup>, which is used by Euronext.liffe's five derivative markets, as well as by third-party customers such as the Chicago Board of Trade, the Kansas City Board of Trade, Minneapolis Grain Exchange, Winnipeg Commodity Exchange and the TFX.

NSC is another important system operated by the Exchange Business Unit, and is now used by 15 exchanges on four continents and handles the largest amount of cash trading globally by turnover. The average daily value of turnover on NSC is over \$9.4 billion, and in addition 2.6 million derivative contracts are exchanged daily on markets using NSC.

#### ***Clearing & Settlement Business Unit***

The Clearing & Settlement Business Unit provides and manages technology for the post-trade industry. AEMS provides customized platforms to manage clearing and settlement for cash and derivatives markets. Its principal customer is LCH.Clearnet. In addition, AEMS runs the entire portfolio of technology services for the Belgium Central Depository for Securities, is a full member of the Euroclear Group and also provides trade processing services for Euronext.liffe and ICE Futures.

AEMS also operates Clearing 21<sup>®</sup> for LCH.Clearnet. Initially developed by the Chicago Mercantile Exchange and the New York Mercantile Exchange to harmonize clearing procedures in the U.S. futures industry, Clearing 21<sup>®</sup> is the only existing system that enables clearing houses to clear cash and derivative products on a single technical platform, in real-time and with a central guarantee. With the consent of NYMEX, Chicago Mercantile Exchange granted to Euronext Paris a license to use the Clearing 21<sup>®</sup> system, which also allowed Euronext Paris to sublicense the Clearing 21<sup>®</sup> system to LCH.Clearnet. LCH.Clearnet therefore holds a non-exclusive and non-transferable sublicense to use and modify the Clearing 21<sup>®</sup> system.

#### ***Capital Markets Business Unit***

The Capital Markets Business Unit works with banks and intermediaries to provide information technology solutions from trading through to settlement, and currently has over 1,000 banks, brokers, and trading firms on its global distribution network. AEMS currently processes 80% of large payments and 50% of small payments in the French market. More than 150 investment firms are directly or indirectly processed on its applications, including 20% of Euronext's orders and 30% of Euroclear flows.

### ***Euronext's Contractual Arrangements with AEMS***

AEMS provides IT services to Euronext pursuant to a tripartite overarching services agreement (the umbrella service agreement), dated July 2005, between itself, Euronext and Atos Origin entered into at the time of the formation of AEMS. This agreement put in place a framework under which the existing contracts governing the provision of services to the Euronext group by AtosEuronext were brought together with new services to be provided by AEMS, and the overall terms were harmonized. AEMS is responsible for overseeing the provision of services by itself and its affiliates under these contracts, and the agreement puts in place a mechanism for the negotiation of a combined master outsourcing agreement going forward.

---

## **Table of Contents**

Under the umbrella services agreement, the IT Facilities Management Agreement dated October 2004 and the Office Automation Agreement dated January 2005, each between Euronext and AtosEuronext, were extended (except as modified by the umbrella services agreement) to run for a period of up to forty-two months from the establishment of the entity, to enable a new master agreement to be negotiated. At the same time a fourth interim contract governing the provision of the derivatives platform services, including LIFFE CONNECT<sup>®</sup>, was put in place between AEMS and Euronext. Finally, a new Network Services Agreement was entered into in May 2005.

The umbrella services agreement also provides for a reduction of fees under the interim contracts going forward, in line with agreed targets, as well as certain commitments by AEMS to invest in the provision of services. In line with the strategic rationale behind the outsourcing, intellectual property generated by AEMS in providing Euronext with IT services is *prima facie* owned by AEMS, unless Euronext specifically requests a certain development which Euronext funds. However, the Umbrella Services Agreement provides that in the event of a handover of the IT services to a third-party supplier, the Euronext group retains the ability to demand a license to use certain key information technology systems going forward on market terms.

### ***Legal Structure***

AEMS is a limited liability company (*société par actions simplifiée*) incorporated under the laws of France. Atos Origin and Euronext each own (either directly or indirectly) 50% of the issued shares of AEMS. The financial results of AEMS are fully consolidated into the annual accounts of Atos Origin. AEMS is recorded in Euronext's accounts as an equity investment.

AEMS has a dual-board structure, with a managing board responsible for the day-to-day running of AEMS and an overseeing supervisory board. At current shareholding levels, Atos Origin has the right to appoint five supervisory board directors, and Euronext has the right to appoint four. The nomination and appointment of the chairman of the supervisory board is made by the supervisory board, acting by a qualified (two-thirds) majority. The chairman is appointed from the members of the supervisory board. The managing board is composed of up to five members, who are appointed and removed by the supervisory board.

AEMS has a Strategic and Investment Committee, a Remuneration Committee and an Audit Committee that report to the supervisory board. For so long as Euronext holds one-third of the shares, each of these committees will comprise three Euronext directors and two Atos Origin directors, except that the Audit Committee comprises two Euronext directors and two Atos Origin directors.

Each of Atos Origin and Euronext pursuant to a shareholders' agreement with respect to AEMS has veto rights over specified corporate actions for so long as it holds at least one-third of AEMS's shares. Euronext has additional specified veto rights for so long as its shareholding remains above such level. The shareholders' agreement also provides for specific circumstances (including events relating to change in control or service quality levels) in which Euronext will have the right to require Atos Origin to sell Euronext a specified percentage of Atos Origin's AEMS shares at specified discounts to the valuation price, including as a consequence of repeated breaches of critical service levels that give rise to a termination event under the agreement described above.

### **Powernext**

Euronext holds a 34% stake in Powernext, a multilateral trading facility in charge of managing an organized power and emissions exchange, which has become a leading benchmark for energy and emissions prices in France and throughout Europe. In 2006, Powernext generated revenues of 11.8 million. Powernext was launched in November 2001 following the liberalization of Europe's electricity markets under a 1996 European Directive, which was implemented under French law in 2000. On this market, electricity producers, consumers and traders can trade power for delivery on the French electricity network. Since its creation, Powernext has benefited fully from France's leading position in Europe's electricity market and network.

---

## **Table of Contents**

Powernext aims at (i) creating a benchmark reference price in Europe, through a dedicated platform and an increase in the diversity of market participants, and by benefiting from the privileged position of the French electricity hub and the leading position of France in the management of CO<sub>2</sub> emissions registries, and (ii) playing a decisive part in European electricity markets' rationalization.

Powernext has three trading markets:

Powernext Day-Ahead , a market launched in November 2001 in order to create a short time reference price on the French electricity market and to provide participants with the means necessary to effect a day-ahead balance of their portfolio;

Powernext Futures , a market launched in 2004 that allows members to use derivatives contracts for hedging, arbitrage or risk management purposes. Powernext Futures constitutes a medium-term price reference in the electricity market; and

Powernext Carbon, a new spot market introduced in 2005 for carbon dioxide emissions trading.

In 2006, contracts for 29.6 terra watt hours (TWh) were traded on the Powernext Day-Ahead electricity spot segment up 50% versus 2005 and contracts for 83.1 TWh were traded on the Powernext Futures market in 2006, up 33% versus 2005. In addition, Powernext introduced a new market for its users in 2005: Powernext Carbon, Europe's spot market for carbon dioxide emissions trading.

Powernext also provides weather indices in partnership with Meteo France that are designed for use in weather derivatives and other weather-related applications.

## **Intellectual Property**

Euronext regards substantial elements of its brands, logos, products and market data to be proprietary. Euronext attempts to protect these elements by relying on trademarks, copyright, database rights, trade secrets, restrictions on disclosure and other methods. In particular, Euronext has trademark registrations for the most important names of the Euronext companies, and for the indices and services Euronext provides. Many of Euronext's trademarks are registered in a number of countries. For example, the Euronext trademark has been registered in all countries which are of material significance to its business revenues.

The following is a sample of the registered trademarks that Euronext owns: Euronext<sup>®</sup>, Alternext<sup>®</sup>, Eurolist by Euronext<sup>®</sup>, AEX<sup>®</sup>, BEL 20<sup>®</sup>, CAC 40<sup>®</sup>, PSI 20<sup>®</sup>, NextCAC 70<sup>®</sup>, LIFFE<sup>®</sup> and LIFFE CONNECT<sup>®</sup>.

For a description of intellectual property that Euronext has transferred or sub-licensed to AEMS, see above under Atos Euronext Market Solutions.

## **NYSE Euronext Competition**

The securities markets are intensely competitive, and competition may be expected to further intensify. We have numerous aggressive competitors, both domestically and around the world. We compete with other markets, electronic communication networks ( ECNs ), market-makers and other execution venues based on best price, depth of liquidity, all-in cost, anonymity, speed, functionality and certainty of execution. In addition to competition from alternate trading venues, we compete in the provision of services with other exchanges, in the United States and internationally. Because some of our competitors are not registered securities exchanges, they operate with less regulatory oversight than our company, enabling them to move with greater agility in response to changes in the markets or economic environment.

Our principal U.S. competitors for trading listed equity securities include Nasdaq, the American Stock Exchange, regional U.S. exchanges such as the Chicago Stock Exchange, the Boston Stock Exchange and the Philadelphia Stock Exchange. Internationally, we also face competition for listings from a number of stock exchanges including London Stock Exchange plc, Deutsche Börse Group, and exchanges in Tokyo, Hong Kong, Toronto, Singapore and Australia. Furthermore, our competitors may expand into markets in which NYSE Group and Euronext are currently active. For example, well-capitalized, highly profitable non-U.S. exchanges such as

---

**Table of Contents**

the Deutsche Börse Group have already entered the U.S. market and may seek to expand their presence. We also compete with electronic communication networks and alternative trading systems such as POSIT, Liquidnet and E-crossnet. In addition, we also face competition from major customers and brokers that may either internalize order flow or transact orders through bilateral agreements.

Our principal competitors for the trading of fixed income securities are the participants active on the OTC markets, in particular IDBs such as ICAP plc and eSpeed Inc., and multi-dealer trading platforms such as MarketAxess, BondDesk, TradeWeb, and Bloomberg Electronic Trading.

In relation to the trading of derivatives, our principal competitors are Eurex, the derivatives platform operated by Deutsche Börse, and the OTC markets, as well as a number of other derivatives exchanges, including the International Securities Exchange, Inc., the Chicago Board Options Exchange, Inc. and the Philadelphia Stock Exchange. Other leading global participants in the derivatives industry include Chicago Mercantile Holdings, Inc. ( CME ), CBOT Holdings, Inc. ( CBOT ), the InterContinental Exchange, Inc. ( ICE ) and NYMEX Holdings.

Over the course of the last five years, Euronext.liffe, and in the five to ten years before that, LIFFE, have competed vigorously with Eurex and its predecessor, the DTB. Competition has come in interest rate products (both short-end interest rate derivatives and long-end government bond derivatives), equity options, equity index products and single stock futures. The only product set in which we have not competed with Eurex over recent years are commodities, although Eurex recently signaled its intention to enter that market.

Additional potential competitors might be created if the consolidation trend in the securities and derivatives trading industry continues and other companies form joint ventures or consortia to provide services similar to those that are provided by NYSE Euronext, or become competitive with NYSE Euronext through acquisitions. We may also face competition from new entrants into the markets in which it competes, or from new initiatives from existing market participants, including established securities markets or exchanges. For example:

On April 19, 2006, the International Securities Exchange ( ISE ) announced that it is entering the cash equities market through the launch of the ISE Stock Exchange, L.L.C., in conjunction with several strategic partners including Bear Stearns, Citadel Derivatives Group, Deutsche Bank, Interactive Brokers Group, JPMorgan, Knight Capital Group, and Sun Trading. On July 24, 2006, the ISE Stock Exchange announced that Nomura Securities, Van der Moolen, and E-Trade Financial had also joined the ISE Stock Exchange as strategic partners. ISE Stock Exchange launched its first product during the third quarter of 2006.

On April 20, 2006, Liquidnet announced that nine firms will be providing liquidity directly to its H20 trading system, including Bloomberg Tradebook, BNY Brokerage (a subsidiary of The Bank of New York), Instinet, FutureTrade, Miletus Trading, Piper Jaffray, EdgeTrade, UNX, and Goldman Sachs Execution & Clearing (a subsidiary of Goldman Sachs).

On July 27, 2006, the Chicago Board Options Exchange announced that it is entering the cash equities market through the formation of the CBOE Stock Exchange LLC in conjunction with several strategic partners including Interactive Brokers, LaBranche & Co., Susquehanna International Group, and VDM Specialists. Pending regulatory approval, CBOE Stock Exchange is expected to launch in early 2007.

Eight large European-based investment banks announced in July 2006 their intention to launch a European-made reporting facility called BOAT to compete with the reporting services offered by the European exchanges including Euronext.

On July 30, 2006, the Chicago Stock Exchange announced that it received investments from several strategic partners including Bank of America, Bear Stearns, E-Trade Financial, and Goldman, Sachs.

On September 6, 2006, the National Stock Exchange announced the sale of a majority stake to a group of strategic investors including Bear Stearns, Citigroup, Credit Suisse, Merrill Lynch, Bloomberg Tradebook, and Knight Capital.



## **Table of Contents**

In September 2006, several broker dealers including Citigroup, Goldman Sachs, Lehman Brothers, Merrill Lynch, Morgan Stanley and UBS announced their intention to create Block Interest Discovery Service (BIDS) as platform for block trading. BIDS is expected to commence trading in early 2007, pending regulatory approval.

In October 2006, several broker dealers including Credit Suisse, Lehman Brothers, and Morgan Stanley announced they had acquired minority stakes in BATS Trading, Inc., which operates an alternative trading system. In March 2007, Merrill Lynch announced it had also acquired a minority stake in BATS Trading.

On October 17, 2006, CME and CBOT announced they signed a definitive agreement to merge the two organizations to create CME Group, Inc. On March 15, 2007, ICE launched a competing bid for CBOT. The CBOT board has entered into discussions with ICE in relation to this offer.

On November 15, 2006, a group of seven investment banks, including Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, Merrill Lynch, Morgan Stanley and UBS, announced that they plan to create a new pan-European equity trading platform, commonly referred to as Project Turquoise, next year to compete with Europe's stock exchanges.

Over the course of 2006, Nasdaq acquired a 28.8% stake in the London Stock Exchange (LSE) and launched an offer to acquire the remaining interest. Nasdaq did not achieve the minimum tender condition in this offer, and as of April 2007, it still maintains its ownership stake in the LSE.

## **NYSE Euronext Employees**

As of December 31, 2006, NYSE Group employed 2,578 full-time equivalent employees. Approximately 115 of NYSE Group's employees are represented by the Office and Professional Employees International Union, Local 153. This number accounts for approximately 4.5% of NYSE Group's employees. Office and Professional Employees International Union, Local 153 represents clerical and facilities employees who are located at the New York Stock Exchange in New York City. The most recent four-year collective bargaining agreement was signed in April 2006 with retroactive effect to November 2005.

Euronext had 2,324 employees as of December 31, 2006 (including 1,204 GL TRADE employees and Euronext's share of MTS' employees.)

Overall, NYSE Euronext considers its relations with its employees to be good.

## **Regulation**

### **U.S. Regulation**

U.S. federal securities laws have established a two-tiered system for the regulation of securities markets and market participants. The first tier consists of the SEC, which has primary responsibility for enforcing federal securities laws and regulations and is subject to Congressional oversight. The second tier consists of the regulatory responsibilities of self-regulatory organizations, or SROs, over their members. SROs are non-governmental entities that are registered with, and regulated by, the SEC.

Securities industry SROs are an essential component of the regulatory scheme of the Exchange Act for providing fair and orderly markets and protecting investors. To be a registered national securities exchange, an exchange must be able to carry out, and comply with, the purposes of the Exchange Act and the rules and regulations under the Exchange Act. In addition, as an SRO, an exchange must be able to enforce compliance by its members, and individuals associated with its members, with the provisions of the Exchange Act, the rules and regulations under the Exchange Act and its own rules.

Broker-dealers must also register with the SEC, and member organizations must register with an SRO, submit to federal and SRO regulation, and perform various compliance and reporting functions.



## **Table of Contents**

Two subsidiaries of NYSE Group, NYSE and NYSE Arca, Inc., as national securities exchanges and SROs, are registered with, and subject to oversight by, the SEC. Accordingly, the NYSE and NYSE Arca, Inc. are regulated by the SEC and, in turn, are the regulators of their member organizations. The regulatory functions of both the NYSE and NYSE Arca, Inc. are performed by NYSE Regulation.

For a description of NYSE Group's Regulation see *NYSE Group NYSE Regulation*.

## **European Regulation**

Euronext (through its subsidiaries) operates exchanges in five European countries. Each of the Euronext exchanges holds an exchange license granted by the relevant national exchange regulatory authority and operates under its supervision. Each market operator is also subject to national laws and regulations in its jurisdiction in addition to the requirements imposed by the national exchange authority and, in some cases, the central bank and/or the finance ministry in the relevant European country.

In addition, the national regulators of the Euronext exchanges are parties to two Memoranda of Understanding ( MOUs ) designed to ensure coordinated supervision and regulation of Euronext N.V. and of the markets operated by the group. The principal forum for the coordinated supervision is a committee consisting of the chairmen of the national regulatory authorities (the Chairmen's Committee ), which has approval or veto rights over a set of actions or decisions by Euronext delineated in the MOUs.

Euronext N.V. itself, as the holder of a joint exchange license with Euronext Amsterdam, is subject to the regulation and supervision of the Dutch Minister of Finance and the Dutch AFM in accordance with Dutch securities law and the terms and conditions of the joint exchange license.

The regulatory framework in which Euronext operates is substantially influenced and partly governed by European directives in the financial services area. The baseline directive applicable in the area is the Investment Services Directive of May 10, 1993. In 1999, the European Union adopted a Financial Services Action Plan ( FSAP ) designed to create a single market for financial services by harmonizing the member states rules on securities, banking, insurance, mortgages, pensions and all other financial transactions. In order to implement the FSAP, the European Union adopted the following key directives:

the Market Abuse Directive of January 28, 2003 (the Market Abuse Directive );

the Prospectus Directive of November 4, 2003 (the Prospectus Directive );

the Transparency Directive of December 15, 2004;

the Takeover Directive of April 21, 2004;

the Markets in Financial Instruments Directive of April 21, 2004 ( MiFID ); and

the Capital Adequacy of Investment Firms and Credit Institutions Directive of October 11, 2005.

The progressive implementation by European member states of some or all of these directives is enabling and increasing the degree of harmonization of the regulatory regime with respect to financial services, offering, listing, trading and market abuse. In addition, the implementation of the MiFID directive by the European member states is expected to result in a reinforcement of the regulators' authority and control over market operators' governance, shareholders and organization.

## ***Regulation of Euronext Group***

## Edgar Filing: NYSE Euronext - Form 10-K/A

*Group-Wide Supervision and Regulation.* The national regulators of the Euronext exchanges are parties to two MOUs that provide a framework to coordinate their supervision of Euronext N.V. and of the markets operated by the Euronext group. The first MOU was initially entered into by the Dutch, French and Belgian

---

**Table of Contents**

exchange regulatory authorities in 2001 and was extended to the Portuguese exchange regulatory authority in 2002. The second MOU, which relates principally to the regulation of Euronext's derivatives markets, was entered into between such authorities and the UK exchange regulatory authority in 2003.

Within the framework of the first MOU, Euronext's continental European exchange regulators agreed to develop and implement a coordinated approach with respect to the supervision of Euronext markets, in particular with respect to the trading systems, registration and monitoring of trades, and dissemination of market data, subject to the rights and obligations of each regulatory authority under the national laws of its home jurisdiction. The regulatory authorities that signed the MOUs cooperate on the basis of a multilateral memorandum of understanding with respect to the exchange of information and oversight of securities activities implemented by the Forum of European Securities Commissions ( FESCO ) (now Committee of European Securities Regulators, or CESR). Representatives of Euronext's regulatory authorities meet in working groups on a regular basis in order to coordinate their actions in areas of common interest and agree upon measures to promote harmonization of their respective national regulations.

The principal forum for coordinated supervision under the MOUs is the Chairmen's Committee, which is composed of the chairmen of each of the signatory regulatory authorities. The Chairmen's Committee takes decisions by consensus. The Chairmen's Committee holds regular meetings with members of Euronext's Managing Board, and also meets on an ad hoc basis whenever necessary. A Steering Committee created under the MOU and consisting of representatives of each signatory authority meets prior to each meeting of the Chairmen's Committee, and may create working groups focusing on specific aspects of the regulation of Euronext. Certain delineated actions or decisions either require the prior approval of or are subject to the non-opposition of the Chairmen's Committee, or must be notified to the Steering Committee. Following a decision by the Chairmen's Committee or the Steering Committee, the members of such committees are required to recommend to the decision-making bodies of each regulatory authority to approve and adopt, and otherwise act in accordance with, the decision of the relevant committee under the MOU. Matters not specifically delineated in the MOUs are reserved to the national regulators.

Decisions requiring prior approval of the Chairmen's Committee include entering into alliances, mergers, cross shareholdings and cross-membership agreements, performing certain integration and restructuring steps, listing of shares of Euronext or its subsidiaries, outsourcing activities related to trading, registration and publication of transactions, surveillance of trading members' activity or monitoring of transactions, creating or closing a regulated market or other trading facilities and approving or modifying the bylaws of Euronext N.V. or its subsidiaries. In addition, the Chairmen's Committee must approve any modifications to the Euronext Rulebook (which is described below).

Decisions subject to the non-opposition of the Chairmen's Committee include issuing notices interpreting or implementing provisions of the Euronext Rulebook and appointing (i) members of Euronext's managing board and supervisory board and (ii) key personnel.

Decisions requiring notification to the Steering Committee include the admission, sanction, suspension or exclusion of a market member, and certain other decisions such as listing or delisting of a financial instrument, suspension of trading, or other events that may be agreed between the signatory authorities.

*Regulation of Euronext N.V.* At the time that Euronext N.V. was formed in 2000, Euronext N.V. received a joint exchange license together with Euronext Amsterdam to operate regulated markets. As a result, Euronext N.V. is subject to the regulation and supervision of the Dutch Minister of Finance and the Dutch AFM, in accordance with Dutch securities law and the terms and conditions of the exchange license. The Dutch Minister of Finance's and the AFM's powers include a veto/approval right over (i) the direct or indirect acquisition of more than 10% of the shares of Euronext N.V., (ii) the appointment of the top management of Euronext N.V., (iii) any mergers, cross-shareholdings and joint ventures, and (iv) any actions that may affect the proper operation of the Dutch exchanges.

## **Table of Contents**

### ***National Regulation***

Euronext's European market operators hold licences for operating the following European Union regulated markets:

Euronext Amsterdam operates two regulated markets: one stock market (Eurolist by Euronext) and one derivatives market (the Euronext Amsterdam Derivatives Market);

Euronext Brussels operates three regulated markets: two stock markets (Eurolist by Euronext and the Trading Facility) and one derivatives market (the Euronext Brussels Derivatives Market);

Euronext Lisbon operates two regulated markets: one stock market (Eurolist by Euronext) and one derivatives market (the Portuguese Futures and Options Market);

Euronext Paris operates three regulated markets: one stock market (Eurolist by Euronext) and two derivatives markets (MONEP and MATIF); and

LIFFE Administration and Management operates one regulated market, a derivatives market (the London International Financial Futures and Options Exchange).

Each market operator also operates a number of markets that do not fall within the EU definition of regulated markets (described in this document as non-regulated markets). Each market operator is subject to national laws and regulations pursuant to its market operator status.

*Euronext Amsterdam.* Under section 22 of The Dutch Act on the Supervision of the Securities Trade 1995, the establishment of a recognized securities exchange in the Netherlands is subject to prior authorization by the Dutch Minister of Finance who may, at any time, amend or revoke this authorization if necessary to ensure the proper functioning of the markets or the protection of investors. Authorization may also be revoked for non-compliance with applicable rules.

AFM, together with De Nederlandsche Bank (DNB), acts as the regulatory authority for members of Euronext Amsterdam, supervises the primary and secondary markets, ensures compliance with market rules and monitors clearing and settlement operations. The Dutch Minister of Finance authorizes the recognition of exchanges, ensures compliance with EU directives, and issues declarations of no objection in connection with the acquisition of significant shareholdings in Euronext or Euronext Amsterdam.

On July 1, 2005, Euronext Amsterdam relinquished its responsibility for approving prospectuses of companies seeking listing on the exchange. This authority was transferred to the AFM, pursuant to the implementation of the Prospectus Directive. Euronext Amsterdam is still responsible for admitting financial instruments to listing on its markets. It is also in charge of establishing, monitoring compliance with and enforcing rules governing its primary markets. Responsibility for dealing with market abuse was transferred to the AFM on October 1, 2005, pursuant to the implementation of the Market Abuse Directive.

*Euronext Brussels.* Euronext Brussels is governed by the Belgian Act of August 2, 2002, which became effective on June 1, 2003 and is recognized as a market undertaking according to article 16 of this Act. The Belgian Law of August 2, 2002 transferred to the CBFA some of the responsibility previously executed by the Brussels exchange (e.g., disciplinary powers against members and issuers, control of sensitive information, supervision of markets, and investigative powers). Euronext Brussels continues to be responsible for matters such as the organization of the markets and the admission, suspension and exclusion of members and has been appointed by law as a competent authority within the meaning of the Listing Directive. Euronext Brussels, also governs three non-regulated markets: the Marché Libre (created in October 2004), the Public Auction Market for non-listed companies and Alternext (created in 2006).

*Euronext Lisbon.* Euronext Lisbon is governed by the Decree of Law no. 394/99 of October 13, 1999 (*Regime Jurídico das Entidades Gestoras de Mercados, de Sistemas de Liquidação e de sistemas centralizados*)



**Table of Contents**

*de valores mobiliários*), which, along with the Portuguese Securities Code and the CMVM regulations, governs the regime for regulated and non-regulated markets, market operators and all companies with related activities. This law was amended on January 15, 2002 (Decree of Law no. 8-D/2002 of January 15) to allow Euronext to acquire all the shares of BVLP, the Lisbon and Porto Exchange and to allow an amendment to the articles of association of BVLP, which, until that date, restricted voting rights to 15%. The creation of regulated market companies requires the prior authorization in the form of a decree from the Portuguese Minister of Finance, following consultation with the CMVM. The CMVM, Euronext Lisbon's national regulator, is an independent public authority that monitors markets and market participants, public offerings and collective investment undertakings. In addition, a regulated market must be registered with the CMVM prior to starting operations. The Portuguese Minister of Finance may withdraw recognition of a regulated market in certain cases stipulated in the above-mentioned law.

*Euronext Paris.* Euronext Paris is governed by French Law no. 96-597 dated July 2, 1996 (which implemented the European Investments Services Directive in French law), as amended, and codified in the French Monetary and Financial Code. Under the French Monetary and Financial Code, the French Minister of Finance has the authority to confer or revoke regulated market status upon recommendation of the AMF and following an opinion from the *Banque de France*. Market status is granted if the market meets specific conditions for proper operation. In particular, the market must have rules governing access to the market, listing of securities, the organization of trading, the suspension of trading, and the recording and publication of trades. The AMF is responsible for safeguarding investments in financial instruments and in all other savings and investment vehicles, ensuring that investors receive material information, and maintaining orderly financial markets. It establishes the rules of conduct that must be observed by market operators and their personnel, determining the conditions for granting or revoking professional licenses for individuals acting on behalf of market operators, and establishing the general principles for the organization and operation of regulated markets. It is also responsible for formulating the rules governing the execution and publication of transactions involving securities or futures and options contracts listed on these markets. It also has the authority to regulate and monitor companies' initial public offerings (i.e., vetting of prospectuses), financial communication of listed companies and tender offers. It can oppose the decision of a market operator to admit a security or a futures and/or option contract to trading on the operator's market or to delist a security.

Furthermore, as mentioned above, the AMF makes recommendations to the French Minister of Finance on conferring regulated market status. Finally, the AMF approves the rulebooks of regulated markets. All amendments to the rulebooks of a regulated market are subject to the prior approval of the AMF following an opinion from the *Banque de France*. The AMF is also empowered to establish standards for certain non-regulated markets or obligations for persons having made forms of public offerings other than listing on a regulated market, which may be relevant for the operation of non-regulated markets by Euronext Paris (notably Alternext and the *Marché Libre*).

In addition to its status as a market operator, Euronext Paris is approved as a specialized financial institution and is therefore governed by French banking legislation and regulations (notably the French Banking Act as amended and codified in the French Monetary and Financial Code), which means that it is subject to supervision by the CECEI and the French Banking Commission (*Commission Bancaire*). As such, it must comply with certain prudential ratios and requirements including prudential equity minimum requirements and solvency ratios.

*LIFFE.* LIFFE (Holdings) plc, a UK company, is governed by the UK Companies Acts of 1985 and 1989. LIFFE (Holdings) shares are held by Euronext UK plc, a subsidiary of Euronext N.V. LIFFE (Holdings) has three principal regulated subsidiaries: LIFFE Administration and Management and LIFFE Services Ltd in the UK, and NQLX LLC in the United States.

LIFFE Administration and Management (*LIFFE*) administers the markets for financial and commodity derivatives in London, which are overseen by the U.K. FSA. In the UK, financial services legislation comes



---

**Table of Contents**

under the jurisdiction of Her Majesty's Treasury, while responsibility for overseeing the conduct of regulated activity rests with the FSA. Under current legislation, LIFFE is designated as a recognized investment exchange pursuant to the U.K. Financial Services and Markets Act 2000. As such, LIFFE is required to maintain sufficient financial resources for the proper performance of its functions (requirement to hold at least £58 million of cash in its assets based on 2006 financials).

LIFFE Services Limited is primarily a technology supplier and is governed by FSA regulations as a service company.

NQLX LLC is a wholly owned indirect subsidiary of LIFFE (Holdings), which is notice-registered with the SEC and is regulated by the CFTC as a designated contract market. NQLX LLC is currently dormant but has retained its status as a designated contract market in anticipation of listing new contracts in the future.

*Additional National Regulation.* The rules set forth below relating to the acquisition of an interest in a market operator apply to both direct and indirect acquisitions and, to the extent that Euronext holds directly or indirectly 100% of its five market operator subsidiaries, also apply to the acquisition of an interest of the same size in Euronext. Following completion of NYSE Euronext's offer for Euronext, such rules will also apply *mutatis mutandis* (depending on the interest held by NYSE Euronext in Euronext) to NYSE Euronext. These rules are specific to market operators (and their holding companies) and are in addition to shareholder reporting rules applicable to listed companies generally.

Under Dutch law, no shareholder may hold or acquire, directly or indirectly, or try to increase its stake to more than 10% of a recognized market operator without first obtaining a declaration of no-objection from the Dutch Minister of Finance.

Under French law, the acquisition and divestiture by any person or group of persons acting in a concerted manner of 10%, 20%, 33 1/3% or 50% of Euronext Paris shares or voting rights must be authorized by the CECEI. By exception to the above, in the event that the acquisition or divestiture of shares takes place outside of France between non-French persons, such acquisition or divestiture need only be notified to the CECEI, which, if it determines that such transaction could adversely affect the fit and proper management of Euronext Paris, could decide to review and amend Euronext's credit institution license.

Also under French law, any person or group of persons acting in a concerted manner who acquires Euronext Paris shares or voting rights in excess of 10%, 20%, 33 1/3%, 50% or 66 2/3% is required to inform the AMF. In addition, should the French Minister of Finance consider that the acquisition by an investor of an interest in Euronext Paris could adversely affect the proper functioning of the regulated market(s) it operates, the French Minister of Finance may decide that the acquired shares be deprived of their voting rights until the situation has been settled, and/or, under certain conditions, either amend or withdraw Euronext Paris' license to operate regulated markets.

Under Belgian law, any person who intends to acquire securities in a market undertaking and who would, as a result of such acquisition, hold directly or indirectly 10% or more of the share capital or of the voting rights in that market undertaking, must provide prior notice to the CBFA. The same obligation applies each time such person intends to increase its ownership by an additional 5%.

Under Portuguese law, a shareholder who intends to acquire a dominant holding in a Portuguese market operator must obtain the prior authorization of the Portuguese Ministry of Finance. In addition, all entities acquiring or disposing of a holding (direct or indirect) in a market undertaking in Portugal at the level of 2%, 5%, 10%, 20%, 1/3, 50%, 2/3 and 90% of the voting rights, must notify the CMVM of the acquisition or disposal within three business days following the relevant transaction.

In the United Kingdom, the FSA requires that recognised investment exchanges (such as LIFFE) meet a fit and proper test taking into account, among other things, governance arrangements, integrity and competence of key personnel.

## **Table of Contents**

### ***Harmonized Market Rules***

As part of the process of integrating the trading platforms of its European markets, Euronext introduced a harmonized rulebook, which has reduced the compliance burden on users, ultimately reducing their costs. The Euronext Rulebook currently consists of two books:

Rulebook I contains the harmonized rules, including rules of conduct and enforcement rules that are designed to protect the markets, as well as rules on listing, trading and membership; and

Rulebook II contains the remaining rules of the individual markets that have not yet been harmonized or which pertain to a specific non-regulated market.

Notices adopted by Euronext under Rulebook I apply to all Euronext markets (unless otherwise specified), while those for Rulebook II are specific to local jurisdictions. Rulebook I covers the following matters:

membership rules for cash markets and derivative markets;

trading rules for cash markets and derivative markets;

listing rules for cash markets;

rules of conduct for cash markets and derivative markets;

transparency obligations for certain issuers (applicable only to cash markets); and

enforcement of the rules (applicable to cash markets and derivative markets).

### ***Listing and Financial Disclosure***

The regulatory authorities that are signatories to the aforementioned MOUs have agreed to use their best efforts to harmonize their respective national rules, regulations and supervisory practices regarding listing requirements, prospectus disclosure requirements, ongoing obligations of listed companies, take-over bid rules and disclosure of large shareholdings. The rules regarding public offerings of financial instruments and prospectuses as well as ongoing (ad-hoc and periodic) disclosure requirements for listed companies are set forth by the Prospectus Directive and Transparency Directive which must be implemented in Euronext countries by each legislative body and regulator. Companies seeking to list and trade their securities on a Euronext market must comply with the harmonized listing requirements of Rulebook I and, following admission, with the ongoing disclosure requirements applicable in the country in which the relevant market is located.

Companies may apply for admission to listing and trading in one or more jurisdictions in which a Euronext market is located. However, a single point of entry for issuers allows investors from other Euronext countries to have access to the order book as far as trading is concerned. (The settlement processes may still differ among the various Euronext markets but are being integrated and harmonized within the Euroclear group settlement systems.)

### ***Membership and Compliance***

Euronext offers to its members the ability to extend membership across all Euronext jurisdictions, subject to the fulfillment of technical conditions that may include adequate local clearing and settlement arrangements and the satisfaction of applicable regulatory requirements. With

## Edgar Filing: NYSE Euronext - Form 10-K/A

regard to investment service providers, this common membership is achieved through the "ISD passport" (i.e., the right to provide services or establish a branch in the host country based on the ISD license granted in the home country). As for the persons that do not benefit from this passport (because their activity does not call for a license under the ISD or due to their extra-European origin), Euronext regulators have put in place arrangements which aim at creating a "proxy passport" whereby the diligence conducted by one of the relevant European authorities to authorize a person to conduct its business as a trading member can be relied upon by the other authorities, within the limits of the sovereignty of each signatory authority.

## **Table of Contents**

Pending clarification of the respective roles of the home and host countries by the implementation of MiFID and related European directives and regulations, members may have to comply with some conduct of business rules imposed by the host state. In particular, when dealing with persons located in host states, members must comply with rules relating to marketing, solicitation, public offers, conduct of business and customer protection mandated by host states, and any other mandatory rules provided by host state authorities.

Euronext may suspend a member's trading privileges if the member has breached a rule in the Euronext Rulebook or any of the conditions attached to its membership. Euronext may also decide to terminate membership under certain circumstances, including the loss of a member's license or authorization as an investment firm issued by the competent authority of its home state or the violation of any rules of the Euronext Rulebook or the admission agreement.

### ***Trading and Market Monitoring***

The Investment Services Directive, the Market Abuse Directive, CESR standards and the Euronext Rulebooks all provide minimum requirements for monitoring of trading and enforcement of rules by Euronext as a regulated market. Euronext has set up a framework to organize market monitoring by which it:

monitors trading in order to identify breaches of the rules, disorderly trading conditions or conduct that may involve market abuse;

reports to the local regulator breaches of rules or of legal obligations relating to market integrity; and

monitors compliance with and enforces Euronext rules pursuant to FESCO standards and the Euronext Rulebooks.

Market surveillance and monitoring are implemented on through a two-step process consisting of real time market surveillance and post-trade (i.e. next day) analysis of executed trades. In addition, Euronext ensures member compliance with its rules by conducting on site investigations and inspections.

Real time monitoring of the markets is performed by Cash Market Operations ( CMO ) and, for derivative markets by Euronext.liffe Market Services ( ELMS ). CMO and ELMS are the day-to-day first lines of contact for all market participants (members, issuers and regulators) in respect of operational issues. They monitor day-to-day activity and can take immediate action to maintain fair and orderly markets. This monitoring triggers preventative and immediate action when the functioning of the orderly market is threatened and market rules are not complied with.

CMO and ELMS enforce all rules relating to trading activity including the provisions of Chapter 8 of the Euronext Rulebook I (relating to rules of conduct) on a real time basis. In this manner, suspected cases of market abuse are reported to the competent regulator (who is responsible for enforcing the Market Abuse Directive provisions in accordance with national laws and regulations) and possible infringements of Euronext rules is reported to the compliance departments within Euronext.

These compliance departments are also responsible for the conduct of on-site member inspections and investigations, and handles infringements of Euronext rules by enforcing Chapter 9 of the Euronext Rulebook I.

---

**Table of Contents**

**ITEM 1A. RISK FACTORS**

*NYSE Euronext may fail to realize the anticipated cost savings, growth opportunities and synergies and other benefits anticipated from the combination.*

The success of the combination of NYSE Group and Euronext will depend, in part, on NYSE Euronext's ability to realize anticipated cost savings, revenue synergies and growth opportunities from combining the businesses of NYSE Group and Euronext. NYSE Euronext expects to benefit from operational synergies resulting from the consolidation of capabilities and elimination of redundancies as well as greater efficiencies from increased scale, market integration and automation. Specifically, NYSE Euronext expects to achieve cost savings of approximately \$275 million annually within three years after the combination (with approximately \$55 million of these cost savings achieved by the end of the first year, \$125 million by the end of the second year and the full \$275 million by the end of the third year). Of this amount, an estimated \$250 million is expected to result from the overall rationalization of the combined company's information technology systems and platforms, driven by the high level of compatibility among the current technology platforms maintained by NYSE Group and Euronext, and the remaining \$25 million is expected to result from the rationalization of non-information technology related activities, including the integration of corporate support functions such as finance, and the streamlining of marketing and other corporate costs such as insurance, occupancy and professional services.

NYSE Euronext also expects that the combination will create approximately \$100 million in incremental revenues annually within three years after the combination. Of this amount, approximately \$35 million is expected to be generated from cash equities trading, \$45 million is expected to be generated from derivatives and the remaining \$20 million is expected to be generated from listing fees.

There is a risk, however, that the businesses of NYSE Group and Euronext may not be combined in a manner that permits these costs savings and revenue synergies to be realized in the time currently expected, or at all. For example, the completion of the post-closing reorganization may be delayed, challenged by parties opposing the completion of the post-closing reorganization or not possible at all. This may limit or delay the NYSE Euronext management's ability to integrate the two companies' technologies, organizations, procedures, policies and operations. In addition, a variety of factors, including but not limited to wage inflation, currency fluctuations, and difficulty integrating technology platforms, may adversely affect NYSE Euronext's anticipated cost savings and revenues. Also, the combined company must achieve its anticipated cost savings without adversely affecting its revenues. If NYSE Euronext is not able to successfully achieve these objectives, the anticipated benefits of the combination may not be realized fully, or at all, or may take longer to realize than expected.

*NYSE Euronext has incurred a substantial amount of debt to finance the cash portion of the consideration for the Euronext shares that were acquired, which could restrict its ability to engage in additional transactions or incur additional indebtedness.*

In connection with the exchange offer, NYSE Euronext entered into a \$2.5 billion revolving credit bridge facility, on January 5, 2007, which was subsequently amended on March 22, 2007. NYSE Euronext may only borrow amounts under this bridge facility agreement to fund the cash portion of the consideration being offered to Euronext shareholders in the exchange offer. NYSE Euronext also entered into a \$3.0 billion syndicated revolving credit facility, to be used primarily as a backstop for a global commercial paper program. The proceeds from the global commercial paper program will be used for general corporate purposes, including repayment of amounts borrowed under the bridge facility and/or the syndicated revolving credit facility. The bridge facility includes and the syndicated revolving credit facility is expected to include terms and conditions customary for agreements of this type, which may restrict NYSE Euronext's ability to engage in additional transactions or incur additional indebtedness.

*NYSE Euronext faces numerous competitors in the United States, Europe and the rest of the world.*

NYSE Euronext faces significant competition, in particular with respect to cash trading, derivatives trading (including a range of options on securities, securities futures, financial futures and options and commodities

---

**Table of Contents**

futures and options) and listings, and this competition is expected to intensify in the future. NYSE Euronext's current and prospective competitors in this realm, both domestically and around the world, are numerous and include both traditional and non-traditional execution and listings venues. These include regulated markets, ECNs and other alternative trading systems, market makers and other execution venues. NYSE Euronext also will face significant and growing competition from large brokers and customers that have the ability to divert cash and derivatives trading volumes from NYSE Euronext. Large banks may assume the role of principal and act as counterparty to orders originating from retail customers, thus internalizing order flow that would otherwise be transacted on exchanges. Banks and brokers may also enter into bilateral trading arrangements by matching their respective order flows, depriving NYSE Euronext of potential trading volumes. The competitive significance in Europe of these varied alternate trading venues is likely to increase substantially in the future, with the regulatory environment in Europe becoming more favorable to off-exchange trading as a result of the reforms contained in the European Commission's Market in Financial Instruments Directive (or MiFID). MiFID was required to be implemented under local laws of the European Union Member States by January 31, 2007 and these local implementation measures must enter into effect on November 1, 2007. See Risk Factors Risks Relating to NYSE Euronext's Business The implementation of the European Directive on Markets in Financial Instruments, or MiFID, may accelerate the development of off-exchange trading in Europe, which may harm NYSE Euronext's competitive position.

NYSE Euronext competes with such market participants in a variety of ways, including the cost, quality and speed of trade execution, liquidity, the functionality, ease of use and performance of trading systems, the range of products and services offered to trading participants and listed companies, technological innovation and reputation. NYSE Euronext's competitors may:

respond more quickly to competitive pressures because they are not subject to the same degree of regulatory oversight as NYSE Euronext will be;

develop products that are preferred by NYSE Euronext customers;

price their products and services more competitively;

develop and expand their network infrastructure and service offerings more efficiently;

utilize faster, more user-friendly technology;

consolidate and form alliances, which may create greater liquidity, lower costs and better pricing than NYSE Euronext will be able to offer;

list derivatives that are fungible with those of NYSE Euronext and which may leverage off NYSE Euronext's open interest;

market, promote and sell their products and services more effectively; and

better leverage existing relationships with customers and alliance partners or better exploit brand names to market and sell their services.

NYSE Euronext may also face competition from new entrants into the markets in which it competes. The emergence of new competitors may increase price competition and reduce margins for all existing cash and derivatives markets, including NYSE Euronext's markets. New entrants may include new alternative trading systems and new initiatives by existing market participants, including established markets or exchanges, and current customers of the NYSE Group and Euronext that may internalize some of their order flow in the future. For a discussion of the competitive environment in which we operate, see Item 1. Business Competition.

*Globalization, growth, consolidations and other strategic arrangements may impair NYSE Euronext's competitive position.*

The liberalization and globalization of world markets have resulted in greater mobility of capital, greater international participation in local markets and more competition among markets in different geographical areas. As a result, the competition among trading markets and other execution venues has become more intense.

---

**Table of Contents**

In addition, in the last several years, the structure of the exchange sector has changed significantly through demutualizations and consolidations. In response to increasing competition, many marketplaces in both Europe and the United States have demutualized to provide greater flexibility for future growth. The exchange sector is also experiencing consolidation, creating a more intense competitive environment. For example, in the United States, the CBOT and the CME recently announced their intent to merge. Subsequently, ICE also launched a competing bid for the CBOT. Each of the Chicago Stock Exchange, Inc., Philadelphia Stock Exchange, Inc., Boston Stock Exchange, Inc., International Securities Exchange and Chicago Board Options Exchange, Inc. have also entered into investment agreements with other participants in the exchange sector, with the objective of enabling them to better compete with other exchanges. In Europe, the consolidation of OMX Group, created by the merger of OM Gruppen and HEX, with the Copenhagen Stock Exchange was completed early in 2005. In 2006, Nasdaq acquired a 28.8% stake in the London Stock Exchange and launched an offer to acquire the remaining interest. On February 10, 2007, Nasdaq's offer lapsed without obtaining the minimum tender threshold. It is anticipated that the process of consolidation in the European exchange sector will continue.

Because of these market trends, NYSE Euronext faces intense competition. If it is unable to compete successfully in this environment, its business, financial condition and operating results will be adversely affected.

***Future business combinations, acquisitions, partnerships and joint ventures may require significant resources and/or result in significant unanticipated costs or liabilities.***

We may seek to grow our company and businesses by entering into business combination transactions, making acquisitions or entering into partnerships or joint ventures, which may be material. For example, NYSE Group recently acquired a 5% interest in the National Stock Exchange of India and also entered into a strategic alliance with the Tokyo Stock Exchange. The market for acquisition targets and strategic alliances is highly competitive, particularly in light of increasing consolidation in the exchange sector, which may adversely affect our ability to find acquisition targets or strategic partners consistent with our objectives. Even if we do succeed in making acquisitions or entering into strategic alliances, the process of integration may produce unforeseen operating difficulties and expenditures and may absorb significant attention of our management that would otherwise be available for the ongoing development of our business. If we make future acquisitions, we may issue shares of our stock that dilute stockholders, expend cash, incur debt, assume contingent liabilities or create other additional expenses, any of which could harm our business, financial condition or results of operations.

In addition, our bylaws require acquisitions, mergers and consolidations involving more than 30% of the aggregate equity market capitalization or value of NYSE Euronext (or, under certain circumstances, transactions involving an entity whose principal place of business is outside of the United States and Europe) to be approved by two-thirds of the directors then in office. This requirement may prevent the NYSE Euronext board of directors from pursuing an acquisition, even if a majority of the board believes it to be in the best interests of the company.

***The legal and regulatory environment in the United States may make it difficult for us to compete with non-U.S. securities exchanges for the secondary listings of non-U.S. companies.***

Our U.S. exchanges, the NYSE and NYSE Arca, Inc., compete to obtain the listing of non-U.S. issuer securities (in addition to the listing of U.S. issuer securities). However, the legal and regulatory environment in the United States, as well as the perception of this environment, has made and may continue to make it more difficult for the NYSE and NYSE Arca, Inc., to compete with non-U.S. securities exchanges for these listings and adversely affect our competitive position. For example, the Sarbanes-Oxley Act of 2002 imposes a stringent set of corporate governance, reporting and other requirements on both U.S. and non-U.S. publicly listed companies. Significant resources are necessary for issuers to come into and remain in compliance with the requirements of the Sarbanes-Oxley Act, which has had, and may continue to have, an impact on the ability of the NYSE and NYSE Arca, Inc. to attract and retain listings. International companies also cite the need for financial statement reconciliations to U.S. generally accepted accounting principles, and concern of greater exposure to U.S. class action litigation, as additional factors weighing against listing in the United States.



---

**Table of Contents**

At the same time, international companies are increasingly seeking access to the U.S. markets through private transactions that do not require listing or trading in the U.S. public markets, such as through Rule 144A transactions. In 2000, approximately 51% of the proceeds raised by international companies in the U.S. markets was raised privately, and, from 1996 to 1999, the NYSE listed an average of approximately 48 international companies per year. In comparison, in 2006, approximately 92.4% of the proceeds raised by international companies in the U.S. markets were raised privately, and from 2000 to 2006, the NYSE averaged approximately 32 new listings for international companies per year.

Non-U.S. issuers may more frequently choose to list with non-U.S. securities exchanges exclusively without a secondary listing in the United States because they perceive the U.S. regulatory requirements and the U.S. litigation environment as too cumbersome and costly. If the NYSE and NYSE Arca, Inc. are unable to successfully attract the listings of non-U.S. issuers, the perception of the NYSE and NYSE Arca, Inc. as premier listing venues may be diminished, and our competitive position may be adversely affected or our operating results could suffer.

Our European exchanges are not subject to perceptions that may exist with respect to U.S. securities exchanges—namely, that listing on a U.S. securities exchange subjects a company to cumbersome and costly regulatory requirements and heightened litigation risks. In addition, listed companies on the Euronext exchanges are not, and will not become as a consequence of the combination, subject to the requirements of the Sarbanes-Oxley Act unless they otherwise choose to list or register their securities in the United States. However, there can be no assurances that non-U.S. issuers that do not list on the NYSE or NYSE Arca, Inc. will elect to list on a Euronext exchange rather than other non-U.S. exchanges.

***Our business may be adversely affected by price competition.***

The securities industry is characterized by intense price competition. The pricing model for trade execution for equity securities has changed in response to competitive market conditions. Some of our competitors have recently lowered their transaction costs and accordingly reduced the fees that they charge. In addition, we may face price competition in the fees that we charge to our customers to list securities on our securities exchanges. It is likely that we will continue to experience significant pricing pressures and that some of our competitors will seek to increase their share of trading or listings by further reducing their transaction fees or listing fees, by offering larger liquidity payments or by offering other forms of financial or other incentives. Our operating results and future profitability could be adversely affected as a result of these activities. For example, we could lose a substantial percentage of our share of trading or listings if we are unable to price our transactions in a competitive manner, or our profit margins could decline if we reduce our pricing in response. In addition, one or more competitors may engage in aggressive pricing strategies and significantly decrease or completely eliminate their profit margin for a period of time in order to capture a greater share of trading or listings. Some competitors, especially those outside of the United States, have high profit margins in business areas in which we do not engage, which may assist them in executing these strategies. This environment could lead to loss of order flow and decreased revenues, and consequently could adversely affect our operating results.

In addition, NYSE Group is currently reviewing its pricing structures for trading fees. There is risk inherent in the introduction of new pricing structures, and the implementation of a new price structure may have material adverse effects on our business, financial condition and operating results.

***Our share of trading in NYSE-listed securities has declined.***

As a result of increasing competition, our share of trading on a matched basis in NYSE-listed securities has declined from approximately 75.3% for the three months ended March 31, 2006, to 65.9% for the three months ended March 31, 2007. If growth in our overall trading volume of NYSE-listed securities does not offset any significant decline in our share of NYSE-listed trading, or if a decline in our share of trading in NYSE-listed securities makes the NYSE's market appear less liquid, then our financial condition and operating results could

---

**Table of Contents**

be adversely affected. In addition, we recently completed the rollout of the NYSE Hybrid Market<sup>SM</sup>, which integrates into one platform aspects of both the physically convened auction market and automated electronic execution. We are unable at this time to determine how the NYSE Hybrid Market<sup>SM</sup> as implemented will impact our share of trading. The NYSE Hybrid Market<sup>SM</sup> may require additional modifications to ensure that the NYSE remains competitive.

*We must keep up with emerging technological changes in order to compete effectively in a rapidly evolving and highly competitive industry.*

We operate in a business environment that has undergone, and continues to experience, significant and rapid technological change. In recent years, electronic trading has grown significantly, and customer demand for increased choice of execution methods has increased. To remain competitive, we must continue to enhance and improve the responsiveness, functionality, capacity, accessibility and features of our trading platforms, software, systems and technologies. Our success will depend, in part, on our ability to:

develop and license leading technologies useful in our businesses;

enhance our existing trading platforms and services;

respond to customer demands, technological advances and emerging industry standards and practices on a cost-effective and timely basis; and

continue to attract and retain highly skilled technology staff to maintain and develop our existing technology and to adapt to and manage emerging technologies.

The development and expansion of electronic trading technology entails significant technological, financial and business risks. Any failure or delay in exploiting technology, or failure to exploit technology as effectively as our competitors, could have a material adverse effect on our business, financial condition and operating results. In addition, the increased use of electronic trading on the NYSE may make it more difficult for us to differentiate our products from those of our competitors, possibly reducing one of the competitive strengths of the NYSE. This may have an adverse impact on our business and, in particular, may reduce the incentive for companies to list on the NYSE. In addition, the commoditization of trade execution may result in a reduction in the number of people using the NYSE's trading floor. This may result in a decrease in the revenues raised through the use of our trading floor.

We use leading technologies and currently devote substantial resources to our services. The adoption of new technologies or market practices may require us to devote additional resources to modify and adapt our services. In such cases, we cannot assure you that we will succeed in making these improvements to our technology infrastructure in a timely manner or at all. If we are unable to anticipate and respond to the demand for new services, products and technologies on a timely and cost-effective basis and to adapt to technological advancements and changing standards, we may be unable to compete effectively, which would have a material adverse effect on our business, financial condition and results of operations. Moreover, we may incur substantial development, sales and marketing expenses and expend significant management effort to add new products or services to our trading platforms. Even after incurring these costs, we ultimately may not realize any, or may realize only small amounts of, revenues for these new products or services. Consequently, if revenue does not increase in a timely fashion as a result of these expansion initiatives, the up-front costs associated with expansion may exceed revenue and reduce our working capital and income.

*An extraterritorial change of law may adversely affect the businesses of NYSE Euronext and, under certain special arrangements, the rights of NYSE Euronext to control a substantial portion of its assets.*

NYSE Euronext operates securities exchanges and regulated markets in various jurisdictions and thus is subject to a variety of laws and regulations. Although NYSE Euronext does not anticipate that there will be a material adverse application of European laws to NYSE Euronext's U.S. exchanges, or a material adverse

**Table of Contents**

application of U.S. laws to NYSE Euronext's European exchanges, the possibility of such an occurrence cannot be ruled out entirely. If this were to occur, and NYSE Euronext were not able to effectively mitigate the effects of such extraterritorial application, the affected exchanges of NYSE Euronext could experience a reduction in the number of listed companies or business from other market participants, or the business of NYSE Euronext could be otherwise adversely affected. In addition, in connection with obtaining regulatory approval of the combination, NYSE Euronext has implemented certain special arrangements consisting of two standby structures, one involving a Dutch foundation and one involving a Delaware trust. The Dutch foundation is empowered to take actions to mitigate the adverse effects of any potential changes in U.S. law that have extraterritorial impact on the European regulated markets of NYSE Euronext, and the Delaware trust is empowered to take actions to ameliorate the adverse effects of any potential changes in European law that have extraterritorial impact on the U.S. regulated markets of NYSE Euronext. These actions include the exercise by the foundation or the trust of potentially significant control over the European or the U.S. businesses of NYSE Euronext, as the case may be. Although the Dutch foundation and the Delaware trust are required to act in the best interest of NYSE Euronext, subject to certain exceptions, and any remedies implemented may be implemented only for so long as the effects of the material adverse application of law persist, NYSE Euronext may, as a result of the exercise of such rights, be required to transfer control over a substantial portion of its business and assets to the direction of the trust or of the foundation. Any such transfer of control could adversely affect the business and assets of NYSE Euronext.

***The implementation of the European Directive on Markets in Financial Instruments, or MiFID, may accelerate the development of off-exchange trading in Europe, which may harm NYSE Euronext's competitive position.***

The European Commission is currently working on implementing measures for MiFID, which were finalized over the course of 2006. In addition to regulated exchange trading, MiFID provides that trades may be executed on multilateral trading facilities (or MTFs) via OTC trading, or through systematic internalization of the order flow collected by investment firms and banks. As a result, MiFID creates an opportunity for new multilateral trading facilities, OTC and internalization arrangements to be developed on a pan-European basis, thereby substantially facilitating entry and increasing their attractiveness to users. In addition, investment firms will have to ensure that they obtain the best execution conditions for their clients, and will therefore have to direct orders to the most favorable execution venue, without any regulatory incentive to favor established regulated exchanges. Taken together, these changes to the regulatory environment may make it easier for multilateral trading facilities to establish themselves in Europe as low-cost alternatives to regulated exchanges, thereby increasing the level of competition with and between market operators. Increased competition from multilateral trading facilities could cause NYSE Euronext to lose market share or to lower its fees in order to remain competitive, either of which could lead to lower revenues and/or lower margins, harming profitability. For example, on November 14, 2006, Euronext announced that it is considering the progressive reduction of between 10% to 15% of trading fees on its equity markets as certain combination-related information technology synergies are realized over the two or three years following completion of the combination. If this were to occur, NYSE Euronext's financial condition and results of operation could be negatively affected.

***Regulatory changes or future court rulings may have an adverse impact on our market data fees.***

Market data fees are one of our significant sources of revenues. Regulatory developments, however, could reduce the amount of revenue that we can obtain from this source. Regulation NMS will impose significant changes on the formula used to calculate each market center's share of market data revenue. These new rules could alter behavior by market participants and reduce the share of revenue obtained by our U.S. exchanges. The formula that will be used to determine the allocation of market information revenue under Regulation NMS is highly complex, and we are as yet unable to forecast how the market will react to the new rules and the impact, if any, that this new allocation formula will have on our market information revenues or expenses longer term. In addition, in November 2004, the SEC proposed corporate governance, transparency, oversight and ownership rules for registered national securities exchanges and other self-regulatory organizations (SROs) and issued a

## **Table of Contents**

concept release examining the efficacy of self-regulation. The concept release also solicited public comment concerning the level of market data fees, following several years of claims from some competitors and data intermediaries that market data fees and revenues are excessive. We cannot predict whether, or in what form, any regulatory changes will take place, or their impact on our business. A determination by the SEC, for example, to link market data fees to marginal costs, to become even more involved in the market data rate-setting process, or to reduce the current levels of market data fees could have a material adverse effect on our market data revenues.

The ability to assess fees for market data products is contingent upon receiving approval from the SEC. There continues to be opposing industry viewpoints as to the extent that NYSE Group should be able to charge for market data, and it is conceivable that the SEC may broaden its examination of exchange market data fees. If such an examination is conducted, and the results are detrimental to the NYSE's ability to charge for market data, there could be a negative impact on our revenues.

In addition, the approach to fees reflected in MiFID, which explicitly authorizes market operators to sell trade information on a non-discriminatory commercial basis at a reasonable cost, could be modified by the European Commission or future European court decisions in a manner that may have an adverse impact on NYSE Euronext's market data fees.

***NYSE Euronext intends to enter into or increase its presence in established trading markets, such as the U.S. options or futures markets or markets in countries where it does not currently compete. Demand and market acceptance for NYSE Euronext's products and services within these markets will be subject to a high degree of uncertainty and risks and may affect its growth potential.***

NYSE Euronext intends to enter into or increase its presence in certain trading markets, such as the U.S. options and futures markets or markets in countries where it does not currently compete, which already possess established competitors. As a result, demand and market acceptance for NYSE Euronext's products and services within these markets will be subject to a high degree of uncertainty and risk. If NYSE Euronext is unable to enter into or increase its presence in these markets and compete successfully, NYSE Euronext may not generate sufficient revenues from these products and services.

NYSE Euronext's growth and success may depend in part on its ability to compete with and penetrate new markets. However, it may not be successful in competing with or penetrating these markets. Attracting customers in certain countries may be subject to a number of risks, including currency exchange rate risk, difficulties in enforcing agreements or collecting receivables, longer payment cycles, compliance with the laws or regulations of foreign countries, and political and regulatory uncertainties.

***The loss of key personnel may adversely affect our business.***

We are dependent upon the contributions of our senior management team and other key employees, as well as key staff of NYSE Regulation, for our success. If one or more of these executives, or other key employees, were to cease to be employed by us, we could be adversely affected. In particular, we may have to incur costs to replace senior executive officers or other key employees who leave, and our ability to execute our business strategy could be impaired if we are unable to replace such persons in a timely manner.

***We may be at greater risk from terrorism than other companies.***

Given NYSE Euronext's position as the world's largest cash equities market, its prominence in the U.S. and global securities industry, and the concentration of many of its properties and personnel in lower Manhattan, we may be more likely than other companies to be a direct target of, or an indirect casualty of, attacks by terrorists or terrorist organizations. In addition, as a result of the consummation of the combination on April 4, 2007, Euronext's premises may be subject to a higher threat of such attacks.

---

## **Table of Contents**

It is impossible to predict the likelihood or impact of any terrorist attack on the securities industry generally or on our business. In the event of an attack or a threat of an attack, our security measures and contingency plans may be inadequate to prevent significant disruptions in our business, technology or access to the infrastructure necessary to maintain our business. For a discussion of some of our security measures and contingency plans, see Item 2. Properties Security Measures and Contingency Plans. Damage to our facilities due to terrorist attacks may be significantly in excess of any amount of insurance received, or we may not be able to insure against such damage at a reasonable price or at all. The threat of terrorist attacks may also negatively affect our ability to attract and retain employees. In addition, terrorist attacks may cause instability or decreased trading in the securities markets, including trading on exchanges. Any of these events could have a material adverse effect on our business, financial condition and operating results.

***We operate in a highly regulated industry, and may be subject to censures, fines and other legal proceedings if we fail to comply with our legal and regulatory obligations.***

We operate in a highly regulated industry and are subject to extensive regulation. The securities industry is subject to extensive governmental regulation and could be subject to increased regulatory scrutiny. As a matter of public policy, these regulations are designed to safeguard the integrity of the securities and other financial markets and to protect the interests of investors in those markets. The SEC regulates the U.S. securities exchanges and has broad powers to audit, investigate and enforce compliance with its rules and regulations and impose sanctions for non-compliance. European regulators have similar powers with respect to European exchanges in their respective countries. NYSE Euronext's ability to comply with applicable laws and rules will be largely dependent on its establishment and maintenance of appropriate systems and procedures, as well as its ability to attract and retain qualified personnel.

Both the SEC and the European regulators are vested with broad enforcement powers to censure, fine, issue cease-and-desist orders, prohibit exchanges from engaging in some of its businesses or suspend or revoke the exchange recognition, license or registration of its subsidiaries as national securities exchanges in the respective countries in which the regulators are located. In the case of actual or alleged noncompliance with regulatory requirements, NYSE Euronext could be subject to investigations and administrative or judicial proceedings that may result in substantial penalties, including revocation of a subsidiary's exchange recognition, license or registration as a securities exchange or market. Any such investigation or proceeding, whether successful or unsuccessful, would result in substantial costs and diversions of resources and might also harm NYSE Euronext's business reputation, any of which may have a material adverse effect on its business, financial condition and operating results.

In addition, there may be a conflict between the self-regulatory responsibilities of certain of our businesses and some of the market participants or customers of our subsidiaries. Any failure by us to diligently and fairly regulate our member organizations or to otherwise fulfill our regulatory obligations could significantly harm our reputation, prompt SEC scrutiny and adversely affect our business.

***Damage to our reputation could have a material adverse effect on our businesses.***

One of our competitive strengths is our strong reputation and brand name. Our reputation could be harmed in many different ways, including by regulatory governance or technology failures. Damage to our reputation could cause some issuers not to list their securities on our exchanges, as well as reduce the trading volume on our exchanges. This, in turn, may have a material adverse effect on our business, financial condition and operating results.

***We will face restrictions with respect to the way in which we conduct certain of our operations, and may experience certain competitive disadvantages if we do not receive SEC and the relevant European regulator regulatory approval for new business initiatives or receive them in an untimely manner.***

NYSE Euronext operates two U.S. registered national securities exchanges—the NYSE and NYSE Arca, Inc. Pursuant to the Exchange Act, the NYSE and NYSE Arca, Inc. are responsible for regulating their member

---

**Table of Contents**

organizations through the adoption and enforcement of rules governing the trading activities, business conduct and financial responsibility of their member organizations and the individuals associated with them. Changes to those rules are generally subject to the approval of the SEC, which publishes proposed rule changes for public comment. Changes to its certificate of incorporation or bylaws and changes to the certificate of incorporation, bylaws, operating agreement or rules of certain of NYSE Euronext's subsidiaries, to the extent that these changes could affect the activities of these national exchanges, must also be approved. NYSE Euronext may from time to time seek to engage in new business activities, some of which may require changes to NYSE Euronext's governing documents.

NYSE Euronext also operates exchanges in France, Belgium, Portugal, the Netherlands and the United Kingdom. Regulators in each of these countries regulate exchanges through the adoption and enforcement of rules governing the trading activities, business conduct and financial responsibility of such exchanges and individuals associated with them. All NYSE Euronext initiatives with regulatory implications must be approved by the relevant authorities in each of these countries, as well as by the coordinating bodies set up under the Euronext regulators memoranda of understanding. Changes to NYSE Euronext's certificate of incorporation or bylaws and changes to the certificate of incorporation, bylaws, operating agreement or rules of certain of NYSE Euronext's subsidiaries, to the extent that these changes could affect the activities of these exchanges, may also require approvals. NYSE Euronext may from time to time seek to engage in new business activities, some of which may require changes to NYSE Euronext's governing documents.

Any delay or denial of a requested approval could cause NYSE Euronext to lose business opportunities or slow the integration process in the future between its different markets. NYSE Euronext's competitive position could be significantly weakened if its competitors are able to obtain regulatory approval for new functionalities faster, or with less cost or difficulty, than NYSE Euronext is, or if approval is not required for NYSE Euronext's competitors but is required for NYSE Euronext. Competitors that are not registered exchanges are subject to less stringent regulation. In addition, as NYSE Euronext seeks to expand its product base, it could become subject to the oversight of additional regulatory bodies.

***NYSE Group is required to allocate funds and resources to NYSE Regulation.***

NYSE Group and certain of its subsidiaries are required to allocate significant resources to NYSE Regulation. This dedication of resources may limit our ability to reduce its expense structure.

NYSE Regulation has undertaken the regulatory functions of the NYSE and NYSE Arca, Inc. pursuant to agreements with each entity. NYSE Regulation also has an explicit agreement with NYSE Group, the NYSE and NYSE Market so that adequate funding is provided to NYSE Regulation. Moreover, under the operating agreement of the NYSE, no regulatory fees, fines or penalties collected by NYSE Regulation may be distributed to us or any entity other than NYSE Regulation. The obligations to fund NYSE Regulation under the agreements covering those services could negatively affect the cash available to us, as well as our ability to invest in or pursue other opportunities that may also be beneficial to our stockholders.

***Any conflicts of interest between us and NYSE Regulation may have a material adverse effect on our business.***

NYSE Regulation regulates and monitors the activities on our U.S. securities exchanges and enforces issuer and member organization compliance with applicable law and the rules of the exchanges. In a 2004 concept release, the SEC noted that there is an inherent conflict that exists within every SRO between its regulatory functions, on the one hand, and its member organizations, market operations, listed issuers, and stockholders, on the other hand. The SEC has also expressed concern about the conflicts of interest that may exist when a for-profit entity owns an SRO. The for-profit entity's goal of maximizing stockholder value might conflict with the SRO's self-regulatory responsibilities imposed by the securities laws. For example, the for-profit entity might have an incentive to commit insufficient funds to the regulatory operations of the SRO, or use the disciplinary

---

## **Table of Contents**

powers of the SRO to generate revenue for the for-profit entity by disciplining member organizations that operate or participate in competing trading systems. In addition, the regulatory responsibilities imposed by the U.S. securities laws (such as encouraging low-cost trading and competitive markets) may conflict with our profit-oriented goals as a public company. There may be more opportunities for conflicts of interest to arise when SROs regulate listed companies. Additional conflicts of interest arise where a company (such as NYSE Group) lists its securities on the national securities exchange that it owns. The listing of our common stock on the NYSE could potentially create a conflict of interest between the NYSE's regulatory responsibility to vigorously oversee the listing and trading of securities on the NYSE, on the one hand, and our commercial and economic interest, on the other hand. The SRO's disciplinary power over NYSE Euronext's competitors may also raise questions.

We have implemented structural protections to minimize these potential conflicts of interest. For a discussion of some of these structural protections, see Item 1. Business NYSE Group NYSE Regulation Structure, Organization and Governance of NYSE Regulation. In addition, on November 28, 2006, NYSE Group and NASD announced the signing of a letter of intent to consolidate their member regulation operations into a new self-regulatory organization that will be the private sector regulator for all securities brokers and dealers doing business with the public in the United States. The letter of intent is nonbinding and is subject to the execution of a definitive agreement. The transaction is expected to close in the second quarter of 2007. Following such consolidation, NYSE Regulation will continue to perform market surveillance and listed company compliance for NYSE and NYSE Arca, Inc.

***Specialists will be responsible for effecting certain transactions on the floor of the NYSE. Any failure by specialists to perform their function effectively or to comply with their regulatory obligations may have a material adverse effect on our business and reputation.***

Specialists are an important component of the market structure within the NYSE. For example, specialists assist in providing liquidity and minimizing volatility. A deterioration in the performance of specialists, or misconduct by specialists, could damage our reputation and reduce our ability to compete with other securities exchanges for listings and order flow.

The increased use of technology in securities executions also is changing the business models of specialists. Any failure of the specialist to adapt their business models to this changing environment in general, and to the NYSE Hybrid Market<sup>SM</sup> in particular, would further undermine the differentiation, and therefore the competitive position, of the NYSE.

***Market fluctuations and other risks beyond our control could significantly reduce demand for our services and harm our business.***

Our revenues and profitability are highly dependent upon the levels of activity on our exchanges, in particular the volume and value of financial instruments traded, the number and market capitalization of listed issuers, the number of new listings, the number of traders in the market and similar factors.

We have no direct control over such variables. Among other things, we are dependent upon the relative attractiveness of the financial instruments traded on our exchanges, and the relative attractiveness of the exchanges as a market on which to trade these financial instruments, as compared to other exchanges and trading platforms. Such variables are in turn influenced by economic, political and market conditions in the United States, Europe and elsewhere in the world that are beyond our control, including:

broad trends in business and finance;

terrorism and war;

concerns over inflation and the level of institutional or retail confidence;

changes in government monetary policy and foreign currency exchange rates;

the availability of short-term and long-term funding and capital;





**Table of Contents**

the availability of alternative investment opportunities;

changes in the level of trading activity;

changes and volatility in the prices of securities;

changes in tax policy;

the level and volatility of interest rates;

legislative and regulatory changes, including the potential for regulatory arbitrage among U.S. and non-U.S. markets if significant policy differences emerge among markets;

the perceived attractiveness of the U.S. capital markets, as well as the costs (e.g., potential class actions); and

unforeseen market closures or other disruptions in trading.

General economic conditions affect securities markets in a variety of ways, from determining availability of capital to influencing investor confidence. Poor economic conditions also have an impact on the process of raising capital by reducing the number or size of securities offerings or listings. The economic climate in recent years has been characterized by challenging business and economic conditions. During 2000 through early 2003, the major U.S. market indices experienced severe declines. The weak and uncertain economic climate, together with corporate governance and accounting concerns, contributed to a reduction in corporate transactions and a generally more difficult business environment. In addition, the United States and other countries in which we hope to offer our services have suffered acts of war or terrorism or other armed hostilities. These or similar acts have in the past increased or prolonged, and may in the future increase or prolong, negative economic conditions. Adverse changes in the economy or the outlook for the securities industry can have a negative impact on our revenues through declines in trading volume, new listings and demand for market data. Generally adverse economic conditions may also have a disproportionate effect on our business. Because our infrastructure and overhead will be based on assumptions of certain levels of market activity, significant declines in trading volumes, new listings or demand for market data may have a material adverse effect on our business, financial condition and operating results.

A significant portion of our revenues will depend, either directly or indirectly, on our transaction-based business, which, in turn, is dependent on our ability to attract and maintain order flow, both in absolute terms and relative to other market centers. If the amount of trading volume on the NYSE or NYSE Arca decreases, our revenue from transaction fees will decrease. There may also be a reduction in revenue from market data fees. If our share of total trading volume decreases relative to our competitors, we may be less attractive to market participants as a source of liquidity and may lose additional trading volume and associated transaction fees and market data fees as a result. In addition, declines in our share of trading volume could adversely affect the growth, viability and importance of various of our market information products, which will constitute an important portion of our revenues.

We also expect to generate a significant portion of our revenues from listing fees. Among the factors affecting companies' decision to go public and/or list their shares on U.S. markets are general economic conditions, industry-specific circumstances, capital market trends, mergers and acquisitions environment and regulatory requirements. The extent to which these and other factors cause companies to remain privately owned or decide not to list their shares in the United States may have a material adverse effect on our business, financial condition and operating results.

The financial services industry and, particularly, the securities transactions business are dynamic, uncertain and highly competitive environments. Accordingly, we expect exchange consolidation and member organization consolidation to persist in the future. This environment has led to business failures and has encouraged the introduction of alternative trading venues with varying market structures and new business models. Well-capitalized competitors from outside the United States may seek to expand their operations in the U.S. market. In



## **Table of Contents**

addition, the financial services industry is subject to extensive regulation, which may change dramatically in ways that affect industry market structure. If we are unable to adjust in a timely manner to structural changes within our markets, technological and financial innovation, and other competitive factors, our business will suffer.

### ***Insufficient systems capacity or systems failure could harm our business.***

Our business depends on the performance and reliability of the computer and communications systems supporting it. In particular, heavy use of our platforms and order routing systems during peak trading times or at times of unusual market volatility could cause our systems to operate slowly or even to fail for periods of time. Our system capacity requirements could grow significantly in the future as the result of a variety of factors, including the implementation of the NYSE Hybrid Market<sup>SM</sup>, and NYSE Arca's anticipated expansion of its options trading activities. If our systems cannot be expanded to handle increased demand, or otherwise fail to perform, we could experience disruptions in service, slower response times, delays in introducing new products and services and loss of revenues. In addition, our trading activities may be negatively affected by system failures of other trading systems, as a result of which we may be required to suspend trading activity in particular stocks or, in the case of NYSE Arca, cancel previously executed trades under certain circumstances.

With respect to LIFFE Connect<sup>®</sup>, NSC and related ancillary systems and distribution network, the growth of algorithmic and so called "black box" trading requires NYSE Euronext to increase systems and network capacity to ensure the increases in message traffic can be accommodated without adverse effect on system performance. Keeping pace with these ever increasing requirements can be expensive. If NYSE Euronext fails to address these requirements in a timely manner, this could result in reputational risk, loss of market share and reductions in revenue.

If our systems cannot be expanded to handle increased demand, or otherwise fail to perform, we could experience disruptions in service, slower response times, delays in introducing new products and services and loss of revenues. In addition, our trading activities may be negatively affected by system failures of other trading systems, as a result of which it may be required to suspend trading activity in particular stocks or, in the case of NYSE Arca, cancel previously executed trades under certain circumstances.

Failure to maintain systems or to ensure sufficient capacity may also result in a temporary disruption of our regulatory and reporting functions. These consequences, in turn, could result in lower trading volumes, financial losses, decreased customer service and satisfaction, litigation or customer claims, or regulatory sanctions.

We have experienced systems failures in the past. It is possible that we will experience systems failures in the future, or periods of insufficient systems capacity or network bandwidth, power or telecommunications failure, acts of God or war, terrorism, human error, natural disasters, fire, power loss, sabotage, hardware or software malfunctions or defects, computer viruses, intentional acts of vandalism or similar events. Any system failure that causes an interruption in service or decreases the responsiveness of our service could impair our reputation and negatively impact our revenues. We also rely on third parties for systems support. Any interruption in these third-party services or deterioration in the performance of these services could also be disruptive to our business (and the NYSE Hybrid Market<sup>SM</sup>, in particular) and have a material adverse effect on our business, financial condition and operating results.

### ***Our networks and those of our third-party service providers may be vulnerable to security risks, which could result in wrongful use of our information or cause interruptions in our operations that cause us to lose trading volume and result in significant liabilities. We will also incur significant expense to protect our systems.***

The secure transmission of confidential information over public networks is a critical element of our operations. Our networks and those of our third-party service providers may be vulnerable to unauthorized access, computer viruses and other security problems. Persons who circumvent security measures could wrongfully access and use our information or cause interruptions or malfunctions in our operations. Any of these

---

## **Table of Contents**

events could cause us to lose trading volume. We will be required to expend significant further resources to protect against the threat of security breaches or to alleviate problems, including reputational harm and litigation, caused by breaches. Our security measures are costly, and may prove to be inadequate and result in system failures and delays that could cause us to lose business.

*Any failure by us to protect our intellectual property rights, or allegations that we have infringed the intellectual property rights of others, could adversely affect our business.*

We own the rights to a number of trademarks, service marks, trade names, copyrights and patents used in our businesses. To protect our intellectual property rights, we rely on a combination of trademark laws, copyright laws, patent laws, trade secret protection, confidentiality agreements and other contractual arrangements with our affiliates, customers, strategic investors and others. The protective steps taken may be inadequate to deter misappropriation of proprietary information. We may be unable to detect the unauthorized use of, or take appropriate steps to enforce, our intellectual property rights. Failure to protect our intellectual property adequately could harm our reputation and affect our ability to compete effectively. Further, defending our intellectual property rights may require significant financial and managerial resources, the expenditure of which may have a material adverse effect on our business, financial condition and operating results.

In the future we may be subject to intellectual property rights claims, which may be costly to defend, could require the payment of damages and could limit our ability to use certain technologies. Some of our competitors currently own patents and have actively been filing patent applications in recent years, some of which may relate to our trading platforms and business processes. As a result, we could in the future face allegations that we have infringed or otherwise violated the intellectual property rights of third parties. Any intellectual property claims, with or without merit, could be time-consuming, expensive to litigate or settle and could divert management resources and attention. Successful challenges against us could require us to modify or discontinue our use of technology where such use is found to infringe or violate the rights of others, or require us to obtain licenses from third parties at material cost.

*We are subject to significant litigation risk and potential securities law liability.*

Many aspects of our business involve substantial liability risks. These risks include, among others, potential liability from disputes over terms of a trade or from claims that a system or operational failure or delay caused monetary losses to a customer, that we entered into an unauthorized transaction or that we provided materially false or misleading statements in connection with a transaction. Dissatisfied customers frequently make claims against their service providers regarding quality of trade execution, improperly settled trades, mismanagement or even fraud. We could be exposed to substantial liability under federal and state laws and court decisions, as well as rules and regulations promulgated by the SEC. We could incur significant legal expenses defending claims, even those without merit. In addition, an adverse resolution of any future lawsuit or claim against us may have a material adverse effect on our business, financial condition and operating results. For a discussion of certain legal claims against us, see Item 3. Legal Proceedings.

*Provisions of our organizational documents and Delaware law may delay or deter a change of control of NYSE Euronext.*

Our organizational documents contain provisions that may have the effect of discouraging, delaying or preventing a change of control of, or unsolicited acquisition proposals for, NYSE Euronext that a stockholder might consider favorable. These include provisions:

vesting our board of directors with sole power to set the number of directors;

limiting the persons that may call special stockholders meetings;

limiting stockholder action by written consent; and

requiring supermajority stockholder approval with respect to certain amendments to our certificate of incorporation and bylaws.

---

**Table of Contents**

In addition, our organizational documents include provisions that:

restrict any person (either alone or together with its related persons) from voting or causing the voting of shares of stock representing more than 10% of our outstanding voting capital stock (including as a result of any agreement by any other persons not to vote shares of stock); and

restrict any person (either alone or together with its related persons) from beneficially owning shares of stock representing more than 20% of the outstanding shares of any class or series of our capital stock.

Furthermore, our board of directors has the authority to issue shares of preferred stock in one or more series and to fix the rights and preferences of these shares without stockholder approval. Any series of NYSE Euronext is likely to be senior to NYSE Euronext common stock with respect to dividends and liquidation rights. The ability of our board of directors to issue preferred stock also could have the effect of discouraging unsolicited acquisition proposals, thus adversely affecting the market price of the common stock.

In addition, Delaware law makes it difficult for stockholders that recently have acquired a large interest in a corporation to cause the merger or acquisition of the corporation against the directors' wishes. Under Section 203 of the Delaware General Corporation Law, a Delaware corporation may not engage in any merger or other business combination with an interested stockholder for a period of three years following the date that the stockholder became an interested stockholder except in limited circumstances, including by approval of the corporation's board of directors.

***NYSE Euronext relies on Atos Euronext Market Solutions, a third party service provider that it does not control, for a number of key information technology services.***

Atos Euronext Market Solutions ( AEMS ) is Euronext's preferred external supplier of key information technology and is responsible for the development of Euronext's technology and the management of its key information technology systems, including the NSC cash trading platform and the LIFFE CONNECT<sup>®</sup> futures and options electronic trading system. Euronext and Atos Origin each hold 50% of the shares of AEMS. Control over the activities and the assets of the company rests with Atos Origin. AEMS provides IT services to Euronext under a complex contractual framework, incorporating an umbrella services agreement and a series of interim service agreements. The umbrella services agreement will terminate in January 2012 unless a definitive and comprehensive agreement is entered into before that date. If AEMS does not dedicate sufficient resources or provide sufficiently experienced personnel or experiences difficulties or losses, and is unable to perform the services to the required levels and meet its contractual obligations to Euronext under the IT services arrangements, the business, financial condition or results of operations of Euronext could be materially adversely affected.

Euronext also relies on intellectual property owned by AEMS. If AEMS does not protect its existing or future intellectual property rights, it may have to pay third parties for rights to use their intellectual property, pay damages for infringement or misappropriation and/or be enjoined from using such intellectual property. AEMS relies mainly on copyright legislation, patents, trademarks and protection of know-how to protect its intellectual property. Euronext cannot guarantee that any of the intellectual property rights owned by AEMS or other intellectual property rights that third parties license to AEMS will not be invalidated, circumvented, challenged or rendered unenforceable. Conversely, if AEMS became involved in litigation or other proceedings as the result of alleged infringement of the rights of others, AEMS might have to spend significant amounts of money, regardless of fault.

***NYSE Euronext relies on LCH.Clearnet and Euroclear, neither of which is controlled by Euronext, for the majority of Euronext's clearing and settlement services.***

Euronext uses the services of LCH.Clearnet Group Ltd. and its subsidiaries (together LCH.Clearnet ) for clearing transactions executed on its cash markets and Euronext.liffe, and on Euroclear for settling transactions on its cash markets (except in Portugal). Although Euronext has a substantial minority shareholding in

**Table of Contents**

LCH.Clearnet (which it has announced an agreement in principle to reduce) and a small shareholding in Euroclear plc and has contractual arrangements with each of them for the provision of services, Euronext does not have any significant influence over their businesses generally, particularly with respect to their relationships with third parties. To the extent that LCH.Clearnet or Euroclear experiences serious difficulties or materially changes its business relationship with Euronext, the business of Euronext may be materially adversely affected. Additionally, because LCH.Clearnet and Euroclear each play a vital role in the functioning of Euronext's exchanges, Euronext may be affected by any difficulties that either of them experiences. If this occurs, Euronext could be harmed financially or its reputation could suffer.

***GL TRADE's business could be harmed by the consolidation of financial institutions or reductions in the trading operations of its customers.***

The merger of major financial institutions may lead GL TRADE's customers to reduce the number of traders and lead to further cost-cutting efforts by its customers with respect to their information systems. This environment could cause its customers to decrease the number of workstations and subscriptions they buy from GL TRADE or change their strategy by shifting to other providers or to in-house technology.

***NYSE Euronext's financial condition and results of operations may be harmed if it does not successfully reduce market risks through the use of derivative financial instruments.***

Since NYSE Euronext conducts operations in both the United States and Europe, a substantial portion of its assets, liabilities, revenues and expenses will be denominated in U.S. dollars, euros and pounds sterling. Because NYSE Euronext's financial statements are denominated in U.S. dollars, fluctuations in currency exchange rates, especially the euro/pound sterling against the U.S. dollar, could have a material impact on NYSE Euronext's reported results. NYSE Euronext may also experience other market risks, including changes in interest rates and in prices of marketable equity securities that it owns. NYSE Euronext may use derivative financial instruments to reduce certain of these risks. If NYSE Euronext's strategies to reduce market risks are not successful, its financial condition and operating results may be adversely affected.

***If we are unable to favorably assess the effectiveness of our internal controls over financial reporting, or if our Independent Registered Public Accounting Firm is unable to provide an unqualified attestation report on our assessment, our stock price could be adversely affected.***

Pursuant to Sections 302 and 404 of the Sarbanes-Oxley Act of 2002, in connection with our annual report on Form 10-K for the fiscal year ending December 31, 2007, our management will be required to certify to and report on, and our Independent Registered Public Accounting Firm will be required to attest to, the effectiveness of NYSE Group's internal controls over financial reporting as of December 31, 2007 and on NYSE Euronext's internal controls over financial reporting as of December 31, 2008. The rules governing the standards that must be met for management to assess our internal controls over financial reporting are new and complex, and require significant documentation, testing and possible remediation. We currently are in the process of reviewing, documenting and testing our internal controls over financial reporting. The continuing effort to comply with regulatory requirements relating to internal controls will likely cause us to incur increased expenses and diversion of management's time and other internal resources. We also may encounter problems or delays in completing the implementation of any changes necessary to make a favorable assessment of our internal controls over financial reporting. In addition, in connection with the attestation process by our Independent Registered Public Accounting Firm, we may encounter problems or delays in completing the implementation of any requested improvements or receiving a favorable attestation. If we cannot favorably assess the effectiveness of our internal controls over financial reporting, or if our Independent Registered Public Accounting Firm is unable to provide an unqualified attestation report on our assessment, investor confidence and the stock price of our common stock could be adversely affected.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

---

**Table of Contents**

**ITEM 2. PROPERTIES**

We conduct our operations in premises inside and outside of the United States.

NYSE Group's headquarters are located on Wall Street, New York City, and the surrounding area. In particular, the NYSE trading floor runs throughout 11 Wall Street and 20 Broad Street. These buildings are described in more detail below:

*11 Wall Street, New York City.* NYSE Group's principal offices and the major portions of the NYSE Market trading floor are located at 11 Wall Street in New York City, a complex that includes contiguous buildings known as 8 through 18 Broad Street. This complex, exclusive of the 20 Broad Street building (described below), is owned by NYSE Group and consists of approximately 370,000 square feet of aggregate space.

*20 Broad Street, New York City.* The land underlying the office building situated at 20 Broad Street in New York City is owned by Newex Corporation, a wholly owned subsidiary of the NYSE. The land has been leased to the owner of the office building at 20 Broad Street for a term that is anticipated to expire in 2081. NYSE Group occupies approximately 348,000 square feet of space in the office building at 20 Broad Street pursuant to a sublease for a term expiring in 2016. In addition, the sublease provides NYSE Group with multiple rights to extend the term of the sublease until 2041. The space occupied by NYSE Group in the 20 Broad Street building is used for portions of the NYSE Market trading floor and for office purposes. NYSE Group received a notice, dated October 4, 2006, from the sublandlord of its facility at 20 Broad Street, alleging default under certain covenants in the sublease (based upon the alleged impact on the sublandlord of certain security measures) and demanding cure by December 15, 2006. NYSE Group and the sublandlord have agreed to extend the cure date to May 25, 2007. NYSE Group believes that the sublandlord's claims are without merit and, if a resolution of the matter is not reached, intends to contest the sublandlord's position vigorously.

*14 Wall Street, New York City.* NYSE Group occupies approximately 65,000 square feet in the office building located at 14 Wall Street, New York City, pursuant to a lease expiring in 2011. In addition, NYSE Group occupies approximately 11,000 square feet in this building pursuant to a sublease expiring in 2010. It uses the leased space and the sublease space for office purposes.

*30 Broad Street, New York City.* NYSE Group occupies approximately 47,000 square feet in the office building located at 30 Broad Street, New York City, pursuant to a lease expiring in 2008. NYSE Group is currently negotiating to retain only approximately 14,000 square feet in the building for office purposes.

*2 Metrotech Center, Brooklyn, New York.* NYSE Group occupies approximately 429,000 square feet at 2 Metrotech pursuant to a lease scheduled to expire in November 2010. NYSE Group uses this space for a Data Center as well as general office space. NYSE Group has options to extend the lease.

*55 Water Street, New York City.* NYSE Group occupies approximately 123,000 square feet at 55 Water Street, New York City with the lease scheduled to expire in December 2012. NYSE Group uses this space for a data center and limited office space.

*65 Broadway, New York City.* NYSE Group occupies approximately 31,160 square feet in a building located on 65 Broadway, New York City, pursuant to a lease expiring in April 30, 2010. Approximately half of this space is being subleased on a pass-through cost basis. NYSE Group is currently negotiating a sublease of the remaining half of this space.

*100 South Wacker Drive, Chicago, Illinois.* NYSE Group occupies approximately 59,000 square feet in the office building located at 100 South Wacker Drive, Chicago, Illinois, pursuant to two leases covering different portions of this space. The lease originally set to expire August 2006 has been extended until August 2013. The second lease expires March 2014. The leases provide NYSE Group with rights to extend the terms of the leases. NYSE Group uses this leased space for office purposes and for running NYSE Arca.

**Table of Contents**

*115 Sansome Street, San Francisco, California.* NYSE Group occupies approximately 58,969 square feet in a building located at 115 Sansome Street, San Francisco, California pursuant to a lease that is scheduled to expire in June 2009. NYSE Group uses this space for offices and storage. Approximately 33% is being subleased.

*Mills Building, San Francisco, California.* NYSE Group occupies approximately 46,470 square feet in a building located at 220 Montgomery Street and 220 Bush Street, San Francisco, California pursuant to a lease expiring on May 31, 2009. NYSE Group uses this space to operate NYSE Arca's options trading floor.

In addition to these premises, NYSE Group and its subsidiaries lease space in the following locations:

<b>Location</b>	<b>Approximate Square Feet</b>
Palo Alto, California	9,800
Weehawken, New Jersey	8,200
Washington, D.C.	6,300
Maitland, Florida	4,000
London, United Kingdom	1,400
Tokyo, Japan	1,800
Hong Kong, China	410
San Francisco, California	6,090

NYSE Group's overseas offices are used primarily for the purposes of promoting international recognition of NYSE Group's brand, developing the listings business and providing client services to non-U.S. listed companies. In addition to its market operations, NYSE Group uses the domestic offices for general sales and office purposes.

Euronext's registered office is located at Beursplein 5, 1012 JW Amsterdam, the Netherlands. Euronext occupies 10,080 square meters of space at this site, which it owns outright. Euronext has also established local headquarters in each of the other European countries where it operates an exchange, as set forth below:

*Palais de la Bourse/Beursplein, Place de la Bourse/Beursplein, 1000 Brussels, Belgium.* Euronext Brussels occupies 11,855 square meters of space at this site, pursuant to a long-term lease;

*Avenida da Liberdade, n.º196, 7ºPiso, 1250-147, Lisbon, Portugal.* Euronext Lisbon occupies 1,086 square meters of space at this site, pursuant to a long-term lease;

*39, rue Cambon, 75039 Paris Cedex 01, France.* Euronext Paris occupies 13,517 square meters of space at this site, pursuant to a long-term lease; and

*Cannon Bridge House, 1 Cousin Lane, EC4R 3XX London, United Kingdom.* LIFFE Administration and Management occupies 8,409 square meters of space at this site, pursuant to a long-term lease.

In addition to the premises above, Euronext and its subsidiaries own or lease space in the following locations:

<b>Location</b>	<b>Owned/Leased</b>	<b>Approximate Square Meters</b>
Palais Brongniart (Paris)	Leased	14,347



Edgar Filing: NYSE Euronext - Form 10-K/A

EVERE Building (Brussels)	Owned	8,730
Damrak Building (Amsterdam)	Leased	6,961
Stepney Way (London)	Leased	2,968
Porto Building (Porto)	Leased	824
55 Broadway (New York)	Leased	581

---

## **Table of Contents**

For further information related to Euronext's owned and leased real estate, see notes 3.2.1 and 3.5.4 to Euronext's consolidated financial statements included herein.

### **Security Measures and Contingency Plans**

NYSE Euronext has implemented numerous security measures to reduce its vulnerability to terrorist attacks, including, among other things:

establishing a wide perimeter security zone in the vicinity of the premises housing the NYSE trading floor in New York, New York, manned constantly by armed security personnel employed and/or contracted for by the NYSE and/or provided by the New York City Police Department;

requiring physical and X-ray/magnetometer inspection of all incoming persons, mail, packages and parcels into NYSE's premises;

requiring that all messengers delivering mail, packages or parcels be screened and escorted throughout the NYSE's premises;

requiring photo ID badges for all visitors and employees and conditioning the issuance of badges for long-term access to employees and service providers, with limited exceptions, upon the review of individual fingerprint-based background information; and

maintaining continuous television monitoring and recording of exterior and interior areas.

NYSE Euronext continually reviews these security measures to ensure that they remain effective and to avoid predictability.

NYSE Euronext maintains a number of contingency plans relating to possible emergencies that may affect its operations. After consulting with member organizations regarding their needs, the NYSE established and maintains an alternative trading location apart from its current trading floor. NYSE Euronext also regularly circulates among its personnel emergency contact telephone numbers and makes available a password-protected contingency website that would give information and directions to personnel in the event of a disruption or incident of any kind. Consistent with its business plan, each division of NYSE Euronext also maintains emergency contingency plans tailored to its needs and personnel.

### **ITEM 3. LEGAL PROCEEDINGS**

We are party to a number of legal proceedings, as described below.

#### ***In re NYSE Specialists Securities Litigation***

On December 16, 2003, the California Public Employees Retirement System ( CalPERS ) filed a purported class action complaint in the U.S. District Court for the Southern District of New York against NYSE, NYSE specialist firms, and others, alleging various violations of the Exchange Act and breaches of fiduciary duty, on behalf of a purported class of persons who bought or sold unspecified NYSE-listed stocks between 1998 and 2003. The court consolidated CalPERS' suit with three other purported class actions and one other non-class action suit into an action entitled *In re NYSE Specialists Securities Litigation*. The court also appointed CalPERS and Empire Programs, Inc. as co-lead plaintiffs.

Plaintiffs filed a consolidated complaint on September 16, 2004. The consolidated complaint asserts claims for alleged violations of Sections 6(b), 10(b) and 20(a) of the Exchange Act, and alleges that, with the NYSE's knowledge and active participation, the specialist firms engaged in manipulative, self-dealing and deceptive conduct, including interpositioning, front-running and freezing the specialist's book and falsifying trading records to conceal their misconduct. Plaintiffs also claim that the NYSE constrained its regulatory activities in order to receive substantial fees from the specialist firms based on their profits, which caused investors to



---

**Table of Contents**

purchase or sell shares on the NYSE at distorted and manipulated prices, enriching Defendants and damaging Plaintiffs and the Class. The consolidated complaint also alleges that certain generalized NYSE statements concerning the operation of its market were rendered false and misleading by the NYSE's non-disclosure of its alleged failure to properly regulate specialists, and that the NYSE was motivated to participate in or permit the specialist firms' alleged improper trading in order to maintain or enhance its fee revenues and the compensation of its executives, including its former chairman and chief executive officer Richard A. Grasso. The consolidated complaint seeks unspecified compensatory damages against defendants, jointly and severally.

On November 16, 2004, the specialist firms and the NYSE filed motions to dismiss the complaint. On December 12, 2005, the court issued an order granting the NYSE's motion and dismissing all of the claims against it with prejudice, and granting in part and denying in part the specialist defendants' motion to dismiss. On February 17, 2006, the court entered a final judgment in favor of the NYSE. Plaintiffs appealed the judgment to the U.S. Court of Appeals for the Second Circuit. The Court of Appeals heard oral argument on the appeal on February 26, 2007, but has not rendered a decision.

***Grasso Litigation***

On May 24, 2004, the New York Attorney General filed a lawsuit in New York Supreme Court against NYSE's former chairman and chief executive officer, Richard A. Grasso, former NYSE Director Kenneth Langone and the NYSE. The complaint alleges six causes of action against Mr. Grasso, including breach of fiduciary duty under the New York Not-for-Profit Corporation Law and unjust enrichment. Among other things, the suit seeks:

imposition of a constructive trust for the NYSE's benefit on all compensation received by Mr. Grasso that was not reasonable and commensurate with services rendered, pursuant to provisions of the New York Not-for-Profit Corporation Law in an amount to be determined at trial ;

a judgment directing Mr. Grasso to return payments made by the NYSE that were unlawful under the New York Not-for-Profit Corporation Law in an amount to be determined at trial ; and

restitution of all amounts that Mr. Grasso received that lacked adequate NYSE board approval because the board's approval was based on inaccurate, incomplete or misleading information.

The New York Attorney General further seeks a declaration by the court that any obligation to make future payments to Mr. Grasso by the NYSE lacking the required board approval is void. In addition to the claims against Mr. Grasso, the complaint asserts a single cause of action against Mr. Langone for breach of his fiduciary duty under the New York Not-for-Profit Corporation Law and a single cause of action against the NYSE seeking a declaratory judgment that the NYSE made unlawful, ultra vires payments to Mr. Grasso, and an injunction requiring the NYSE to adopt and implement safeguards to ensure that future compensation complies with the New York Not-for-Profit Corporation Law. In its answer to the complaint, the NYSE asserted several complete defenses.

In his answer, Mr. Grasso denied the New York Attorney General's allegations of wrongdoing and asserted various defenses. In addition, Mr. Grasso asserted claims against the NYSE and its then Chairman John S. Reed, including claims that: (1) the NYSE terminated Mr. Grasso without cause in September 2003; (2) the NYSE breached his 1999 and 2003 employment agreements; and (3) the NYSE and Mr. Reed defamed him. Mr. Grasso has not claimed with specificity the amount of damages that he seeks in the litigation. In his pleadings, he seeks at least \$50 million in compensatory damages for the NYSE's alleged breaches of the agreements (an expert witness retained by Mr. Grasso has estimated these damages to be approximately \$95 million). In addition, Mr. Grasso seeks damages for alleged injury to his reputation and mental anguish and suffering, and punitive damages against Mr. Reed and the NYSE.

Mr. Grasso subsequently asserted third-party claims against former NYSE Director H. Carl McCall for negligence, negligent misrepresentation and contribution and moved to dismiss four of the six causes of action

---

**Table of Contents**

alleged by the New York Attorney General. The court denied Mr. Grasso's motion to dismiss, and Mr. Grasso appealed that decision.

During 2006, the parties completed discovery and filed various motions for summary judgment on which the court ruled. Among other things, the court: (1) denied Mr. Langone's motion for summary judgment dismissing the New York Attorney General's claim against him; (2) granted Mr. McCall's motion for summary judgment dismissing the third-party claims asserted against him by Mr. Grasso; (3) granted the summary judgment motions of the NYSE and Mr. Reed dismissing all of Mr. Grasso's crossclaims against them; (4) granted in part the New York Attorney General's motion for partial summary judgment in his favor on certain claims asserted against Mr. Grasso; and (5) denied Mr. Grasso's motion for summary judgment in his favor on three of the six causes of action asserted against him by the New York Attorney General. In addition, the court partially granted the motion of Mr. Grasso and Mr. Langone for summary judgment dismissing the single claim asserted against the NYSE by the New York Attorney General. The court dismissed the claim against the NYSE to the extent it seeks injunctive relief; to the extent it seeks declaratory relief, the claim survives.

In granting in part the New York Attorney General's motion for partial summary judgment against Mr. Grasso, the court found that Mr. Grasso breached his fiduciary duties to the NYSE and that certain payments made to Mr. Grasso were unlawful and must be returned to the NYSE. The court also ordered the New York Attorney General to provide an accounting of the amount of compensation Mr. Grasso should disgorge pursuant to the court's partial summary judgment ruling. On November 2, 2006, the New York Attorney General filed an accounting stating that Mr. Grasso must disgorge approximately \$112.2 million.

In addition to the above decisions, the court ruled that the New York Attorney General's claim against Mr. Grasso for restitution and imposition of a constructive trust is an equitable claim that must be tried to the court rather than to a jury, and denied a motion by Mr. Grasso to reassign the case to a different judge for all further proceedings.

The parties have appealed several of the court's orders to the Appellate Division of the New York Supreme Court, which has not ruled on the appeals yet. Fully briefed appeals currently awaiting decision by the Appellate Division include Mr. Grasso's appeals from: (1) the court's March 2006 order denying his motion to dismiss four of the six claims asserted against him; (2) the court's August 2006 order granting the New York Attorney General's request to bifurcate the equitable claims against Mr. Grasso and permit a bench trial of those claims; (3) the court's September 2006 order denying his request for reassignment of the case to a different judge; and (4) various aspects of the court's October 2006 order that, among other things, dismissed his claims against the NYSE and Mr. Reed and granted in part the New York Attorney General's motion for summary judgment on certain claims against him. Also awaiting appellate decision is Mr. Langone's appeal of the court's denial of his motion for summary judgment. In addition, Mr. Grasso has appealed the August 2006 order dismissing Mr. Grasso's third party claims against Mr. McCall, but that appeal is not yet fully briefed. The Appellate Division has granted a stay of the trial and of the accounting proceeding pending its decision on Mr. Grasso's fully briefed appeals.

In December 2003, the law firm of Winston & Strawn LLP provided the NYSE (which had engaged the firm to investigate certain matters relating to Mr. Grasso's compensation and the process by which that compensation was determined) a report (the "Webb Report") that stated that the total amount of excessive compensation and benefits actually received by Mr. Grasso was within the range of approximately \$113 million to \$125 million (including both deferred and non-deferred compensation and benefits paid to Mr. Grasso). The specific amounts of compensation and benefits that should be repaid by Mr. Grasso will be determined in the course of the above litigation. If the New York Attorney General ultimately prevails on all of his claims, the court may order Mr. Grasso to return to the NYSE portions of his compensation and benefits determined to be unreasonable or improperly awarded and declare that the alleged obligation of the NYSE to make further payments is void.

---

**Table of Contents**

***NYSE/Archipelago Merger-Related Litigation***

On July 12, 2005, Allison L. Wey filed a complaint in New York Supreme Court against the NYSE and the chief executive officer of the NYSE, John A. Thain, alleging causes of action for fraud, negligent misrepresentation and breach of fiduciary duty, and seeking unspecified compensatory damages. Ms. Wey, a former NYSE member, alleges that in connection with the sale of her NYSE membership on March 21, 2005, she relied to her detriment on statements that Mr. Thain allegedly made to certain NYSE members on February 15, 2005 regarding the NYSE's intention to go public. The NYSE and Mr. Thain believe that the claims are without merit. In January 2007, the NYSE and Mr. Thain filed motions for (1) summary judgment seeking dismissal of the complaint; and (2) an order limiting the evidence plaintiff may present at trial in support of her theory of damages. On April 10, 2007, the court entered an order granting in part and denying in part defendants' motion for summary judgment. The court dismissed the negligent misrepresentation claim against both defendants but allowed plaintiff to proceed on the breach of fiduciary duty and fraud claims against Mr. Thain (the court stated that plaintiff could proceed on the fraud claim against NYSE only under a theory of vicarious liability). The court stated that the breach of fiduciary duty and fraud claims could be subject to dismissal based upon additional briefing and argument on one of the defenses asserted by defendants. In the same order, the court also granted defendants' motion to limit evidence in support of plaintiff's damages theory. Trial currently is scheduled for September 2007.

On March 2 and 15, 2006, respectively, Janet Hyman and Sylvia Lief, former NYSE members, filed separate complaints in New York Supreme Court against the NYSE and Mr. Thain. The complaints sought compensatory damages for alleged breach of fiduciary duty based on a purported duty of defendants to disclose the NYSE's merger discussions with Archipelago prior to the sale of plaintiffs' NYSE memberships in early March 2005.

Plaintiffs filed amended complaints on June 13, 2006, and a third former member, D. Paul Rittmaster, filed a complaint on June 22, 2006, asserting the same causes of action alleged in the plaintiffs' amended complaints. In January 2007, the court entered an order granting in part and denying in part defendants' motion to dismiss the three amended complaints. The court dismissed plaintiffs' negligence claims and one of two claims for breach of fiduciary duty but permitted plaintiffs to proceed on the remaining breach of fiduciary duty claim. The NYSE and Mr. Thain have appealed that portion of the court's order that declined to dismiss the remaining breach of fiduciary duty claim. Discovery has commenced.

On February 23, 2007, Peter K. Donohue, as executor and on behalf of the Estate of Peter W. Donohue, which sold its NYSE membership in February 2005, filed a lawsuit asserting causes of action similar to those asserted in the above matters. Counsel for Mr. Donohue has stated an intention to file a similar lawsuit on behalf of at least one other seller of an NYSE membership in 2005.

In addition to the matters described above, NYSE Euronext is from time to time involved in various legal proceedings that arise in the ordinary course of NYSE Euronext's business. NYSE Euronext does not believe, based on currently available information, that the results of any of these various proceedings will have a material adverse effect on its operating results or financial condition.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

From June 1, 2006 until the closing of the merger on April 4, 2007, NYSE Euronext was owned by NYSE Group. No matters were submitted to a vote of NYSE Euronext security holders during the fiscal year ended December 31, 2006.

**Table of Contents****PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock is listed on the NYSE and commenced trading on April 4, 2007 under the ticker symbol NYX. Prior to that date, there was no public market for our common stock. On June 1, 2006, NYSE Euronext issued one share of its common stock to NYSE Group for \$100 in connection with its formation. The sale of common stock to NYSE Group was made in reliance on an exemption from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended.

**Common Stock Price Range**

The following table sets forth, for the quarters indicated, the high and low sales prices per share of our common stock as reported by the Consolidated Tape Association.

	Price 2007			
	High	Low	High	Low
Second quarter (through April 27, 2007) (1)	\$ 99.99	\$ 84.00	75.24	61.42

(1) Second quarter figures are given for the period commencing April 4, 2007 (the date our common stock began trading on the NYSE and Euronext Paris.)

As of April 27, 2007, there were approximately 1,608 holders of record of our common stock. On April 27, 2007, the last reported sales price for NYSE Euronext's common stock on the New York Stock Exchange and Euronext Paris was \$85.10 62.35 per share, respectively.

No dividends have ever been paid on our common stock. Our dividend policy is to retain earnings to finance the operations and expansion of our businesses. We do not anticipate paying any cash dividends on our common stock at this time.

As of December 31, 2006, there were no outstanding options on and restricted stock units with respect to our common stock. However, there were outstanding options on and restricted stock units with respect to NYSE Group Common Stock and Euronext Common Stock as of December 31, 2006, which were converted to options and restricted stock units of NYSE Euronext common stock following the completion of the merger on April 4, 2007.

The following table sets forth information regarding the outstanding options and restricted stock units on NYSE Group's common stock as of December 31, 2006 (in thousands, except exercise price):

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	2,857	\$ 14.10(1)	9,433
Equity compensation plans not approved by security holders	N/A	N/A	N/A
<b>Total</b>	<b>2,857</b>	<b>\$ 14.10(1)</b>	<b>9,433</b>

## Edgar Filing: NYSE Euronext - Form 10-K/A

- (1) Corresponding to the weighted-average exercise price of approximately 1.6 million stock options outstanding as of December 31, 2006. Does not include outstanding rights to receive approximately 1.3 million restricted stock units for which there is no exercise price.



**Table of Contents**

The following table sets forth information regarding the outstanding options and restricted stock units on Euronext's common stock as of December 31, 2006 (in thousands, except exercise price):

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,574	\$ 27.31(1)	
Equity compensation plans not approved by security holders	N/A	N/A	N/A
<b>Total</b>	<b>1,574</b>	<b>\$ 27.31(1)</b>	

- (1) Corresponding to the weighted-average exercise price of approximately 0.9 million stock options outstanding as of December 31, 2006. Does not include outstanding rights to receive approximately 0.6 million restricted stock units for which there is no exercise price.

**Treasury Stock/Restricted Securities**

The approximately 263.9 million shares of NYSE Euronext common stock outstanding on April 27, 2007 do not include approximately 1.6 million shares of common stock in treasury, which are held by Pacific Exchange, Inc., an indirect wholly owned subsidiary of NYSE Group.

A significant amount of our common stock is subject to transfer restrictions either pursuant to our certificate of incorporation or through contractual arrangements with certain of our stockholders. Approximately 33.9 million shares are subject to restrictions on transfer that are scheduled to expire on March 7, 2008, and approximately 41.8 million shares are subject to restrictions on transfer that are scheduled to expire on March 7, 2009. Our board of directors has the right, in its discretion, to remove the transfer restrictions earlier, in whole or in part, on any of these shares of common stock. Removal of the transfer restrictions from all or a part of these shares for any reason may lead to significant numbers of shares of our common stock becoming available for sale, which may adversely affect the then-prevailing market price of our common stock.

**Table of Contents****ITEM 6. SELECTED FINANCIAL DATA**

NYSE Euronext is a Delaware corporation formed for the purpose of consummating the business combination of NYSE Group and Euronext, which was completed on April 4, 2007. The merger of NYSE Group and Euronext has been treated as a purchase business combination for accounting purposes, with NYSE Group designated as the acquirer. As such, the historical financial statements of NYSE Group have become the historical financial statements of NYSE Euronext. Set forth below are selected historical financial data for: (1) NYSE Group, as the predecessor to NYSE Euronext; and (2) Euronext. Because the combination was not consummated on or before December 31, 2006, the following selected historical financial data reflect NYSE Group and Euronext separately.

**SELECTED HISTORICAL FINANCIAL DATA OF NYSE GROUP**

The following selected historical financial data for NYSE Group for the periods prior to the March 7, 2006 merger with Archipelago reflect only the NYSE's results and do not include Archipelago. The following selected data has been derived from the historical financial statements and related notes for the years ended December 31, 2002 through December 31, 2006. Certain prior amounts have been reclassified to conform to the current year's presentation. The information presented here is only a summary, and it should be read together with our consolidated financial statements and related notes and Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations. Historical financial information may not be indicative of our future performance.

	For the year ended December 31,				
	2006 (1),(2)	2005	2004 (in millions)	2003	2002
<b>Results of Operations</b>					
<b>Revenues</b>					
Activity assessment	\$ 673.2	\$ 594.6	\$ 359.8	\$ 419.7	\$ 290.4
Transaction	675.9	145.8	153.6	157.2	152.8
Listing	356.1	342.7	329.8	320.7	299.6
Market data	222.5	178.2	167.6	172.4	168.9
Data processing	137.1	182.9	220.2	224.8	224.6
Regulatory	184.2	132.6	115.2	113.2	120.4
Licensing, facility and other	127.0	56.4	59.3	71.6	65.5
<b>Total revenues</b>	<b>2,376.0</b>	<b>1,633.2</b>	<b>1,405.5</b>	<b>1,479.6</b>	<b>1,322.2</b>
Section 31 fees	(673.2)	(594.6)	(359.8)	(419.7)	(290.4)
Merger expenses and exit costs(3)	(54.5)	(26.1)			
Compensation	(558.4)	(516.7)	(529.2)	(520.5)	(512.3)
Liquidity payments	(264.9)				
Routing and clearing	(74.4)				
Systems and communications	(119.6)	(124.4)	(138.9)	(146.0)	(143.6)
Professional services	(110.4)	(122.0)	(124.0)	(97.5)	(116.9)
Depreciation and amortization	(135.8)	(103.4)	(95.7)	(89.0)	(81.4)
Occupancy	(84.9)	(69.8)	(67.8)	(67.0)	(66.3)
Marketing and other	(102.8)	(68.0)	(84.8)	(76.5)	(102.4)
Regulatory fine income	36.4	35.4	7.6	11.2	6.0
<b>Operating income</b>	<b>233.5</b>	<b>43.6</b>	<b>12.9</b>	<b>74.6</b>	<b>14.9</b>
Investment and other income, net	74.0	47.3	30.4	32.4	42.7
Gain on sale of equity investment	20.9				
<b>Income before income tax provision and minority interest</b>	<b>328.4</b>	<b>90.9</b>	<b>43.3</b>	<b>107.0</b>	<b>57.6</b>
Income tax provision	(120.6)	(48.1)	(12.1)	(45.2)	(18.7)
Minority interest in income of consolidated subsidiary	(2.8)	(2.0)	(1.0)	(1.3)	(2.3)
<b>Net income</b>	<b>\$ 205.0</b>	<b>\$ 40.8</b>	<b>\$ 30.2</b>	<b>\$ 60.5</b>	<b>\$ 36.6</b>

Edgar Filing: NYSE Euronext - Form 10-K/A

Basic earnings per share	\$ 1.38	\$ 0.35	\$ 0.26	\$ 0.52	\$ 0.32
Diluted earnings per share	\$ 1.36	\$ 0.35	\$ 0.26	\$ 0.52	\$ 0.32
Basic weighted average shares outstanding	149,062	115,699(5)	115,699(5)	115,699(5)	115,699(5)
Diluted weighted average shares outstanding	150,175	115,699(5)	115,699(5)	115,699(5)	115,699(5)

**Table of Contents**

	As of December 31,				
	2006 (1),(2)	2005	2004 (in millions)	2003	2002
<b>Balance Sheet</b>					
Total assets	\$ 3,465.5	\$ 2,204.1	\$ 1,982.3	\$ 2,009.2	\$ 1,999.8
Current assets	\$ 1,443.1	\$ 1,464.2	\$ 1,264.6	\$ 1,293.9	\$ 1,227.6
Current liabilities	832.2	685.0	486.9	513.2	434.2
Working capital	\$ 610.9	\$ 779.2	\$ 777.7	\$ 780.7	\$ 793.4
Long term liabilities(4)	\$ 964.3	\$ 684.9	\$ 694.7	\$ 736.2	\$ 877.8
Stockholders' equity	\$ 1,669.0	\$ 799.1	\$ 767.5	\$ 728.5	\$ 662.2

- (1) The results for the year ended December 31, 2006 include the accounts of NYSE Group and its wholly owned subsidiaries, as well as SIAC. The results of operations of Archipelago have been included in NYSE Group's results of operations since March 8, 2006. For periods prior to December 31, 2006, the results included only the operations of New York Stock Exchange, Inc. and its wholly owned subsidiaries, as well as SIAC.
- (2) On November 1, 2006, NYSE Group completed the purchase of the one-third ownership stake in SIAC previously held by AMEX, as a result of which NYSE Group now fully owns SIAC.
- (3) Represents severance payments, curtailment losses, legal and other integration costs incurred in connection with the merger between the NYSE and Archipelago or the combination between NYSE Group and Euronext.
- (4) Represents liabilities due after one year, including accrued employee benefits and the long term portion of deferred revenue.
- (5) Adjusted to reflect the March 7, 2006 merger between the NYSE and Archipelago, giving retroactive effect to the issuance of shares to former NYSE members.

**Table of Contents**

**SELECTED HISTORICAL FINANCIAL DATA OF EURONEXT**

The following table sets forth selected consolidated financial data for Euronext. The selected IFRS balance sheet data as of December 31, 2006, 2005 and 2004 and the selected IFRS income statement data for each of the years in the three-year period ended December 31, 2006 have been derived from the audited consolidated financial statements and related notes set forth on pages 177 to 273 of this document. The selected IFRS balance sheet data as of December 31, 2003 and 2002 and the selected IFRS income statement data for each of the years in the two-year period ended December 31, 2003 have been derived from audited consolidated financial statements and related notes not included in this document. The information presented here is only a summary, and it should be read together with the audited consolidated financial statements set forth on pages 177 to 273, as well as Management's Discussion and Analysis of Financial Condition and Results of Operations of Euronext.

Euronext's consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union, which differ in certain significant respects from U.S. GAAP. For a description of the principal differences between IFRS and U.S. GAAP as they relate to Euronext and to its consolidated subsidiaries, and for a reconciliation of Euronext's shareholders' equity and net income to U.S. GAAP, see Note 3.12 to the audited consolidated financial statements on pages 263 to 273 of this document. U.S. GAAP shareholders' equity and net income data presented in the following tables has been derived from these Notes. Other U.S. GAAP data presented in the following tables has been derived from unaudited analyses prepared by Euronext from its accounting records.

**Table of Contents**

(IFRS)	Year ended December 31,				
	2006(4)	2005(2)(3) (in million of euros except share and per share data) (Restated*)	2004 (Restated*)	2003(1)	2002
<b>Results of Operations</b>					
Revenues					
Cash trading	286.9	215.7	189.7	187.5	190.5
Listing fees	55.6	63.1	43.3	30.7	38.4
Derivatives trading	391.6	331.9	324.9	300.0	290.1
Clearing				165.1	183.7
MTS fixed income	24.0	1.4			
Settlement and Custody	14.6	39.3	33.1	28.2	29.1
Information services	112.0	93.6	87.3	91.2	92.1
Sale of software	184.6	195.2	186.0	172.5	148.5
Other income	32.9	21.7	22.5	15.8	24.2
Total revenues	1,102.2	961.9	886.8	991.0	996.6
Expenses					
Salaries and employee benefits	275.4	264.4	272.0	267.8	296.6
Depreciation	32.6	49.7	67.4	67.6	74.1
Goodwill amortization(5)			39.9	64.8	53.1
IT expenses	166.2	139.8	129.3	187.8	176.5
Office, telecom and consultancy	130.1	98.8	84.4	86.2	100.5
Accommodation	44.3	50.1	51.0	52.9	52.4
Marketing	20.3	15.6	15.3	19.3	16.1
Other expenses	24.3	25.0	27.3	35.7	42.6
Operating expenses	693.2	643.4	686.6	782.1	811.9
Profit from operations	409.0	318.5	200.2	208.9	184.7
Net financing income (expense)	11.5	11.2	7.7	23.6	(0.5)
Impairment of investments				(47.1)	
Gain on disposal of discontinued operation				175.1	
Gain (loss) on sale of associates and activities	15.4	9.1	4.4	(1.2)	97.4
Income (loss) from associates	53.8	18.5	3.3	2.4	(4.2)
Total	80.7	38.8	15.4	152.8	92.7
Profit before tax	489.7	357.3	215.6	361.7	277.4
Income tax expense	116.0	103.9	54.8	134.6	92.6
Profit for the period	373.7	253.4	160.8	227.1	184.8
Attributable to shareholders of the parent company					
	361.8	240.0	149.7	211.7	166.2
Minority interests	11.9	13.4	11.1	15.4	18.6
	373.7	253.4	160.8	227.1	184.8
Basic earnings per share	3.25	2.17	1.28	1.77	1.39
Diluted earnings per share	3.23	2.16	1.28	1.76	1.38
Basic weighted average shares outstanding	111,214,661	110,603,062	116,786,810	119,419,446	118,942,571
Diluted weighted average shares outstanding	112,138,650	111,105,390	117,277,653	120,207,882	119,761,119
Dividends declared per share(6)					
Euro		4.00	0.60	0.50	0.45
US\$		4.74	0.81	0.63	0.47

## Edgar Filing: NYSE Euronext - Form 10-K/A

\* As a consequence of the amendment to IAS 39 Financial Instruments: Recognition and Measurement The Fair Value Option , Euronext reclassified the equity investments as of January 1, 2006 from the category Fair Value through Profit or Loss to the category Available for Sale with comparative information restated.

**Table of Contents**

(IFRS)	2006	2005	At December 31,		
			2004	2003	2002
			(in millions of euros)		
<b>Balance sheet</b>					
Property and equipment	42.7	50.7	88.6	108.7	112.2
Investment property	4.7				
Intangible assets	965.5	837.7	771.8	739.9	1,011.6
Cash and cash equivalents	416.3	429.5	523.7	496.8	959.2
Total assets	2,676.4	2,601.7	2,352.6	2,389.6	7,213.3
Current financial liabilities	142.6	27.5	11.7	222.3	80.6
Non-current financial liabilities	383.0	377.2	365.9		246.1
Total liabilities	958.6	846.9	808.2	711.4	5,633.1
Minority interests	50.7	33.6	21.0	33.2	71.8
Total shareholders' equity	1,667.0	1,721.3	1,523.4	1,645.0	1,508.4

(U.S. GAAP)	2006(4)	Year ended December 31,		2004
		2005(2)(3)		
			(in million of euros except share and per share data)	
<b>Results of operations</b>				
Revenues	1,057.5	945.5		881.1
Operating expenses	720.6	665.7		681.2
Operating income	336.9	279.8		199.9
Net income	329.0	221.1		173.9
Basic earnings per share	2.96	2.00		1.49
Diluted earnings per share	2.93	1.99		1.48
Basic weighted average shares outstanding	111,214,661	110,603,062		116,786,810
Diluted weighted average shares outstanding	112,152,806	111,148,538		117,488,361