



408 A Comparative Study of Listing & Delisting Requirements for Foreign Entities

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Faculty Biographies

Brian J. Craig

Brian Craig is corporate counsel and privacy officer for Cybertrust, Inc. in Herndon, Virginia. Mr. Craig focuses on corporate transactional and securities law matters. He has particular expertise in information security and privacy law matters including HIPAA, SOX, and GLB compliance and PKI issues.

Mr. Craig previously served as general counsel to TruSecure Corporation, a venture-backed information security services company and as assistant general counsel for Axent Technologies, a publicly traded, information security software products company.

Mr. Craig received a B.A. from Catholic University and is a graduate of American University's Washington College of Law.

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John Lowe serves as assistant general counsel with Alcatel based in Paris. His responsibilities include mergers, acquisitions, joint ventures, and divestitures as well as compliance with U.S. securities laws. Prior to moving to his current position, Mr. Lowe was general counsel of Alcatel Submarine Networks, the world leader in manufacturing and installing intercontinental telecommunications systems. He also worked in legal positions for Alcatel in Belgium and France.

Mr. Lowe began his career as an economist in the U.S. diplomatic service. Following postings in Mexico and in the Near East Bureau in Washington, he was assigned to Milan, Italy. At the conclusion of this posting, he set up an office as an American attorney. In Italy he handled a wide-range of commercial, corporate, and dispute resolutions matters.

Mr. Lowe received his B.A. from the University of Delaware and his J.D. from the George Washington University Law School.

Listing in the United States and the United Kingdom: A Comparative Analysis

Association of Corporate Counsel
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NYSE Initial Listing Requirements for U.S. Issuers



Distribution/Size Standards

- Shareholders
 - ◆ 2000 shareholders; *or*
 - ◆ 2200 shareholders and average monthly trading volume of 100,000 shares; *or*
 - ◆ 500 shareholders and average monthly trading volume of 1,000,000 shares
 - Number of publicly-held shares
 - ◆ 1.1 million
 - Market value
 - ◆ \$100 million market value of public shares, or \$60 million market value if applying the affiliated company standard (see below)
 - Nature and duration of business activities
 - ◆ Company must be going concern or successor of going concern
-

Financial Standards

One of the Following Tests Must Be Satisfied

■ Earnings Test

- ◆ Pretax income of \$10 million in the aggregate for the last 3 fiscal years together, with a minimum of \$2 million in each of the 2 most recent fiscal years (none of the 3 years can show a loss); *or*

Financial Standards

One of the Following Tests Must Be Satisfied

■ Valuation/Revenue with Cash Flow Test

- ◆ \$500 million in global market capitalization; *and*
- ◆ \$100 million in revenues during the most recent 12-month period; *and*
- ◆ \$25 million aggregate cash flows for the last 3 fiscal years with positive amounts in all 3 years; *or*

Financial Standards

One of the Following Tests Must Be Satisfied

- Pure Valuation/Revenue Test
 - ◆ \$750 million in global market capitalization; *and*
 - ◆ \$75 million revenues during the most recent fiscal year *or*

Financial Standards

One of the Following Tests Must Be Satisfied

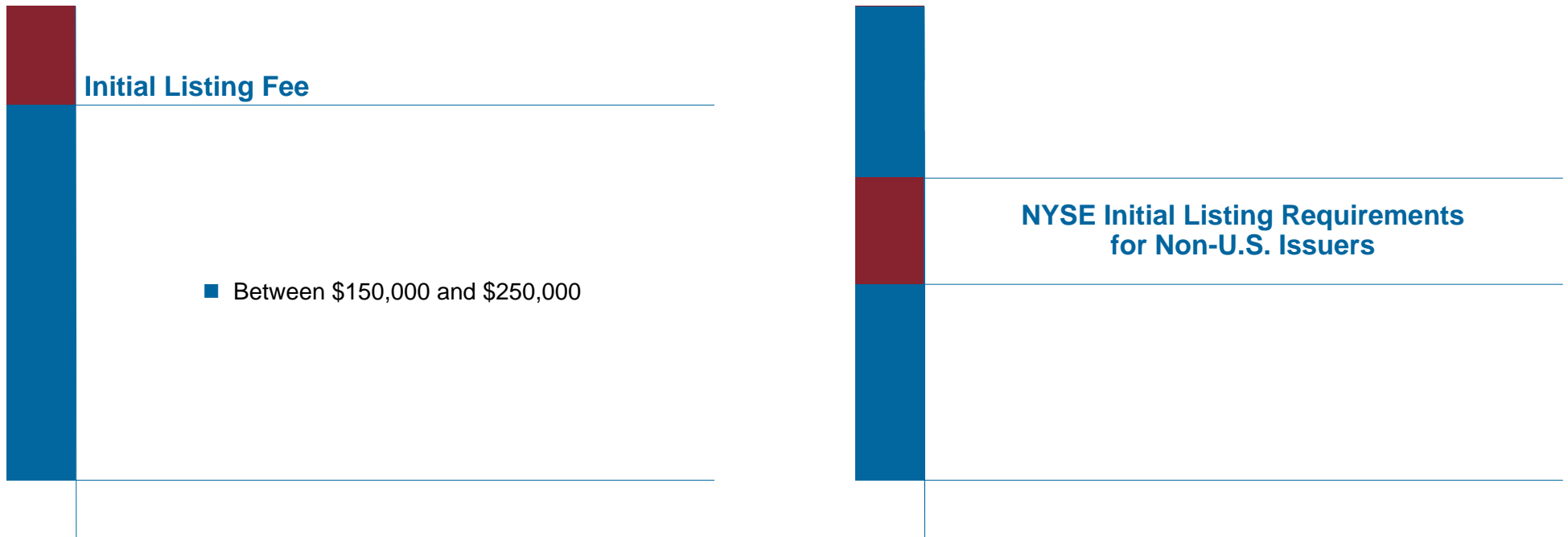
- Affiliated Company Test
 - ◆ \$500 million in global market capitalization; *and*
 - ◆ 12 months of operating history (although a company is not required to have been a separate corporate entity for such period); *and*
 - ◆ The company's parent or affiliated company is a listed company in good standing; *and*
 - ◆ The company's parent or affiliated company retains control of the entity or is under common control with the entity

Registration and Disclosure Requirements

- **Disclosure document** – registration statement containing information about issuer
 - ◆ Form 10 or in certain circumstances Form 8-A for registration under Exchange Act
 - ◆ Form S-1, S-3 or specialized form for registration under the Securities Act, if a public offering is being made

Registration and Disclosure Requirements

- **Specific disclosures**
 - ◆ Summary of offering
 - ◆ Risk factors
 - ◆ Legal proceedings
 - ◆ Dividend policy, capital structure, planned use of proceeds
 - ◆ Discussion and analysis of financial condition and results of operations
 - ◆ Stock ownership of management
 - ◆ Principal stockholders
 - ◆ Executive compensation: on individual basis for top five executives
 - ◆ Description of affiliate transactions
 - ◆ Material tax consequences
 - ◆ Plan of distribution
 - ◆ Financial statements (and pro formas, if applicable)
- **Financial statements: 3 years audited, U.S. GAAP**



Distribution/Size Standards

- Worldwide:
 - ◆ 5000 shareholders; *and*
 - ◆ 2.5 million public shares; *and*
 - ◆ \$100 million market value of public shares, or \$60 million market value if applying the affiliated company standard

Financial Standards

One of the Following Tests Must Be Satisfied

- Earnings Test
 - ◆ Pretax income of \$100 million in the aggregate for the last 3 fiscal years together with a minimum of \$25 million in each of the 2 most recent fiscal years

Financial Standards

One of the Following Tests Must Be Satisfied

- Valuation/Revenue with Cash Flow Test
 - ◆ \$500 million in global market capitalization; *and*
 - ◆ \$100 million in revenues during the most recent 12-month period; *and*
 - ◆ \$100 million aggregate cash flows for the last 3 fiscal years with minimum cash flows of \$25 million for each of the last 2 years

Financial Standards

One of the Following Tests Must Be Satisfied

- Pure Valuation/Revenue Test
 - ◆ \$750 million in global market capitalization; *and*
 - ◆ \$75 million revenues during the most recent fiscal year

Financial Standards

One of the Following Tests Must Be Satisfied

■ Affiliated Company Test

- ◆ \$500 million in global market capitalization; *and*
- ◆ 12 months of operating history (although a company is not required to have been a separate corporate entity for such period); *and*
- ◆ The company's parent or affiliated company is a listed company in good standing; *and*
- ◆ The company's parent or affiliated company retains control of the entity or is under common control with the entity

Financial Standards

One of the Following Tests Must Be Satisfied

- Alternative test for Non-U.S. Issuers based upon U.S. rather than worldwide criteria



Registration and Disclosure Requirements

- Similar to requirements for U.S. issuers
 - ◆ Form 20-F (or 8-A under certain circumstances) for registration under the Exchange Act
 - ◆ Form F-1, F-3 or a specialized form for registration under the Securities Act
 - ◆ Reconciliation to U.S. GAAP required



Initial Listing Fee

- Between \$150,000 and \$250,000



NYSE Continued Listing Requirements for U.S. and Non-U.S. Issuers



Criteria for Continued Listing Substantially the Same for U.S. and Non-U.S. Issuers

- Possible delisting if
 - ◆ Shareholders less than 400; *or*
 - ◆ Shareholders less than 1200 and average monthly trading volume less than 100,000 shares; *or*
 - ◆ Number of publicly-held shares less than 600,000; *or*
 - ◆ Average closing price of a security is less than \$1 over a consecutive 30-day trading period

Criteria for Continued Listing Substantially the Same for U.S. and Non-U.S. Issuers

- Possible delisting
 - ◆ If listed under Earnings Test
 - (i) Average global market capitalization over a consecutive 30-day trading period is less than \$75 million, and total stockholders' equity is less than \$75 million; **or** (ii) average global market capitalization over a consecutive 30-day trading period is less than \$25 million
 - ◆ If listed under valuation/revenue with Cash Flow Test
 - (i) Average global market capitalization over a consecutive 30-day trading period is less than \$250 million, and total revenues for the last 12 is less than \$20 million; **or** (ii) average global market capitalization over a consecutive 30-day trading period is less than \$75 million

Criteria for Continued Listing Substantially the Same for U.S. and Non-U.S. Issuers

- Possible delisting
 - ◆ If listed under Pure Valuation/Revenue Test
 - (i) Average global market capitalization over a consecutive 30-day trading period is less than \$375 million, and total revenues for the most recent fiscal year are less than \$15 million; **or** (ii) average global market capitalization over a consecutive 30-day trading period is less than \$100 million
 - ◆ If listed under affiliated company standard
 - (i) Parent/affiliate falls below listing standards; **or** (ii) parent/affiliate ceases to control company; **or** (iii) average global market capitalization over a consecutive 30-day trading period is less than \$75 million, and total stockholders' equity is less than \$75 million
- Shareholder approval
 - ◆ Shareholder approval is required for private offerings of 20% or more, at less than book and market, for issuances involving a change of control, and in general for equity compensation plans

Criteria for Continued Listing Substantially the Same for U.S. and Non-U.S. Issuers

- Annual reports and accounts
 - ◆ Accelerated filers must file annual report within 60 days after end of fiscal year
 - ◆ Non-accelerated filers have 90 days
 - ◆ Accelerated filer is issuer who has public float of \$75 million, been reporting for 12 months, and has filed 1 annual report
 - ◆ Non-U.S. Issuers – Form 20-F must be filed within six months after fiscal year end
- Interim financial information
 - ◆ Accelerated filers must file quarterly report within 35 days after end of first 3 quarters
 - ◆ Non-accelerated filers have 45 days
 - ◆ Non-U.S. Issuers – Form 6-K furnished to SEC promptly after material is released in home country

Annual Listing Fee

- Between \$35,000 and \$500,000



NYSE Governance Requirements (U.S. Issuers; Some Apply to Non-U.S. Issuers)



Corporate Governance Standards

■ Board of Directors

- ◆ Majority must be independent (no material relationship with company – 3-year “look back”); *and*
- ◆ “Non-management” directors (non-officers) required to meet separately at least once each year; *and*
- ◆ Audit, nominating/corporate governance and compensation committees required, and must be entirely independent, and each committee should have charter addressing specific purposes and responsibilities; *and*
- ◆ All independent directors should approve CEO compensation

Corporate Governance Standards

■ Audit Committees

- ◆ Entirely independent; *and*
- ◆ 3 or more members, all financially literate, and 1 of whom must be “financially sophisticated”; *and*
- ◆ Must have written charter addressing committee’s purposes, duties, responsibilities, and obligation to prepare annual audit committee report
- ◆ SEC adopted rules accommodating some foreign practices relating to audit committees
- ◆ Compliance dates for foreign issuers – July 31, 2005

Corporate Governance Standards

■ Codes and guidelines

- ◆ Corporate Governance Guidelines and a Code of Business Conduct and Ethics for directors, officers and employees must be adopted

■ CEO certifications and written affirmations

- ◆ Certifications and affirmation as to compliance with NYSE rules

Corporate Governance Standards

■ Non-U.S. Issuers

- ◆ NYSE generally defers to home country practices
- ◆ Must adhere to audit committee requirements of Rule 10A-3 under the Securities Exchange Act
- ◆ CEO must promptly notify SEC in writing upon becoming aware of any material non-compliance with Rule 10A-3 audit committee requirements
- ◆ Must disclose summary of significant discrepancies in corporate governance practices to those followed by U.S. issuers, either on website or annual report

NASDAQ Initial Listing Requirements for U.S. Issuers

Distribution/Size Standards

- Shareholders 400
- Number of publicly-held shares 1.1 million
- Market value of public shares \$20 million
- Market makers 4
- Minimum bid \$5

Financial Standards

- Market capitalization
 - ◆ \$75 million; *or*
 - ◆ Total revenues of \$75 million, and total assets of \$75 million (for latest fiscal year or for 2 of last 3 fiscal years)



Registration and Disclosure Requirements

- **Disclosure document** – registration statement containing information about issuer
 - ◆ Form 10 or in certain circumstances Form 8-A for registration under Exchange Act
 - ◆ Form S-1, S-3 or specialized form for registration under the Securities Act, if a public offering is being made



NASDAQ Initial Listing Requirements for Non-U.S. Issuers

Registration and Disclosure Requirements

- Financial statements
 - ◆ 3 years audited, U.S. GAAP

Registration and Disclosure Requirements

- Specific disclosures
 - ◆ Summary of offering
 - ◆ Risk factors
 - ◆ Legal proceedings
 - ◆ Dividend policy, capital structure, planned use of proceeds
 - ◆ Discussion and analysis of financial condition and results of operations
 - ◆ Stock ownership and management
 - ◆ Listing of principal stockholders
 - ◆ Executive compensation: individual basis for top 5 in U.S. companies
 - ◆ Description of affiliate transactions
 - ◆ Material tax consequences
 - ◆ Plan of distribution
 - ◆ Financial statements (and pro formas, if applicable)



Distribution/Size Standards

■ Shareholders	300
■ Number of publicly-held shares	\$1 million
■ Market value of public shares	\$5 million
■ Market makers	3



Financial Standards

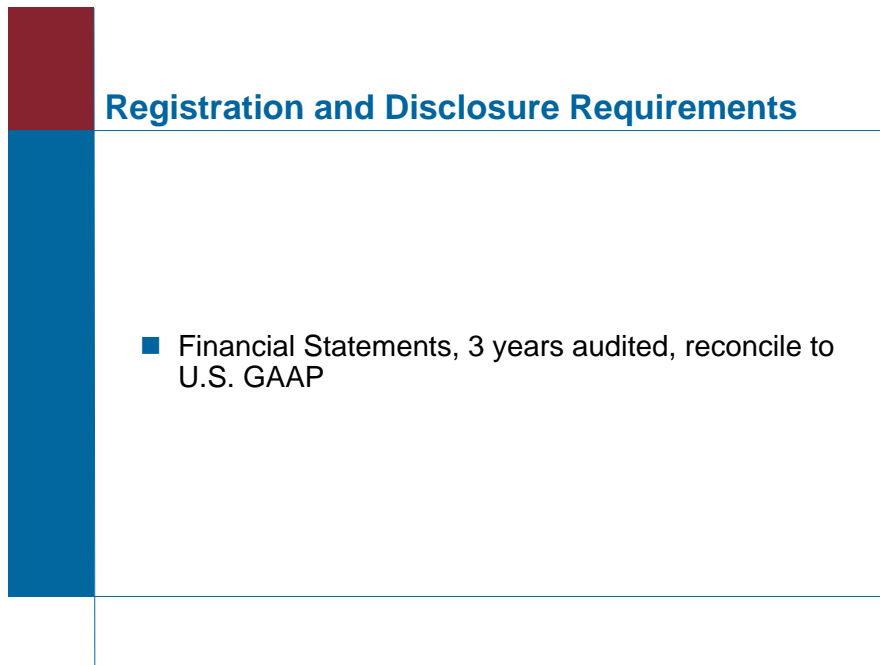
- Market Capitalization
 - ◆ \$50 million; *or*
 - ◆ \$5 million stockholders' equity; *or*
 - ◆ Net income of \$750,000 from continuing operations (for latest fiscal year or for 2 of last 3 fiscal years)

Registration and Disclosure Requirements

- Disclosure document, registration statement containing information about issuer
 - ◆ Form 20-F (or 8-A under certain circumstances) for registration under the Exchange Act
 - ◆ Form F-1, F-3 or a specialized form for registration under the Securities Act

Registration and Disclosure Requirements

- Specific disclosures
 - ◆ Summary of offering
 - ◆ Risk factors
 - ◆ Legal proceedings
 - ◆ Dividend policy, capital structure, planned use of proceeds
 - ◆ Discussion and analysis of financial condition and results of operations
 - ◆ Stock ownership and management
 - ◆ Listing of principal stockholders
 - ◆ Executive compensation: individual basis for top 5 U.S. companies
 - ◆ Description of affiliate transactions
 - ◆ Material tax consequences
 - ◆ Plan of distribution





NASDAQ Continued Listing Requirements for U.S. Issuers



Criteria for Continued Listing

■ Possible delisting if

- ◆ Shareholders less than 400; *or*
 - ◆ Market Makers less than 4; *or*
 - ◆ Number of publicly-held shares less than 1.1 million; *or*
 - ◆ Market value of public shares less than \$15 million; *or*
 - ◆ Less than \$1 minimum bid, and market capitalization of less than \$50 million; *or*
 - ◆ Less than \$1 minimum bid, and total revenues of less than \$50 million, and total assets of less than \$50 million (for latest fiscal year or for 2 of last 3 fiscal years)
-

Criteria for Continued Listing

- Annual reports and accounts
 - ◆ Accelerated filers must file annual report within 60 days after end of fiscal year
 - ◆ Non-accelerated filers have 90 days
 - ◆ Accelerated filer is issuer who has public float of \$75 million, been reporting for 12 months, and has filed 1 annual report
- Interim financial information
 - ◆ Accelerated filers must file quarterly report within 35 days after end of first 3 quarters
 - ◆ Non-accelerated filers have 45 days

Annual Listing Fee

- Between \$24,500 and \$75,000



NASDAQ Continued Listing Requirements for Non-U.S. Issuers



Criteria for Continued Listing

- Possible delisting if
 - ◆ Shareholders fewer than 300; *or*
 - ◆ Market Makers fewer than 2; *or*
 - ◆ Number of Publicly-Held Shares fewer than 500,000; *or*
 - ◆ Market Value of Public Shares less than \$1 million; *or*
 - ◆ Less than \$1 minimum bid (effective May 2006); *or*
 - ◆ Market Capitalization of less than \$35 million; *or*
 - ◆ Stockholders' Equity of less than \$2.5 million; *or*
 - ◆ Net income from continuing operations in latest fiscal year (or 2 of last 3 years) falls below \$500,000
-

Criteria for Continued Listing

- Annual Reports and Accounts
 - ◆ Form 20-F must be filed within six months after fiscal year end
- Interim Financial Information
 - ◆ Form 6-K typically filed in accordance with home country requirements

Annual Listing Fee

- Between \$24,500 and \$75,000



NASDAQ Governance Requirements (U.S. Issuers; Some Apply to Non-U.S. Issuers)



Board of Directors

- Majority must be independent (no material relationship with company – 3-year “look back”); *and*
 - Independent directors required to meet separately at least twice each year; *and*
 - Audit committee required; independent directors must be involved in nominating and compensation processes
-



Audit Committees

- Entirely independent; *and*
- 3 or more members, all financially literate, and 1 of whom must be “financially sophisticated”



Codes and Guidelines

- Code of Business Conduct and Ethics required

Related Party Transactions

- Must be approved by audit committee or other independent body of Board of Directors

Non-U.S. Issuers

- NASDAQ generally defers to home country practices, but company must provide NASDAQ with letter from outside counsel in company's home country certifying company's practices are not prohibited by home country law
- Letter required only 1 time, prior to company first adopting non-conforming practice
- Must adhere to audit committee requirements of Rule 10A-3 of Securities Exchange Act



Non-U.S. Issuers

- Must disclose in annual report each requirement of Rule 4350 that it does not follow, and the alternative home country practice that it does follow
 - If making IPO or first initial U.S. listing must disclose any non-conforming practices in registration statement
 - CEO must promptly notify SEC in writing upon becoming aware of any material non-compliance with Rule 10A-3 audit committee requirements
-



Additional Sarbanes-Oxley Requirements

Additional Sarbanes-Oxley Requirements

- Certifications by the CEO and CFO in each registration statement and annual report filed with the SEC (Section 302 and 906 certifications)

Additional Sarbanes-Oxley Requirements

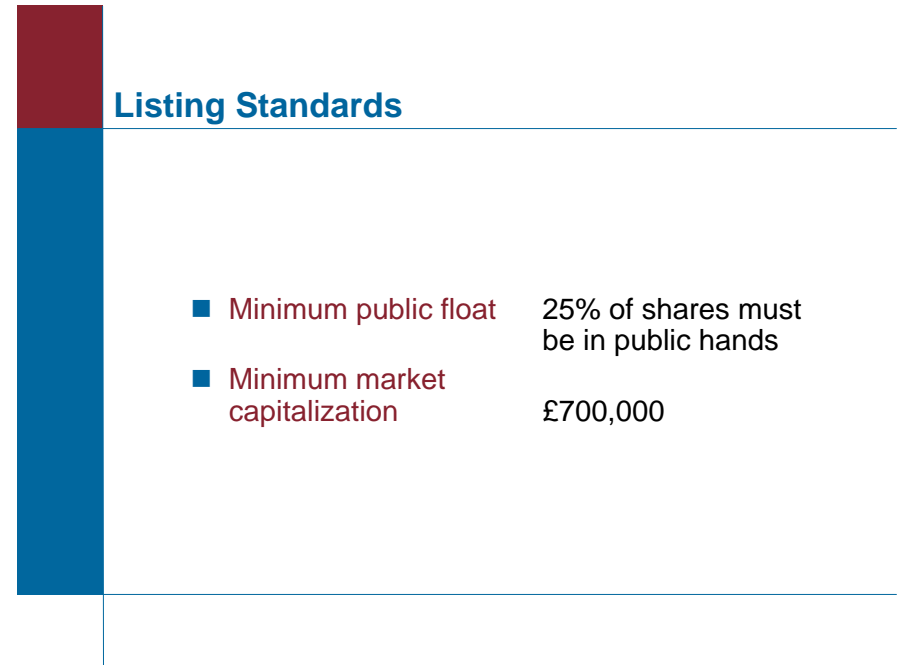
- Reports by the issuer and its outside auditors on its internal control over financial reporting (Section 404)
 - ◆ Generally effective for in the fiscal year ending on or after July 15, 2005
 - ◆ For foreign issuers, 404 reports are due for first fiscal year ending on or after July 15, 2006
 - ◆ Requires companies and auditors to document their procedures for assuring the accuracy of their financial statements
 - ◆ Requires disclosure of any uncovered weaknesses in those procedures

Additional Sarbanes-Oxley Requirements

- Introduction and maintenance of adequate disclosure controls and procedures
- Audit committee entirely made up of independent directors, disclosures regarding an “audit committee financial expert” and specific audit committee duties and responsibilities

Additional Sarbanes-Oxley Requirements

- New auditor independence standards
- Prohibition on personal loans by the issuer to its executive officers and directors
- Enhanced penalties and whistleblower protections and up-the-ladder attorney reporting violations
- Disclosure regarding a code of ethics



Listing Standards

- Nature and duration of business activities
 - ◆ 75% of issuer's business is supported by a 3-year historic revenue earnings record
 - ◆ Issuer has continuously controlled a majority of its assets during the previous 3 years
 - ◆ Issuer will carry on an independent business as its main activity
- Working capital
 - ◆ Sufficient for 12 months of operation following the date of the listing particulars
- Controlling shareholder
 - ◆ Capable at all times of carrying on its business independently of such controlling shareholder

Disclosure Requirements

- Disclosure document
 - ◆ Listing particulars or prospectus containing information specified by annexes to the Prospectus Rules of the UK's Financial Services Authority (released July 1, 2005)
 - ◆ The annexes to the FSA's Prospectus Rules are derived from Prospectus Regulation No. 809/2004 of the EU*
- * The disclosure requirements of Prospectus Regulation 809/2004 of the EU are, in turn, derived from International Disclosure Standards for Cross-Border Offerings and Initial Listings by Foreign Issuers published by the International Organization of Securities Commissions

Specific Disclosures

- A share registration document containing:
 - ◆ Persons responsible for registration document
 - ◆ Statutory auditors
 - ◆ Selected financial information
 - ◆ Risk factors
 - ◆ Information about the issuer
 - ◆ Business overview
 - ◆ Organizational structure
 - ◆ Property, plants and equipment
 - ◆ Operating and financial review
 - ◆ Capital resources
 - ◆ Research development, patents and licenses
 - ◆ Trend information
 - ◆ Profit forecasts and estimates

Specific Disclosures

- A share registration document containing:
 - ◆ Financial information concerning the issuer's assets and liabilities, financial position and profits and losses (including pro-forma)
 - ◆ Administrative, management, and supervisory bodies and senior management
 - ◆ Remuneration and benefits
 - ◆ Board practices
 - ◆ Employees
 - ◆ Major shareholders
 - ◆ Related party transactions
 - ◆ Share capital and constitutional documents
 - ◆ Material contracts
 - ◆ Third party information and statement by experts and declarations of interest
 - ◆ Documents on display
 - ◆ Information on issuer's holdings in significant undertakings

Specific Disclosures

- A securities note containing:
 - ◆ Key information (including working capital statement, capitalization and indebtedness, material interests, purpose of offer and use of proceeds)
 - ◆ Information concerning securities to be offered or listed
 - ◆ Terms and conditions of the offer
 - ◆ Listing and dealing arrangements
 - ◆ Selling shareholders
 - ◆ Expenses of the issuer/offer
 - ◆ Dilution
- The share registration document and share securities note may be combined in the same document

Disclosure Requirements

- Financial statements
 - ◆ 3 years of audited statements
 - ◆ Financial statements must be prepared in accordance with international accounting standards (as endorsed in the EU in accordance with EU Reg. 1606/2002)
 - For issuers from third countries, prepare in accordance with international accounting standards or to a third country's national accounting standards "equivalent" to these standards
 - ◆ Any subsequent interim or quarterly financial statements are required if available
 - If more than nine months have elapsed since the end of the last fiscal year, six-month interim accounts are required

Continuing Obligations

- Shareholder approvals
 - ◆ Required for certain acquisitions and dispositions if issuer has a primary listing
- Annual report and annual financial statements
 - ◆ Published as soon as possible after the financial statements have been approved but not later than 6 months after the end of the financial period to which they relate

Continuing Obligations

- Interim financial information
 - ◆ Half-yearly report required
 - Published within 90 days of the period to which it relates by an issuer with a primary listing; *and*
 - Published within 4 months of the period to which it relates by an issuer with a secondary listing
- Inside information
 - ◆ Immediate disclosure of any information which is not generally available, which relates directly or indirectly to the issuer's listed securities and which would, if generally available, be likely to have a significant effect on the price of the listed securities
 - ◆ Maintenance of an "insider list" of persons with access to inside information



Listing Standards	
■ Minimum public float	No requirement
■ Minimum market capitalization	No requirement
■ Nature and duration of business activities	No requirement
■ Financial adviser/listing agent requirement	"Nominated adviser" required at all times
■ Working capital	Sufficient for 12 months of operation following the date of admission of securities to trading
■ Controlling shareholder	No requirement

Prospectus Requirements

■ Disclosure document

- ◆ “Admission document” containing information required by AIM Rules
- ◆ AIM relinquished its status as a “regulated market” within the meaning of the EU’s Directive on Markets in Financial Instruments, so disclosure requirements derived from Commission Regulation 809/2004 and the EU Prospectus Directive do not apply
- ◆ The admission document is not pre-vetted by the LSE or UK Listing Authority
- ◆ If a simultaneous public offer is made, the admission document will be subject to the full requirements of the EU Prospectus Directive

Prospectus Requirements

■ Specific disclosures

- ◆ A share registration document containing:
 - Persons responsible for admission document
 - Statutory auditors
 - Risk factors
 - Information about the issuer
 - Business overview
 - Organizational structure
 - Certain information on property, plant and equipment
 - Trend information
 - Certain information on issuer’s assets and liabilities, financial position and profits and losses (excluding pro forma)
 - Certain information on board practices
 - Employees
 - Major shareholders
 - Related party transactions
 - Share capital and constitutional documents
 - Material contracts
 - Third party information and statement by experts and declarations of interest

Prospectus Requirements

- ◆ A share securities note containing:
 - Purpose of offer and use of proceeds
 - Information concerning securities to be offered or listed
 - Selling shareholders
 - Expenses of the issuer/offer
 - Dilution
- ◆ The share registration document and share securities note may be combined in the same document

Prospectus Requirements

- Accounting standards
 - ◆ International accounting standards, or for an EU issuer, the national accounting standards of the member state
 - ◆ For a third country issuer, international accounting standards or a third country's national accounting standards so long as equivalent to IAS

Financial Statements

- 3 years of audited own and consolidated accounts (or shorter time as the issuer has been in operation)
- Any interim accounts published since the end of the last financial year must be included; if more than nine months have elapsed since the end of the last fiscal year, six-month interim accounts are required
- Must be audited

Continuing Obligations

- Shareholder approvals
 - ◆ Only required for reverse takeovers
- Annual report and annual financial statements
 - ◆ Sent to shareholders without delay but not later than 6 months after the end of the financial year to which they relate
- Interim financial information
 - ◆ Half-yearly report required
- Inside information
 - ◆ Disclosure, without delay, of any developments, which are not public, but if public, would likely lead to a substantial movement in share price, concerning a change in financial condition, sphere of activity, performance of business, or expectation of performance which, if made public, would be likely to lead to substantial movement in share price

Advantages of a U.S. Listing

■ Access to U.S. capital markets

- ◆ U.S. Markets are deep and liquid
 - Nearly half of all of the world's equity shares (by capitalization) trade in the U.S.*
 - The size of the U.S. capital markets offers issuers advantages in terms of the ease with which they can raise capital and the liquidity of the U.S. capital markets helps to lower the cost of capital

* Speech by William H. Donaldson, SEC Chairman, January 25, 2005

Advantages of a U.S. Listing

■ Transparency

- ◆ Extensive financial disclosures and quarterly reporting required by U.S. regulatory authorities (domestic issuers only) as well as robust enforcement of rules make U.S. capital markets transparent and attractive to investors

■ Analyst coverage

- ◆ Extensive analyst coverage in U.S. is attractive to investors

Advantages of a U.S. Listing

- Reputational enhancement
 - ◆ Major U.S. exchanges and NASDAQ are well known internationally and listing on a U.S. exchange or NASDAQ can enhance an issuer's reputation among investors
 - ◆ Extensive corporate governance requirements, SEC enforcement and effective system of private civil litigation give comfort to investors
- Acquisition currency
 - ◆ Listing on a U.S. exchange can enhance value of shares to be used as acquisition currency

Disadvantages of a U.S. Listing

- Accounting standards – non-U.S. companies must reconcile to U.S. GAAP
- Sarbanes-Oxley compliance
 - ◆ Section 404 Internal Controls Report
 - ◆ Sections 302/906 certification provisions
- Increased litigation risk
- Increased risk of regulatory review
- Difficulties in deregistering

Advantages of UK Listing

- Accounting standards
 - ◆ Issuer may report in international accounting standards or U.S. GAAP
- Corporate governance
 - ◆ The corporate governance regime is less onerous than in the U.S.
 - ◆ The Combined Code and the Model Code do not apply to non-UK companies
- Passporting
 - ◆ Can obtain access to other European markets through EU Prospectus Directive

Advantages of UK Listing

- Delisting
 - ◆ Generally not difficult
 - ◆ Send offering circular to shareholders, obtain shareholder approval
- Analyst coverage
 - ◆ If issuer is European, analyst coverage would be more attuned, brokers' interest might be greater

Disadvantages of UK Listing

- Depth of market
 - ◆ UK market not as deep as U.S. market
- Impact of less regulation
 - ◆ The more comprehensive scheme of securities regulation in the United States offers greater transparency and greater rights for investors, which inspires confidence in the market

Delisting and Deregistering in the U.S.

- Delisting and deregistration
 - ◆ Requires an issuer (i) to comply with the delisting procedure of the relevant stock exchange and (ii) to apply to the SEC to deregister the class of securities under the Securities Exchange Act of 1934
- Delisting
 - ◆ Means that the security no longer trades on an exchange
 - ◆ This process is usually straightforward
- Deregistering
 - ◆ Means that the issuer no longer has to comply with the SEC reporting obligations
 - ◆ This can be a more difficult process

Delisting and Deregistering in the U.S.

- Delisting of a NASDAQ listed security
 - ◆ Notice sent to the NASDAQ specifying the date on which the delisting is to be effective and the reason for delisting (NASD Marketplace Rule 4480)
- Delisting of a NYSE listed security
 - ◆ Certified resolutions authorizing delisting sent to the NYSE (NYSE Listed Company Manual Section 806.02)
- Deregistration under the Exchange Act (U.S. issuers)
 - ◆ U.S. issuer where class being deregistered has fewer than 300 shareholders of record

Delisting and Deregistering in the U.S.

- Deregistration under the Exchange Act (foreign private issuers)
 - ◆ A foreign private issuer must have under 300 U.S. resident holders of any class of securities that have been registered or pursuant to which there is a reporting obligation (alternative test where issuer has less than U.S. \$10 million in assets)
 - ◆ The reporting obligations can be triggered again if the number of resident holders exceeds thresholds (Exchange Act Rule 12h-3)

Delisting and Deregistering in the U.S.

- Section 12(g) exemption
 - ◆ The exemption from having to register (or re-register) under Section 12(g) of the Exchange Act, provided by Rule 12g3-2(b), is not available where the foreign issuer had securities registered with the SEC in preceding 18 months
- Reducing the number of U.S. holders
 - ◆ Foreign issuer may take steps to reduce number of holders, but these efforts may be subject to further regulation under U.S. and home country law

Delisting in the UK

- Mechanics
 - ◆ Prepare circular and obtain shareholder approval
- No separate deregistration

OVERVIEW OF THE LISTING AND DELISTING REQUIREMENTS ON:

- The Stock Exchange of Hong Kong Limited
- The Tokyo Stock Exchange
- The Shanghai and Shenzhen Stock Exchanges

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I. The Stock Exchange of Hong Kong Limited**1. Introduction to HKEx**

The mission of Hong Kong Exchanges and Clearing Limited (“HKEx”) is to operate a world-class marketplace for Hong Kong and Mainland China securities and derivatives products. HKEx is the holding company of The Stock Exchange of Hong Kong (the “Exchange”), The Futures Exchange of Hong Kong and their associated clearing houses.

HKEx’s Exchange operates two trading platforms of the securities market, namely the Main Board and the Growth Enterprise Market (“GEM”). Both markets adopt a disclosure-based regulatory regime in which listed issuers are required to make timely disclosure of price-sensitive information to help investors make informed investment decisions. The Main Board is a market for capital formation by established companies with a profitable operating track record or companies meeting alternative financial standards to profit requirement. GEM is an alternative market established in November 1999 to provide capital formation opportunities for growth companies from all industries and of all sizes. Investors can trade a comprehensive range of securities products on the Exchange, including equities, warrants, debt securities, exchange-traded funds, unit trusts/mutual funds and equity linked instruments.

HKEx is a choice for Mainland Chinese enterprises seeking overseas listing. The first listing of H shares of a Chinese state enterprise in Hong Kong occurred in 1993. After the first listing, many Mainland enterprises began seeking large capital formation. In response to the strong interest, HKEx opened its Beijing Representative Office in November 2003 under the Mainland and Hong Kong Closer Economic Partnership Arrangement. The Beijing Office serves a channel to strengthen HKEx’s communication and cooperation with government departments and institutions on the Mainland. In mid-2004, HKEx also stationed representatives in Guangzhou and Shanghai to further strengthen ties with the Mainland.

The current exchange rate, as of August 8, 2005, between the United States dollar and the Hong Kong dollar is \$1 US dollar = \$7.769310 Hong Kong dollars.

This overview summarizes the listing and delisting requirements of both the Main Board and the GEM (Section 2) as well as providing a schedule of the listing fees (Schedule 3) and flowcharts of the process for a listing application on both the Main Board and the GEM (Schedule 4).

2. HKEx Listing & Delisting Requirements Matrix

General	Main Board	GEM
Theme of the market	Capital formation for larger and more established companies which meet profit or other financial standards requirement	Capital formation for growth companies from all industries and of all sizes having a focused line of business but which may not have a performance track record
Dual listing	Allows dual listings with different requirements for primary and secondary listings	Allows dual listings, but no secondary listings
Acceptable jurisdictions	<ul style="list-style-type: none"> • The listing vehicle must be incorporated in one of four jurisdictions for primary or secondary 	<ul style="list-style-type: none"> • The listing vehicle must be incorporated in one of four jurisdictions for a primary listing of

General	Main Board	GEM
	listings on the Main Board: 1. Hong Kong 2. Bermuda 3. Cayman Islands 4. People's Republic of China • Other jurisdictions may be acceptable for secondary listings on a case by case basis (Main Board Rules 19.29 to 19.57)	GEM (GEM Rule 11.05); 1. Hong Kong 2. Bermuda 3. Cayman Islands 4. People's Republic of China • Secondary listings on its market not permitted
Target investors	A spectrum of investors	Professional and informed investors

Listing requirements	MAIN BOARD			GEM
	Cash flow	N/A	N/A	
				Positive cash flow from operating activities of at least HK\$100 million in aggregate for the three preceding financial years

Listing requirements	MAIN BOARD				GEM
	Financial requirement	New applicants must fulfill one of three financial criteria (Main Board Rule 8.05):			
		1. Profit Test	2. Market Cap/ Revenue Test	3. Market Cap/ Revenue Cash Flow Test	
	Profit Attributable to Shareholders	Profits of HK\$50 million in the last 3 years (with HK\$20 million in the most recent year and an aggregate of HK\$30 million in the two preceding years)	N/A	N/A	
	Market Cap	At least HK\$200 million at the time of listing	At least HK\$4 billion at the time of listing	At least HK\$2 billion at the time of listing	
	Revenue	N/A	At least HK\$500 million for the most recent audited financial year	At least HK\$500 million for the most recent audited financial year	

Listing requirements	MAIN BOARD		GEM
	Operating history		
	New applicants must have a trading record of at least 3 financial years. However, for issuers qualifying under the market capitalization/revenue test, the Exchange may accept a shorter trading record period under substantially the same management if the new applicant can demonstrate: <ul style="list-style-type: none"> that its directors and management have sufficient and satisfactory experience of at least three years in the line of business and industry of the new applicant; and management continuity for the most recent audited financial year. (Main Board Rules 8.05 and 8.05A)	New applicants must demonstrate at least 24 months of active business pursuits immediately preceding the date of submission of the listing application. This requirement may be reduced to 12 months if: <ul style="list-style-type: none"> the company has: <ol style="list-style-type: none"> a total turnover of not less than HK\$500 million in the last 12 month period as reported upon in the accountants' report contained in the initial listing document; total assets of not less than HK\$500 million as shown in the balance sheet in respect of the last financial period reported upon in the accountants' report; or a market capitalization of at least HK\$500 million determined as at the time of listing; at the time of listing, the company has a minimum market capitalization of HK\$150 million in public hands which is held by at least 300 shareholders, with the largest 5 and largest 25 of such shareholders holding in aggregate not more than 35% and 50% respectively of the equity securities in public hands; and the initial public offer price of the shares is not less than HK\$1. (GEM Rule 11.12)	

Listing requirements	MAIN BOARD	GEM
Relaxation of operating history requirement	The Exchange may accept a shorter trading record period and/or may vary or waive the profit or other financial standards requirement in respect of: <ol style="list-style-type: none"> newly formed "project" companies (Main Board Rule 8.05B(2)); mineral companies (Main Board Rule 8.05B(1) and Chapter 18 of the Main Board Rules); and exceptional circumstances where the issuer or its group has a trading record of at least two financial years if the Exchange is satisfied that the listing of the issuer is desirable in the interests of the issuer and investors and that investors have the necessary information available to arrive at an informed judgment concerning the issuer and the securities for which listing is sought. (Main Board Rule 8.05B(3)) 	The Exchange may accept companies having less than 24 months of active business pursuits for newly-formed "project" companies (such as infrastructure companies), natural resource exploitation companies or under exceptional circumstances (GEM Rule 11.14)
Active business carried on at subsidiary level	In practice, the Exchange expects an issuer to have control over its business	A new applicant may have its active business carried out by either itself, or its subsidiary or subsidiaries. In the case of an active business carried out by a subsidiary or subsidiaries, the new applicant must control the board of the relevant subsidiary or subsidiaries and have an effective economic interest of not less than 50% of that subsidiary or those subsidiaries. (GEM Rule 11.13)
Management, ownership and control during the track record period	A new applicant must have been under substantially the same management and ownership during the 3-year track record period. In practice, this means that the company has had: <ol style="list-style-type: none"> management continuity for at least the 3 preceding years; and ownership continuity and control for at least the most recent audited financial year (Main Board Rule 8.05) 	A new applicant must have been under substantially the same management and ownership over the period of active business pursuits (GEM Rule 11.12)
Minimum market capitalization	Shares Market capitalization of a new applicant of at least HK\$200 million at the time of listing (Main Board Rule 8.09(2)) Options, warrants or similar rights Market capitalization of HK\$10 million at the time of listing (Main Board Rule 8.09(4))	Shares No specific requirement but the market capitalization of a new applicant at the time of listing effectively cannot be less than HK\$46 million Options, warrants or similar rights Market capitalization of HK\$6 million at the time of listing (GEM Rule 11.23(3)(a))

Listing requirements	MAIN BOARD	GEM
Minimum public float	<ul style="list-style-type: none"> The higher of HK\$50 million or 25% of the issuer's total issued share capital. For issuers with an expected market capitalization of over HK\$10 billion at the time of listing, the Exchange may accept a lower percentage of between 15% and 25%. Minimum public float must be maintained at all times. (Main Board Rule 8.08)	<ul style="list-style-type: none"> For companies with a market capitalization not exceeding HK\$4 billion at the time of listing, a minimum public float of 25% subject to a minimum of HK\$30 million For companies with a market capitalization over HK\$4 billion at the time of listing, a minimum public float of 20% or such higher percentage as will result in at least HK\$1 billion worth of shares being in public hands at the time of listing. Minimum public float must be maintained at all times. (GEM Rule 11.23)
Minimum holdings by management shareholders and significant shareholders	N/A	Management shareholders and significant shareholders collectively must hold not less than 35% of the issued share capital at the time of listing (GEM Rule 11.22)
Spread of shareholders	<ul style="list-style-type: none"> A minimum of 300 holders (if qualifying under the profit test or market capitalization/revenue/cashflow test) or 1,000 holders (if qualifying under the market capitalization/revenue test) (Main Board Rule 8.08(2)) Not more than 50% of the securities in public hands at the time of listing can be beneficially owned by the 3 largest public shareholders (Main Board Rule 8.03(3)) 	<ul style="list-style-type: none"> A minimum of 100 public shareholders at the time of listing for issuers with at least 24 months of active business pursuits (GEM Rule 11.23(2)(b)) A minimum of 300 public shareholders at the time of listing if the company only meets the requirement of 12 months active business pursuits (GEM Rule 11.12(3)(c))
Underwriting arrangements	Must be fully underwritten	Underwriting is not compulsory. However, if new capital is to be raised by the issuer in an amount not fully underwritten, a listing may only proceed if the minimum subscription amount set out in the prospectus has been raised. (GEM Rule 11.24)

Listing requirements	MAIN BOARD	GEM
Offering mechanism	Specific restrictions on the basis of allocation within the public subscription tranche and the claw back mechanism between the placing tranche and the public subscription tranche in the event of over-subscription. The new applicant may not list by way of placing only if there is likely to be significant public demand for its securities. (Practice Note 18 to the Main Board Rules)	A new applicant is free to decide its offering mechanism as long as full disclosure is made.
Appointment of sponsor	<ul style="list-style-type: none"> A new applicant must appoint a sponsor to assist it with its listing application (Main Board Rule 3A.02) 	<ul style="list-style-type: none"> A new applicant must appoint a sponsor to assist it with its listing application. The Sponsor must be admitted to the list of qualified sponsors maintained by the Exchange (GEM Rule 6A.02)

Suspension and resumption of trading and delisting	
Suspension and resumption	There are many situations which may give rise to a suspension of trading, such as the existence of unpublished price sensitive information. In such cases, the suspension will not normally be lifted until the issuer has published such information in accordance with the Listing Rules.
Delisting	<ul style="list-style-type: none"> Generally, listed issuers are required to carry out a sufficient level of operations (or, in the case of Main Board issuers, have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated) to warrant the continued listing of their securities on our Exchange. (Main Board Rule 13.24 and GEM Rule 17.26) The listed issuer may be delisted by the Exchange where the securities of the company have been continuously suspended for a prolonged period without the issuer taking adequate action to obtain a restoration of the trading. (Main Board Rule 6.04 and GEM Rule 9.14) (Practice Note 17 of the Main Board Rules)

II. The Tokyo Stock Exchange

Background

The Tokyo Stock Exchange (“TSE”) is Japan’s central and most dominant stock exchange. There are four sections upon which companies may list securities on the TSE, each having its own requirements for listing and delisting. Domestic companies would list on either the First, Second, or Emerging Venture Capital Sections (called the Market of the High-Growth and Emerging Stocks). The Foreign Section is reserved for foreign companies seeking listing on the TSE. Foreign companies may also list on the Market of the High-Growth and Emerging Stock (“Mothers”).

Foreign companies who apply for initial listing of their securities are required to meet certain numerical listing criteria outlined in the tables below. The TSE will also look at the following non-numerical criteria during its examination of an applicant: 1) continuity of corporate management and profitability; 2) health of corporate management, i.e. the applicant has operated its business fairly and devotedly; 3) appropriateness of corporate disclosure; and 4) other items which the TSE deems necessary with regard to the public interest and investor protection. A key criteria for companies in Mothers is a strong potential for growth.

The TSE will perform a thorough listing examination in accordance with its rules and regulations. The examination typically lasts three months, depending on the business activities and financial conditions of the applicant. Once the TSE determines that a new applicant meets its standards, it may approve a listing with the authorization of the Japanese Securities and Exchange Surveillance Commission.

Foreign companies must pay an initial examination fee of ¥1,000,000, a listing fee of ¥2,500,000 plus a pro-rata increment based on the number of shares listed. On August 9, 2005, the exchange rate was approximately US\$1 = ¥112.112.

Companies in Mothers have specific delisting criteria, as set forth below. However, the TSE’s website has no mention of specific delisting criteria for the stocks in the Foreign Section. Therefore, provided for your reference are the delisting criteria for the domestically listed stocks.

Listing Criteria for Foreign Stocks or Depositary Receipts ("DRs")				
(As of end of March 2005)				
Item	Ordinary Company		Privatized Company	
	A company must meet the following criteria (1)-(6), (9)-(11), and also meet the following criteria (7) or (8).			
(1) Number of Shares or DRs to be Listed	Average Closing Price	Trading Unit (shares)	Minimum Number of Shares (thousand shares)	*Average Closing Price – Daily average of closing prices at home country stock exchange, etc. for one year preceding to the date of listing application. In the case of a company not being publicly held, the initial public offering price will be referred.
	Less than ¥500	1,000	4,000	
	¥500-¥999	500	2,000	
	¥1,000-¥4,999	100	400	
	¥5,000-¥9,999	50	200	
	¥10,000-¥99,999	10	40	
	¥100,000 or more	1	4	
(2) Liquidity of Shares or DRs and Number of Shareholders or DRs holders in Japan	800 or more by the time of listing			
(3) Share Distribution	Significant portion of shares must not be held by a limited number of shareholders			
(4) Market capitalization of shares listed	At least ¥2 billion by the time of listing.			
(5) Years Elapsed Since Incorporation	At least 3 years since incorporation		Applicant business has been continuously operating the principal part of its business for at least three calendar years	
(6) Shareholders' Equity	At least ¥1 billion as of the last fiscal year			
(7) Pre-tax Profits	Pre-tax profit for the last 3 years, or 2 years (or shorter period in case of privatized company) if the Exchange deems appropriate, must satisfy either of the following items:			
	a. 2 years		b. 3 years	
	(a) the 1 st year: ¥100 million or more	(b) the last year: ¥400 million or more	(a) the 1 st year: ¥100 million or more	(b) the last year: ¥400 million or more
			(c) total for 3 years: ¥600 million or more	
(8) Total market capitalization	At least ¥100 billion by the time of listing, if the previous year's sales surpass ¥10 billion.			

(9) False Statements or Unfair representations	<p>a. There should be no false statements in the applicant's securities reports for the 2 most recent fiscal years (or for the 3 most recent fiscal years, in cases where neither the criteria (7) a nor the criteria (8) are met).</p> <p>b. The opinion given by a certified public accountant, in the audit reports, should be 'fair' for the 2 most recent fiscal years (or for the 3 most recent fiscal years, in cases where neither the criteria (7) a nor the criteria (8) are met).</p> <p>c. A qualified opinion for exclusion was not expressed by the auditor for the most recent fiscal year.</p>
(10) Restriction against Stock Transfer	In principle, there will be no restrictions on the transfer of stocks.
(11) Shareholders Service	Appoint Shareholders Service Agent and Dividend-paying Bank approved by TSE

Deposit Agreement: Foreign companies applying for listing of DRs must make a deposit agreement with trustee Bank and DR holders.

Numerical Criteria for First Section Assignment for Foreign Stocks	
(As of end of March 2005)	
Application	A company must meet the following criteria (1)-(5) and also meet the following criteria (8), and (6) or (7)
(1) No. of Shares Listed	20,000 units or more
(2) No. of Shareholders	Following (a and b)
	a. 2,200 or more b. Significant portion of shares must not be held by a limited number of shareholders
(3) Average Monthly Trading Volume	For each period last 3 months and preceding 3 months: 200 units or more
(4) Market capitalization of shares listed	¥4 billion or more
(5) Shareholders' Equity	¥1 billion or more
(6) Profit	Following (a or b)
	a. Annual total for each of the last two years: First year: ¥100 million or more; Second (last) year: ¥400 million or more
	b. Annual total for each of the last three years: First year: ¥100 million or more Third (last) year: ¥400 million or more Total for the three years: ¥600 million or more
(7) Market Capitalization	¥100 billion or more, provided that the previous year's sales surpass ¥10 billion
(8) False statements or Unfair representations	Following (a and b)
	a. There should be no false statements in applicant's securities report for the 5 most recent fiscal years b. The opinion given by a certified public accountant, in the audit reports, should be 'fair' for the 5 most recent years
Listing Fees for Foreign Stocks(*)	
(As of end of March 2005)	
Initial Listing Fee	(1) Listing Examination Fee ¥1 million

	(2) Listing Fee [Fixed Fee] ¥2.5 million [Proportional Fee] ¥0.0225 x No. of shares listed (or DRs hereafter the same) x Rate of reduction The maximum amount of this proportional fee shall be ¥13.5 million (rate of number of shares held by Japanese investors to the total number of shares listed) (rate of reduction)
	2% or less 1/50 more than 2% but 5% or less 1/20 more than 5% 1/10
Annual Listing Fee	Market capitalization is: (1) ¥5 billion or less ¥120,000 (2) more than ¥5 billion-¥25 billion ¥240,000 (3) more than ¥25 billion-¥50 billion ¥480,000 (4) more than ¥50 billion-¥250 billion ¥600,000 (5) more than ¥250 billion-¥500 billion ¥720,000 (6) more than ¥500 billion ¥840,000
Additional Listing Fee	0.00018% of the total paid-in value of newly-issued shares offered in Japan (In the case of a company listed only on Tokyo Stock Exchange, shares offered in the other countries shall be included in the calculation) The maximum amount of this proportional fee shall be ¥13.5 million.

(*) Excluding foreign stocks listed on Mothers

Delisting Criteria for Stocks (Domestic)*	
(As of end of March 2005)	
Application	In case of falling under any of the following criteria
No. of Shares Listed	Less than 4,000 units
No. of Shares Held by "Special Few" (i.e., 10 Largest Shareholders, Persons Having Special Interest in the Issuer & the Issuer if the issuer also holds shares)	If the number of shares held by the "special few" (1) More than 75% of the number of shares listed as of the end of last 2 business years (2) More than 90% of the number of shares listed unless predetermined documents aren't submitted
No. of Shareholders Holding 1 unit or More (Excluding "Special Few") as of Each End of Last 2 Business Years	If the number of shares listed is: (1) Less than 10,000 units: Less than 400 (2) 10,000 units or more but less than 20,000 units: Less than 600 (3) 20,000 units or more: Less than 1,000 plus 100 for each 10,000 units in excess of first 20,000 units, up to 2,000 Provided that the recent share price per 1 unit is: (1) ¥100,000 or more but less than ¥500,000, half the number of shareholders required by the criteria above, 400 or more
Trading Volume	(1) For last 1 year: Average monthly trading volume: less than 10 units, or (2) No trades during last 3 months
Market capitalization	Less than ¥1 billion during last 4 months (or during last 10 months if predetermined document are submitted) or less than 2 times the listed number of shares for the last 4 months

Liabilities	Excess liabilities continued for last 2 business years
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*TSE has no mention of specific delisting criteria for the stocks in the Foreign Section. This chart represents the delisting criteria for domestic stocks and is provided solely for your reference.

Listing Criteria for Mothers		
(As of end of March 2005)		
Distribution	Public Offering	A primary offering or a combination of a primary offering and a secondary offering of at least 1,000 trading units of shares must take place at the time of listing, at least 500 units of which need be in a primary offering.
	Shareholders	At least 300 additional shareholders who should hold at least 1 unit of the share (excluding directors, affiliated companies, other special interest parties and the company if the company also holds shares) must be made by the public offering at the time of listing.
Market Capitalization of shares listed		The estimated market value for the time of listing must be at least ¥1,000 million (estimated number of shares to be listed x public offering price.)
Sales		The applicant's core business must be effectively operational in terms of sales by the day preceding the application.
False statements or Unfair representations		a. There should be no false statements in the applicant's securities reports. b. The opinion given by a certified public accountant or equivalent, in the annual and mid-term audits reports attached to the Securities Report for Listing Application, should be given as 'fair' and 'valid accounting information' respectively. c. A qualified opinion for exclusion was not expressed by the auditor for the most recent fiscal year.
Other		Entrustment of sharehandling service agency, non-restriction of share transfer, etc.
Listing Examination for Mothers		
(As of end of March 2005)		
Disclosure	(1) whether listing application documents comply with corporate disclosure rules; whether the documents detail corporate profile, risk factors and other information material to investment decisions (2) appropriateness of accounting system (3) appropriateness of disclosure concerning finance activity within the corporate group (4) management & timely disclosure of corporate information (5) disclosure of quarterly business results	
Sound Management	Business is conducted in a fair & true manner; no unfavorable transactions with any specific party	
Subsidiary Listing Rule	(1) whether parent company is not forcing or encouraging unprofitable transactions (2) whether no unusual transactions with parent company are carried out. (3) whether the company holding majority voting rights is a listed company, or one which has a history of regular disclosure; not	

	applicable if the business relationship is unrelated, and the shareholding is meant as an investment, not a means to control the applicant's business activities.
Other	any other matters deemed necessary by TSE for investor protection and in the public interest
Initial Listing Fees and Additional Fees for Mothers	
(As of end of March 2005)	
Initial Listing Examination Fee	¥1 million
Initial Listing Fee	¥1 million + (value of public offering x 0.09%) (to a maximum of ¥20 million)
Additional Listing Fee	Value of financing x 0.09%
Annual Fee	Annual listing fee is as follows: 1. TDnet fee: ¥120,000 2. Fee charged in accordance with market capitalization: Market capitalization is: (1) ¥5 billion or less ¥480,000 (2) more than ¥5 billion - ¥25 billion ¥1,200,000 (3) more than ¥25 billion - ¥50 billion ¥1,920,000 (4) more than ¥50 billion - ¥250 billion ¥2,640,000 (5) more than ¥250 billion - ¥500 billion ¥3,360,000 (6) more than ¥500 billion ¥4,080,000 (1~3 years after listing: 50% of the above fees)

Note: Japanese consumption tax will be added to the above fees (excluding foreign stocks).

Delisting Criteria for Mothers	
(As of end of March 2005)	
Distribution of Shareholders	There have been less than 150 shareholders as of the end of the last 2 business years.
Shareholders' Equity	Liabilities exceeding asset for the past 2 financial years. However, this does not apply to the first 3 financial years after listing.
Trading Volume	The average monthly trading volume in the most recent 1 year is less than 10 trading units of shares or no transactions have been made for three consecutive months.
Sales Record	Sales Record for the last business year (excluding the business year in which a company has made a listing application) is less than ¥100 million (excluding cases in which ordinary profits are recorded).
Market Capitalization	Less than ¥500 million during last 4 months (or during last 10 months if predetermined documents are submitted) or less than 2 times the listed value of shares for the last 4 months.
Other	Suspension of bank account, bankruptcy, etc.

III. Shanghai and Shenzhen Stock Exchanges

Introduction

The development of China's security market started with the establishment of the Shanghai and Shenzhen Stock Exchanges fifteen years ago.

Shanghai Exchange:

By the end of 2004, the Shanghai Stock Exchange has a total of 996 listed securities and 837 listed companies. Collectively, these company stocks have a total market capitalization of RMB 2.6 trillion yuan. The number of investors with accounts reached 37.87 million. In 2004, RMB 45.7 billions was raised through IPO and secondary listings on the Shanghai Exchange.

Shenzhen Exchange:

Over the past 14 years, capital raised through the Shenzhen Stock Exchange amounted to RMB 6,670 million. Shenzhen Stock Exchange has a broad spectrum of market participants, including more than 500 listed companies, 35 million institutional and individual investors and approximately 200 exchange members.

Shares Classification in China:

The shares in China are classified by investor, issuer and currency. They are:

- A shares, dominated in yuan or RMB and issued in China;
- B shares, dominated in foreign currency and issued in China; although originally sold exclusively to foreign investors, they are made available to domestic individual investors in February 2001; and
- H shares, dominated in Hong Kong dollars and issued in Hong Kong; targeted at foreign investors.

Foreign Invested Enterprises Listing:

China is slowly moving to allow foreign companies and their subsidiaries to list on China's stock exchanges. All the handful of listed foreign companies so far have been companies based in Taiwan.

Exchange Rate:

The exchange rate is approximately one U.S. dollar equals 8.11 yuan (\$1=8.11 yuan) after July 21, 2005.

Listing and Delisting Requirements

Listing and delisting requirements for the Shanghai and Shenzhen Stock Exchanges are largely the same. And the listing requirements for A shares and B shares are similar.

Listing Requirements of the Shanghai and Shenzhen Main Boards
(As of December 2004)

General Requirements	
Approvals	The shares must be publicly issued following approval of CSRC.
Minimum Capital	The company's total share capital must not be less than RMB 50 million.
Operating History	The company must have been in business for more than three years.
Positive Earnings	-The company must have made profits over the last three consecutive years. -In the case of former state-owned enterprises re-established according to the law or founded after implementation of the law, if the issuers are large or medium-sized state-owned enterprises, the period can be calculated consecutively.
Shareholders	The number of shareholders with holdings valued in excess of RMB 1,000 must not be less than 1,000 persons.
Shares	-Publicly offered shares must be more than 25% of the company's total share capital. -For companies whose total share capital exceeds RMB400 million, the ratio of publicly offered shares must be more than 15%.
Records	The company must not have been guilty of any major illegal activities or false accounting records in the past three years before listing.
Others	Satisfies other terms and conditions stipulated by the State Council.
Special Requirements for B Shares	
The company's minimum net assets for listing on B share market must not less than RMB 150 million.	
Local Requirements of Shanghai Exchange	
Listing application must be supported by one exchange member's recommendation and the listing stock has registered and transferred the account in Shanghai.	
Local Requirements of Shenzhen Exchange	
The listing corporation's application must show that during the three profitable years, the capital profit ratio for the previous two years must reach 8% while the last year must be 10%.	

The Small- and Medium-Sized Enterprise board ("SME board") is a segment of the main board of the Shenzhen Stock Exchange. The listing requirements and other rules for companies on the SME board are basically the same as those for the main board. In-depth studies are being conducted on relaxation of listing requirements, different modes of trading, disclosure, market surveillance and delisting systems, to better financing growth for small-and medium-sized businesses and accumulate experience.

Listing Requirements of the Shenzhen SME Board
(As of December 2004)

Approvals	IPO granted by the CSRC.
Minimum Capital	Gross capital stock of 50 million shares.
Operating History	A minimum three-year operating history.
Positive Earnings	Positive earnings in each of the past three years.
Shareholders	N/A.
Shares	Public holding of no less than 25%.
Records	Good credit records in the past 3 years

Listing Requirements for Foreign Invested Enterprises
(As of December 2004)

General Requirements	
Entity	-Establish a foreign-funded joint stock company or apply for converting a foreign invested enterprise into a foreign-funded joint stock company after the approval of MOFCOM. -Comply with the foreign investment guidance limitations, which refer to a list of industries encouraged, restricted and forbidden for foreigners by the Chinese government. -Comply with the Company Law and regulations issued by China Securities Regulatory Commission ("CSRC").
Approvals	The shares must be publicly issued following approval of CSRC.
Minimum Capital	The company's total share capital must not be less than RMB 50 million.
Operating History	The company must have been in business for more than three years.
Positive Earnings	The company must have made profits over the last three consecutive years.
Shareholders	-The number of shareholders with holdings valued in excess of RMB 1,000 must not be less than 1,000 persons. -Must have at least 5 sponsors, and half of them must be domiciled in China.
Shares	-Publicly offered shares must be more than 25% of the company's total share capital. -For companies whose total share capital exceeds RMB 400 million, the ratio of publicly offered shares must be more than 15%. -The proportion of non-listed foreign shares of the foreign-funded joint stock company after its shares have been listed shall not be lower than 25% of the total share capital. -The shares subscribed by the sponsors must not be less than 35% of the total number of the shares of the company, and the remaining shares must be openly offered to the public.

Records	The company must not have been guilty of any major illegal activities or false accounting records in the past three years before listing.
Special Requirement for B Shares	
Entity	After the non-listed foreign shares have been turned into circulated shares, the successor of the company is able to perform the original non-listed foreign shareholder's obligations and the liability provided in the company's article of association.
Approvals	Where a B share company which is a Chinese-foreign joint venture before it has its shares listed is to apply to have its non-listed foreign shares listed, it shall, upon the written consent by MOFCOM, submit the application to CSRC.
Minimum Net Asset	The company's minimum net assets for listing in B share market must not less than RMB 150 million.
Operating History	The non-listed foreign shares planned to be listed and circulated have existed for more than one year.
Shares	The proportion of non-listed foreign shares of a foreign-funded joint stock company in the total share capital shall not be lower than 25% after the company has turned its non-listed foreign shares into B shares and issued them.

Delisting Requirements of the Shanghai and Shenzhen Stock Exchanges

(As of December 2004)

The Exchanges will terminate the listing of the shares of a listed company under certain circumstances, including the following:

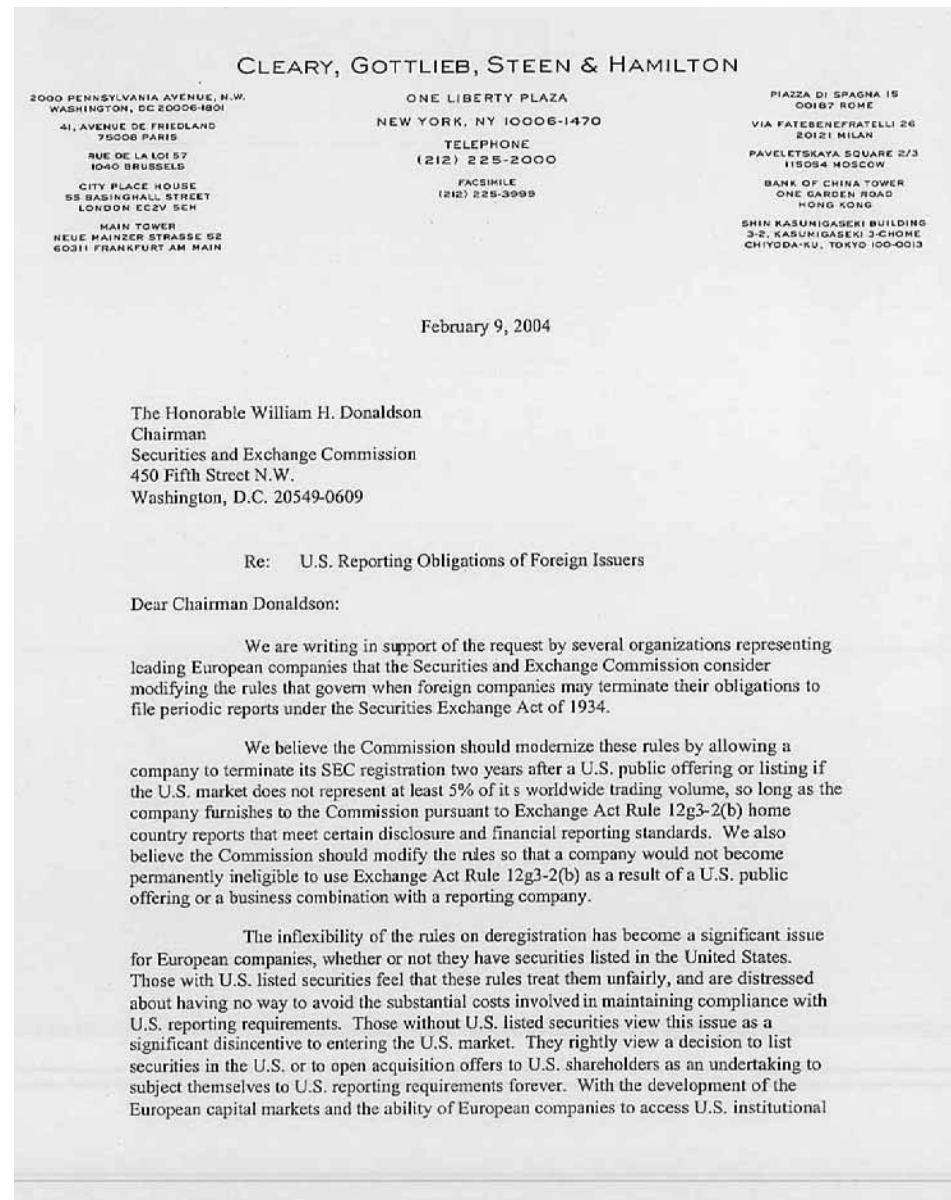
1. The company fails to meet the listing requirements;
2. The company is involved in certain illegal activities;
3. Within the statutory period the company fails to make certain releases;
4. Its application for listing resumption is not approved;
5. The company suffers significant losses;
6. The shareholders vote to delist;
7. The administrative authority, according to law, orders the company to dissolve.

For Shanghai Exchange:

The Shanghai Expert Review Committee of the Shanghai Stock Exchange will review the delisting case and issue an opinion. Based on the opinion of the Expert Review Committee, the Shanghai Stock Exchange will decide whether to terminate the company's listing.

For Shenzhen Exchange:

The Shenzhen Listing Committee of the Shenzhen Stock Exchange will review the delisting case and issue an opinion. Based on the opinion of the Listing Committee, the Shenzhen Stock Exchange will decide whether to terminate the company's listing.



investors under Rule 144A, many European companies see no advantage to making this one-time decision.

European companies also correctly believe that the U.S. rules treat them much less favorably than analogous European rules treat U.S. companies. In most European countries, a company can terminate its obligations arising from a secondary listing by providing a notice to the relevant regulatory authorities and observing a waiting period or complying with certain limited undertakings.¹ This disparate treatment becomes more and more difficult to justify as the European Union moves to IOSCO disclosure standards and IFRS accounting in its own securities markets.

We believe that correcting this situation would be consistent with the Commission's investor protection mandate. Our proposal would continue to require a foreign company to file Exchange Act reports if a significant U.S. trading market exists at least two years following a public offering or listing. If investors instead choose to trade the company's securities in a foreign market, we believe that U.S. rules should allow the company to terminate its U.S. listing, deregister its securities and provide investors with the information that is required by the rules of the market in which the trading occurs, so long as those rules meet certain minimum standards.

As the Commission has often recognized,² it is in the interest of U.S. investors to have foreign companies enter the U.S. market and for the Commission's rules to facilitate access to foreign securities by U.S. investors. If foreign companies view a decision to subject themselves to U.S. reporting requirements as irreversible, they will be less likely to enter the U.S. market, depriving U.S. public investors of both information and an opportunity to trade foreign company securities in the United States. Ironically, by making it less difficult for foreign companies to leave the U.S. market, the Commission would encourage them to enter the U.S. market.

1. Exchange Act Rules effectively subject many foreign companies to U.S. reporting requirements forever

The problem with the current rules that determine when a foreign company is permitted to deregister and cease filing Exchange Act reports arises from the interplay of several rules:

- Rule 12g-4(a)(2) permits a foreign company to terminate the registration of a class of its securities under Section 12(g) if those securities are held of record by less than 300 U.S. resident holders,³ determined after "looking through" brokers, banks and other intermediaries.

¹ Attached as Annex A to this letter is a summary description of the rules and practices applicable to the termination of a secondary listing in the United Kingdom, France and Germany.

² See, e.g., Ethiopis Tafara, Remarks before the American Chamber of Commerce in Luxembourg (June 10, 2003); Harvey L. Pitt, Remarks at the Financial Times' Conference on Regulation and Integration of the International Capital Markets (Oct. 8, 2002); Roel C. Campos, Address at the Centre for European Policy Studies (June 11, 2003).

³ For companies with less than \$10 million of assets, the threshold is 500 U.S. resident shareholders.

- Rule 12h-3(a) permits a foreign company to suspend a reporting obligation under Section 15(d) of the Exchange Act based on the same criteria.
- In addition, Rule 12g3-2(a) provides that a class of securities issued by a foreign company is exempt from registration under Section 12(g) of the Exchange Act if it is held by fewer than 300 U.S. resident holders, determined under the same "look-through" rules, at the end of a fiscal year.
- If a company's U.S. resident security holder base exceeds this threshold at the end of a fiscal year, it must once again register under Section 12(g), or its reporting requirement under Section 15(d) is reinstated, as the case may be.
- Rule 12g3-2(b) provides relief from the requirement to register under Section 12(g). However, under Rule 12g3-2(d), a company is not eligible for Rule 12g3-2(b) if its securities have been registered under Section 12(g) within the preceding 18 months, if it has a reporting obligation under Section 15(d) (active or suspended) or if it has engaged in a business combination transaction with a reporting issuer.

The combination of these rules means that a company that has ever done a U.S. public offering (or even had a registration statement become effective), or that has engaged in a business combination with a reporting issuer, must determine on a year-by-year basis whether it is obligated to file reports under the Exchange Act. In addition, a company that lists its securities in the United States without making a public offering must make this determination for at least one, and possibly two, fiscal years following the termination of its registration.⁴ If U.S. investors purchase such a company's securities in its home market, the company can become subject to renewed Exchange Act reporting requirements.

This creates a number of important anomalies. A company with fewer than 300 U.S. resident security holders can deregister and then find itself subject to renewed Exchange Act reporting requirements years later, because U.S. investors have acquired its securities in its home market. A company that publicly offers debt securities in the United States can find itself subject to Exchange Act reporting requirements years after the debt securities have been repaid, by virtue of trading in the company's shares in its home market. A foreign company that acquires a reporting foreign company in a completely foreign transaction can find itself subject to a permanent U.S. reporting obligation.

2. Foreign companies should be able to deregister securities that trade mainly abroad if they submit home country reports that meet certain disclosure and financial standards

The Exchange Act rules governing the reporting obligations of foreign companies were adopted in the 1960s, and were last modified significantly in 1983. At the

⁴ A company with a December 31 fiscal year that terminates its registration on or prior to June 30 of any year must meet the regulatory threshold on December 31 immediately following deregistration, in which case it will be eligible for Rule 12g3-2(b) on or prior to December 30 of the following year. If such company terminates its registration on or after July 1, it must meet the regulatory threshold on December 31 immediately following registration, and on December 31 of the following year, to become eligible for Rule 12g3-2(b).

time, the anomalies recited above would have been rare occurrences. U.S. investors did not invest in foreign securities markets to the extent they do today, so the chances of trading in a company's home market triggering the reporting thresholds were relatively small. A company with 300 U.S. shareholders normally would have had most of those holders invested in ADRs in the United States, rather than in ordinary shares abroad.

Since that time, the European securities markets have been significantly transformed in a way that makes many of the assumptions underlying these rules no longer true:

- The European markets provide significant liquidity. Between 1983 and 2003, average daily trading volume on the principal market of the Paris Stock Exchange increased from the equivalent of 206 million euros to over 3.4 billion euros, and on the London Stock Exchange increased from 208 million pounds to over 14 billion pounds.
- Since the adoption of Rule 144A in 1990, U.S. institutional investors tend to hold and trade European securities directly, rather than through ADRs.
- Technological developments permit U.S. investors to trade securities of European issuers easily in the home markets of those issuers, rather than in the U.S. market.
- U.S. investors have access to European annual reports, earnings announcements and other documents on a "real time" basis over the internet.
- Pricing of securities of European issuers is driven by trading in home markets, which represents the vast majority of trading in such securities, even when they are listed in the United States.

These developments blur the distinction between a European company that enters the U.S. market "voluntarily," and one that enters "involuntarily," which is the key factor that in 1983 served as the basis for distinguishing between companies that are eligible for Rule 12g3-2(b) and those that are not.⁵ A company can access the U.S. market by submitting home country information under Rule 12g3-2(b), making Rule 144A offerings and conducting regular visits to U.S. investors and analysts, while benefiting from rules designed for companies that enter the U.S. market "involuntarily." A company can make a U.S. public offering designed to meet specified objectives, fail to achieve those objectives, and find itself forever subject to rules designed for companies that are in the U.S. market "voluntarily."

We believe that the development of the European markets warrants the use of new criteria to determine when a company should be subject to U.S. reporting requirements. We would apply these criteria to a company that publishes home country annual reports under rules based on IOSCO recommendations, and that publishes audited annual financial statements prepared under (or reconciled to) IFRS or U.S. GAAP. Under these criteria:

⁵ SEC Release No. 33-6433; 34-19187 (Oct. 28, 1982), Part I.A.

- A company would be subject to U.S. reporting requirements when it sells securities in a public offering⁶ or lists its securities in the United States. We believe it is appropriate for this obligation to last for two years (i.e., until the company has filed at least two annual reports on Form 20-F with the Commission), regardless of whether a significant U.S. market develops for the company's securities.⁷
- If the company publicly offers or lists equity securities in the United States, it would remain subject to U.S. reporting beyond the two-year period if a substantial U.S. market develops in its equity securities following the public offering or listing. We would define a substantial U.S. market as U.S. trading that accounts for at least 5% of worldwide trading in the company's most recent fiscal year.⁸
- If less than 5% of trading in the company's equity securities takes place in the United States, and if a single foreign market represents at least 55% of the worldwide trading volume for the company's shares in the most recent fiscal year, then the company would have the right to terminate its U.S. listing and registration, instead submitting its home country publications to the Commission pursuant to Rule 12g3-2(b) (for which it would be immediately eligible upon terminating the listing and registration). If the company were to retain its U.S. listing or registration, it would continue to be subject to U.S. reporting requirements. Similarly, a new public offering would restart the two-year waiting period.⁹
- In order to be eligible to use Rule 12g3-2(b) on this basis, the company would be required to pay all depositary fees relating to the conversion of its sponsored ADRs to ordinary shares, and to arrange for one or more broker-dealers (or the equivalent) in its home market to execute sales of those ordinary shares upon request by their holders, with brokerage commissions paid by the company.
- If the company publicly offers debt securities or asset-backed securities in the United States, it would remain subject to U.S. reporting requirements until those securities are repaid in full, unless they are held by fewer than 300 U.S. resident investors (since debt securities and asset-backed securities are often not listed in the U.S., trading volume would not be an appropriate test). As discussed below, we also suggest modifying the method of counting U.S. resident investors.

⁶ We would not impose a reporting obligation on a company that has a registration statement declared effective but never sells securities under that registration statement. Otherwise, a company that withdraws a registration statement and makes a private offering pursuant to Securities Act Rule 155 would find itself subject to permanent U.S. reporting obligations.

⁷ For purposes of determining the two-year period, we would propose not to count an offering to employees registered on Form S8 as a "public offering." A company that has U.S. stock options or a U.S. employee share purchase program outstanding at the time of deregistration could have to withdraw registration on Form S-8. If it wishes to continue a stock-based incentive plan, it could either qualify for Rule 701, convert options to pure cash settlement or find some other mechanism not requiring registration.

⁸ A company would not be eligible for this rule if it were to terminate a listing or registration before its trading were to fall below the 5% threshold. Otherwise a company could use such a termination to cause its trading level to fall below the threshold.

⁹ This would not apply with respect to an employee offering registered on Form S-8.

We believe that a rule based on these criteria would establish an appropriate balance, as it would give a company that publishes high quality disclosure and financial statements the right to withdraw from the U.S. market if no substantial trading develops in the United States following a U.S. public offering or listing. On the other hand, a company that develops a strong U.S. trading market, that chooses to continue its listing or that engages in additional public offerings would continue to be subject to U.S. reporting requirements.

The proposed approach would be consistent with the Commission's traditional view of its investor protection mandate with respect to foreign trading activity. As the Commission has stated in other contexts, U.S. investors are not entitled to assume that they have the protection of the U.S. securities laws when they go to foreign markets to invest.¹⁰ We believe this principle should apply in the present case, with a rule that protects U.S. investors when they trade in the United States, but not when they trade abroad. It would seem appropriate for investors that trade in a foreign market with strong disclosure and financial requirements to rely on the documents that companies are required to publish under the rules of that market.

3. Foreign companies that conduct public offerings or business combinations should not be permanently ineligible to use Rule 12g3-2(b)

We also believe that the Commission should modify Rule 12g3-2(d) to eliminate its provisions that make foreign companies permanently ineligible to use Rule 12g3-2(b) as a result of a U.S. public offering or a business combination with a registrant. We do not see any justification for subjecting a foreign company to U.S. reporting requirements forever on the basis of its engaging in a single transaction in the United States. We believe it would be appropriate to eliminate this unfairness for all foreign companies, whether or not they would be eligible for Rule 12g3-2(b) on the basis of their U.S. trading volume under the proposal described above.¹¹ We also believe it would be appropriate to modify the 18-month waiting period for companies that terminate their Section 12(g) registration so that home country trading by U.S. investors does not make them ineligible for Rule 12g3-2(b).

At some point after a U.S. public offering, the impact of the offering wears off, and does not justify continuing to subject the company to U.S. reporting requirements. This is particularly true given that a foreign company can become subject to Section 15(d), and thus subject to permanent ineligibility under Rule 12g3-2(d), by undertaking many different types of transactions, which often do not involve raising capital in the United States. For example, a foreign company becomes subject to Section 15(d) when it offers shares or stock options to its employees, when it opens a rights offering to U.S. shareholders in a registered transaction, when it acquires another foreign company with U.S. shareholders or

¹⁰ See, for example, SEC Release No. 33-6863; 34-27942 (May 12, 1990), Part II ("Principles of comity and reasonable expectations of participants in the global markets justify reliance on laws applicable in jurisdictions outside the United States to define disclosure requirements for transactions effected offshore. In other words, as investors choose their markets, they choose the laws and regulations applicable in such markets."). The adoption of Regulation S in 1990 embodied this approach.

¹¹ A foreign company that is not eligible for Rule 12g3-2(b) based on trading volume would have to meet the 300 U.S. resident investor threshold of Rule 12g-4(2)(a) or Rule 12b-3 (as modified in the manner proposed below) in order to be able to deregister or to suspend its reporting obligation under Section 15(d).

when it files a registration statement and decides not to make an offering (or makes a private offering) after the registration statement becomes effective.¹²

We believe that a year-by-year exemption is not an appropriate method of dealing with this problem. A foreign company that falls below the regulatory threshold of U.S. resident security ownership should not have to look each year to see whether the number of its U.S. security holders has changed. Once the effects of a U.S. public offering have worn off, there is no basis for distinguishing between such a company and a company that submits documents under Rule 12g3-2(b) (and that does not have to make a yearly calculation).

For the same reasons, we believe that a business combination between a foreign company and a reporting issuer (whether or not accompanied by a public offering) should not give rise to permanent ineligibility for Rule 12g3-2(b). Instead, the acquiror's eligibility should be determined on the same basis as that of any other company. Two years after the most recent public offering by the predecessor or the successor company (including any public offering in connection with the business combination transaction), the successor would become eligible for Rule 12g3-2(b) if it were to meet the relevant regulatory threshold (based on trading volume or U.S. resident security holders, as applicable).¹³

Finally, we believe that it is not appropriate to continue to impose an 18-month waiting period following deregistration before a company can become eligible for Rule 12g3-2(b). The present rule creates the risk that a company's U.S. security holder base might rise above the regulatory threshold solely as a result of trading by U.S. investors in the company's home market following deregistration. Instead, we would start the waiting period (set at two years to be consistent with the proposal based on trading volume) at the date of public offering or listing, not at the date of deregistration.

We propose that the Commission replace Rule 12g3-2(d) with a rule providing that a foreign private issuer with securities registered under Section 12(g) of the Exchange Act or with an active reporting obligation under Section 15(d) of the Act would only be ineligible to use Rule 12g3-2(b) until the later of:

- the date on which the issuer files a Form 15 with the Commission in connection with the termination of such registration or the suspension of such reporting obligation, or
- two years following a U.S. public offering or listing.¹⁴

¹² The staff has recognized in no-action letters that a strict application of the technical requirements of the Exchange Act rules is not appropriate in certain of these cases. See, for example, Hafslund Nymcomed AS (available April 19, 1996) and Australian National Industries Limited (available June 14, 1995). We believe, however, that it would be appropriate to adopt rules that make case-by-case exceptions through the no-action process unnecessary.

¹³ We would continue to make the acquiror of a reporting company a "successor registrant" under Rule 12g3(a), so that it could continue the reporting obligations of the target and its listing if it were to choose to do so. However, we would allow the acquiror to use Rule 12g3-2(b) if it were to meet the relevant regulatory thresholds and, if it or its predecessor were to make a public offering, met the two-year waiting period requirement.

¹⁴ As with the rule for companies that qualify for deregistration based on trading volume, we would not count an offering to employees registered on Form S-8 as a "public offering" for this purpose.

In the case of an issuer that suspends a reporting obligation under Section 15(d), that suspension would last so long as the company were to comply with the requirements of Rule 12g3-2(b), even if the company's U.S. security holder base were to exceed the threshold set out in Rule 12h-3.

4. Rule 12g3-2(a) should be amended to allow foreign private issuers to count U.S. investors in a workable manner

Under Rule 12g3-2(a), in order to determine whether a company has fewer than 300 U.S. resident shareholders, the company must "look through" all brokers, dealers, banks and nominees to determine the number of accounts held by investors resident in the United States. This requirement creates an essentially impossible burden on foreign companies, because it requires them to obtain information from financial intermediaries worldwide in order to demonstrate that their U.S. security holder base is below the regulatory threshold.

Since the adoption of the most recent amendments to the "look-through" rules of Rule 12g3-2(a), the Commission has adopted rules in other contexts that have more flexible "look-through" procedures. Most significantly, in the rules adopted in 1999 that are applicable to cross-border tender offers and rights offerings,¹⁵ the Commission limited the required inquiries to financial intermediaries in the issuer's home country and in the United States (plus the principal trading market, if different). We believe that these rules strike a more appropriate balance, and that it would not change the spirit of Rule 12g3-2(a) significantly if its look-through rule were amended to require a similarly limited inquiry.¹⁶

* * * * *

We would be pleased to discuss these issues with the Commission further. Please do not hesitate to contact Edward F. Greene in London (011-44-207-614-2200) or Russell H. Pollack or Andrew A. Bernstein in Paris (011-33-1-40-74-68-00) if you have questions or would like to discuss these matters further.

Very truly yours,



Edward F. Greene

¹⁵ SEC Release No. 33-7759 (Oct. 22, 1999).

¹⁶ We also recommend that the Commission modify the required timing of "look-through" inquiries, because the current requirement to count U.S. shareholders on a single date at the end of a fiscal year is impracticable. In our experience, when European issuers attempt to obtain information on their shareholder base, the back-office systems of financial intermediaries do not permit issuers to obtain information as of a single date. We would propose that an issuer be able to rely on information given as of a date no more than 45 days before or after the end of an issuer's fiscal year.

cc: The Honorable Paul S. Atkins, *Commissioner*
The Honorable Roel C. Campos, *Commissioner*
The Honorable Cynthia A. Glassman, *Commissioner*
The Honorable Harvey J. Goldschmid, *Commissioner*

Alan L. Beller, *Director, Division of Corporation Finance*
Giovanni T. Prezioso, *General Counsel*
Ethiopia Tafara, *Office of International Affairs*
Paul M. Dudek, *Office of International Corporate Finance*

Commissioner Frits Bolkestein, *European Commission*
Arthur van Leeuwen, *Commission of European Securities Regulators*

Annex A

Summary of rules and practices applicable to delisting and termination of reporting obligations in France, Germany and the United Kingdom.

France

A company that lists its shares on the *premier marché* of Euronext Paris S.A. (the principal stock exchange in France) may terminate its listing by making a request to the Board of Directors of Euronext Paris. Under the rules of Euronext Paris, the Board of Directors makes its decision based on (i) the average daily trading volumes expressed in number of shares and in euros, and the number of trading days during which the company's shares were traded in the prior year, (ii) the percentage of the company's share capital held by the public, and (iii) the market capitalization of the issuer's securities admitted to trading through Euroclear France (the French equivalent of DTC).

A decision to allow a company to delist is subject to review by the *Autorité des marchés financiers* ("AMF") (formerly, the *Commission des opérations de bourse*) which is required to consider whether the delisting would cause undue risks contrary to the interest of shareholders located in France and to the integrity of the stock exchange. We are not aware of any case in which the AMF has vetoed a delisting decision.

As a matter of practice, the conditions for a delisting are discussed with Euronext Paris and the AMF before a request is made. Euronext Paris has typically required a foreign company with shares listed on a foreign exchange to implement a procedure to allow French shareholders to sell their shares on the foreign exchange at no cost to them. The issuer normally designates a financial intermediary to receive sale orders from French shareholders for a period of time (usually three weeks, although that can vary for volatile securities) after the publication of the delisting decision of Euronext Paris, and to execute those orders on a specified date at the-market price over a period set in light of the liquidity of the shares on the foreign exchange. After the sales are completed, funds are remitted to shareholders. Approximately one week after the sale period, the listing is terminated. The issuer pays all costs to shareholders above those that they would have incurred if they had sold the shares on Euronext Paris.

Following the delisting, the company may still be considered to be a public company (*société faisant appel public à l'épargne*) under French regulations. If so, it must continue to comply with the following public disclosure requirements:

- All information made public in France must be accurate, complete and not misleading.
- The company must disclose in France the information that it makes public in its home market (or any other market in which it is required to make public disclosure).
- The company must disclose in France material developments that might have an impact on the share price or the rights of security holders, unless the information can be kept confidential and the company has a legitimate interest in keeping it confidential.

- The company must disclose in France any other information that the AMF requests that it disclose.

In practice, these requirements are the functional equivalent in France of furnishing the information required by Rule 12g3-2(b), and complying with the U.S. antifraud rules.

A company may terminate its status as a public company if its shares have been delisted, it has fewer than 100 French security holders and the company has not made a public offering in France during the preceding year. If these criteria are met, the company must publish a legal notice stating that its status as a public company has been terminated, and after one month publish a press release to the same effect. The termination of the company's status as a public company is permanent unless it once again makes a public offering or lists its shares in France.

Germany

A U.S. company that lists its shares on the official market (*amtlicher Markt*) of the Frankfurt Stock Exchange may submit a request to the admissions board of the exchange for its delisting. The request will be granted if the delisting is not contrary to the protection of investors. Under the Rules and Regulations of the Frankfurt Stock Exchange, the determination of whether the delisting is contrary to the protection of investors depends on whether it is a complete delisting or a partial delisting. If the company continues to be listed on the New York Stock Exchange or NASDAQ, the delisting would be considered partial. In the case of a partial delisting, investors are generally deemed to be sufficiently protected, without the need to satisfy any further requirements.

A partial delisting would take place three months after the publication of the decision of the admissions board to grant delisting. The decision is made following the submission of an application and a questionnaire by the issuer. While some German scholars have suggested that an application may be denied even when the relevant conditions have been met, the majority view is that the application must be granted if the conditions are met.

Once the company's shares are delisted, it has no ongoing reporting obligations in Germany. The company's obligations would not be subject to reinstatement unless it were to relist its shares in Germany.

United Kingdom

In order for a U.S. issuer that has obtained a secondary listing for its shares in the United Kingdom to delist such securities, a written request¹⁷ from the issuer (or, if appropriate an agent on behalf of the issuer) must be made to the United Kingdom Listing Authority ("UKLA") and a copy of the announcements that an issuer proposes to issue via a Regulatory Information Service must be submitted (see below).¹⁸ There are no requirements as to maximum number of shareholders in the United Kingdom or as to maximum permitted

¹⁷ The written request must contain certain information specified in paragraph 9.8.2(1) of the UKLA Guidance Manual, including the reasons for delisting.

¹⁸ Even issuers with a primary listing in the United Kingdom may avail themselves of these simple procedures. The only additional obligation is to issue a circular to shareholders in compliance with chapter 14 of the UKLA Listing Rules giving them at least 20 business days' notice of the contemplated delisting.

trading volume for delisting, although the UKLA has discretion to refuse the request for delisting if it considers that the reasons are not adequate (however, it is our understanding that the UKLA does not frequently refuse a request to delist). Additionally, there is no mandatory "cooling-off" period following the listing of the securities in the United Kingdom before an issuer may apply to delist.

The UKLA Listing Rules provide that any issuer that wishes the UKLA to cancel the secondary listing of its equity securities must notify a Regulatory Information Service giving at least 20 business days' notice of the intended cancellation.¹⁹ After the above-mentioned waiting period is complied with, the issuer's securities are delisted by the UKLA.

Following delisting, the non-U.K. issuer is no longer subject to the continuing obligations of listed companies.²⁰ The effects of delisting are the same independent of why the original secondary listing was obtained, *i.e.*, there is no distinction made between issuers who obtained the secondary listing in connection with a public offering in the United Kingdom, and those who listed their securities simply to facilitate trading in the United Kingdom. If the issuer does not relist its securities in the United Kingdom, it will not become subject to such reporting requirements, regardless of shareholder interest in its securities in the United Kingdom.

¹⁹ Paragraph 1.22(b) of the UKLA Listing Rules. Additionally, a security may be delisted if it is no longer admitted to trading. Paragraph 1.20 of the UKLA Listing Rules.

²⁰ The continuing obligations which apply to overseas companies are set out in Chapter 17 of the UKLA Listing Rules.

AFEP

AF AKTIENFORUM
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DEUTSCHES AKTIENINSTITUT

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ABSC-BVBV

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ΕΥΡΩΠΑΪΚΟΙ ΚΕΙΜΕΝΟΝ ΕΤΑΙΡΕΙΑΙ Α.Ε.Α.
ATIXA LISTED COMPANIES ASSOCIATIONBDI
Bundesverband der
Deutschen IndustrieCBI
THE VOICE OF BUSINESSSVENSKT NÄRINGSLIV
CONFEDERATION OF SWEDISH ENTERPRISEConfederation of Finnish
Industry and Employers

Mr. Frits Bolkestein
Member of the European Commission
Rue de la Loi 200
B-1049 Brussels
Belgium

13 February 2004

Re : U.S. Reporting Obligations of Foreign Issuers

Dear Mr. Bolkestein,

As organisations representing more than 100,000 European companies, including over 100 with securities listed in the United States, we are writing to draw your attention to our concerns regarding the SEC's rules on the termination of U.S. reporting obligations of non-U.S. issuers.

While most of our members have no intention of terminating their U.S. reporting obligations, they have been surprised to learn recently how difficult the process can be – in many cases, it is impossible. Our members believe a company should have the option to terminate a U.S. registration so long as it makes adequate provision to protect its U.S. investors. Otherwise, it can be required to incur the substantial costs of U.S. reporting forever, even if it no longer realizes any benefits.

The rules in most European countries permit a U.S. company to withdraw by providing notice and complying with various technical requirements. Given the globalisation of the securities markets, our members feel the U.S. rules should be brought more in line with the European rules.

The problem arises because, under SEC rules, a company must have fewer than 300 U.S. resident security holders to deregister and terminate its reporting obligations. Even if it meets this requirement, its obligation is reinstated if it goes over the 300 U.S. holder threshold in a subsequent year. There is an exemption, but a company that has made a public offering in the US is permanently ineligible for the exemption.

...

At the demand of our member companies we have therefore addressed the enclosed letters to the SEC, requesting a relaxation of the rules that determine when foreign issuers can terminate their reporting obligations with the SEC.

In particular, we propose that the rules on termination of periodic reporting obligations be based on trading volume, rather than the number of U.S. resident security holders.

We would be pleased to discuss these issues further, and we will of course keep you informed as this matter progresses.

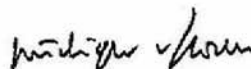
Yours sincerely,



Alexandre TESSIER
 Directeur Général
 AFEP
 ASSOCIATION FRANÇAISE
 DES ENTREPRISES PRIVÉES



Dr. Hellmut LONGIN
 Président
 AKTIENFORUM



Prof. Rüdiger von ROSEN
 Managing Director
 DEUTSCHES AKTIENINSTITUT



Edouard de ROYERE
 Président
 ANSA



Baron VANDAMME
 Président
 ABSC



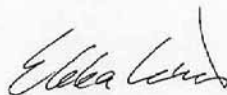
Dr Ludolf von WARTENBERG
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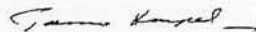
Digby JONES
 Director General
 CBI



Mrs. Angeliki PETROULAKI
 General Manager of
 THE SEISET ASSOCIATION



Ebba LINDSÖ
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SVENSKT NÄRINGSLIV

Confederation of Swedish Enterprise

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 SWEDEN

CC: Michel BARNIER, *Member of the European Commission*
 Pascal LAMY, *Member of the European Commission*
 Erkki LIIKANEN, *Member of the European Commission*
 Alexander SCHAUB, *Director General Financial Markets European Commission Internal Market DG*

EALIC
 European Association for Listed Companies



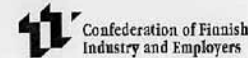
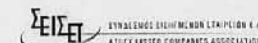
A F E P*

ABSC-BVBV*



* Members of EALIC

DEUTSCHES AKTIENINSTITUT



February 9, 2004

The Honorable William H. Donaldson
 Chairman
 Securities and Exchange Commission
 450 Fifth Street N.W.
 Washington, D.C. 20549-0609

Re: U.S. Reporting Obligations of Foreign Issuers

Dear Chairman Donaldson:

We are writing to bring to your attention an important issue relating to the rules that govern when European companies are required to file periodic reports with the Securities and Exchange Commission. We have been informed that, unlike the analogous rules in most European countries, the U.S. rules make it difficult, and in some cases impossible, for a European company to terminate its reporting obligations. While most of the companies that we represent intend to remain reporting companies for the long-term, they believe that a company should have the right to withdraw its U.S. registration if it makes adequate provisions for the protection of U.S. investors. As a result, we respectfully request that the Securities and Exchange Commission consider modifying its rules.

Our organizations represent more than 100,000 European companies, including more than 100 with securities listed in the United States. They include most of the largest companies that have primary listings on the major European markets. Substantially all of the trading in the securities of our member companies takes place in Europe, whether or not those securities are also listed in the United States.

Our member companies prepare annual and interim financial statements and disclosure documents in accordance with European directives. Beginning with fiscal year 2005, they will all publish financial statements in accordance with international financial reporting standards (IFRS). In addition, as you are aware, the European Union has recently adopted a prospectus directive that will require European companies to prepare disclosure documents in accordance with the recommendations of the International Organization of Securities Commissioners (IOSCO), a process that has already been anticipated to a large extent by our member companies in order to respond to home country regulations and market demand.

Most of our member companies that have securities listed in the United States entered the U.S. market to achieve specific objectives, such as developing a liquid trading market for their securities in the United States, using their securities as acquisition currency in the United States, raising capital in the U.S. market on a rapid basis, or enhancing their reputation in the United States and internationally. Many of these companies have been quite satisfied with their experience in the U.S. market and feel that they have realized substantial benefits from their U.S. listings.

Some of our member companies, however, have not realized the benefits they sought to achieve, or have changed their business strategy since their U.S. listing. To some extent, this is due to substantial changes that have occurred in the international securities markets in the last several years, including the development of highly liquid European markets and a U.S. institutional investor base that invests in European securities directly, rather than through ADRs. As a result of these changes, many of our member companies with U.S. listed securities find that they have no greater access to the U.S. market than other companies whose securities are listed only in Europe.

In this context, a number of our member companies have re-evaluated the benefits of a U.S. listing compared to the substantial costs involved. Some companies have explored whether they can avoid these costs by terminating their U.S. listings. They have been advised that, while they can withdraw their securities from U.S. exchanges, they must continue to file reports with the Commission so long as there remains even *de minimis* U.S. investor interest in their securities.

We do not find it surprising for a company to be subject to U.S. disclosure obligations for a period of time following a U.S. listing or public offering, or for those obligations to continue so long as there is significant U.S. interest in the company's securities. On the other hand, we believe that the Commission's rules that implement these principles suffer from two significant problems:

- To terminate or suspend a reporting obligation, a company must have fewer than 300 U.S. resident security holders. We believe this is not the best way of determining U.S. interest in the securities of a European company. Given the ease with which U.S. investors can access European securities markets, trading in a company's home market can cause it to exceed the 300 U.S. holder level, even if the company does not take any action to solicit U.S. interest.

- If a company has ever made a public offering in the United States or engaged in certain business combinations, its U.S. reporting obligation can never be terminated. At best, the company can eliminate its reporting obligation one year at a time, always remaining subject to renewed reporting if, without any action on its part, its U.S. shareholder base increases.

We believe that a foreign company should not be subject to U.S. reporting forever unless it generates genuine and continuing interest in the U.S. public securities markets. That interest should be measured by trading volume, which we believe is a much better indicator of interest than the number of U.S. security holders. In addition, if a company with limited U.S. interest in its securities withdraws from the U.S. market, it should not be subject to renewed reporting simply because U.S. investors acquire its shares in its home market.

We urge the Commission to modify its rules to correct this situation. We recognize that the Commission has historically shown flexibility in the no-action letter process, and we encourage the Commission to continue this flexibility. However, we also believe it would be appropriate to amend the rules. We propose two modifications:

- A company that publishes reports in accordance with IOSCO standards and financial statements in accordance with IFRS should have the right, two years after a U.S. public offering or listing, to terminate its reporting obligation and to submit English versions of its home country reports to the Commission pursuant to Rule 12g3-2(b), so long as its trading volume in the United States is less than 5% of its worldwide trading volume during its most recent fiscal year.
- A company should never be made permanently ineligible to use Rule 12g3-2(b). If it is not eligible to terminate its reporting obligation on the basis of the above criteria, it should have the right to make a termination under the existing 300 U.S. security holder standard permanent and to use Rule 12g3-2(b) immediately, so long as two years have elapsed since its most recent U.S. public offering or listing, and it submits its home country reports to the Commission.

These changes would represent a substantial modernization of the Commission's rules, and would also be more consistent with the treatment of U.S. companies that list their securities on European markets. A U.S. company with a secondary listing on one of the major European markets can typically terminate its listing and reporting obligations by submitting a notice to the relevant authorities and observing a waiting period or certain limited undertakings. As far as we are aware, the United States is the only market in the world that imposes its reporting obligations forever as a result of a secondary listing.

When our member companies that are listed in the United States first entered the U.S. market, they did not analyze the conditions under which they might withdraw, as this was not their principal concern at the time. Today, however, the inflexibility of the regulatory regime is attracting significant attention and is one of the reasons why our member companies that are not listed in the United States are reluctant to list in the United States at the present time. If the Commission were to make Rule 12g3-2(b) more flexible, this would be a significant step in restoring the favorable perception of the U.S. public market on the part of European companies.

We have enclosed with this letter a technical analysis in support of our position from the law firm Cleary, Gottlieb, Steen & Hamilton, which sets forth in detail our specific recommendations. We hope that you will give full consideration to these issues. We would be happy to discuss these issues further with you and to work together to find an appropriate solution.

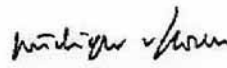
Very truly yours,



Alain JOLY
Président
EALIC



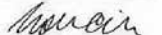
Alexandre TESSIER
Directeur Général
AFEP *
ASSOCIATION FRANÇAISE
DES ENTREPRISES PRIVÉES



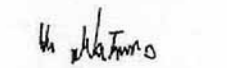
Prof. Rüdiger von ROSEN
Managing Director
DEUTSCHES AKTIENINSTITUT



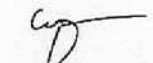
Baron VANDAMME
Administrateur
ABSC *



Dr. Hellmut LONGIN
Präsident
AKTIENFORUM



Dr Ludolf von WARTENBERG
Director General
BDI



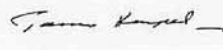
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Deputy Director General
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S - 114 82 Stockholm
SWEDEN

cc: The Honorable Paul S. Atkins, *Commissioner*
 The Honorable Roel C. Campos, *Commissioner*
 The Honorable Cynthia A. Glassman, *Commissioner*
 The Honorable Harvey J. Goldschmid, *Commissioner*

Alan L. Beller, *Director, Division of Corporation Finance*
 Giovanni T. Prezioso, *General Counsel*
 Ethiopis Tafara, *Director, Office of International Affairs*
 Paul M. Dudek, *Office of International Corporate Finance*

Commissioner Frits Bolkestein, *European Commission*
 Arthur van Leeuwen, *Commission of European Securities Regulators*

Edward F. Greene, Russell H. Pollack, Andrew A. Bernstein,
Cleary, Gottlieb, Steen & Hamilton

INSTRUCTION N3-01 APPLICABLE TO THE EUROLIST MARKET

LISTING OF EQUITY SECURITIES

I – GENERAL PROVISIONS

Article 1

Equity securities are defined for the purposes of this Instruction as ordinary shares, preference shares, *certificats d'investissements*, *certificats coopératifs d'investissements*, certificates representing shares and, broadly, all simple or complex securities giving access to the issuer's capital.

Article 2

The application for admission to listing must contain the documents and information specified in this Instruction. Chapter II specifies information requirements for "new securities" (issued by companies not yet admitted to listing). Chapter III specifies the information requirements for "fungible securities", i.e. issues by companies already admitted to listing.

II - ADMISSION OF NEW SECURITIES

Article 3

New securities are defined for the purposes of this chapter as equity securities, whether already issued or to be issued, of a French entity not already listed on the Eurolist market.

Article 4

The issuer wishing to be listed shall file an application containing the following documents and information, in French or English:

A – General documents

- a letter by which the issuer applies for the admission of its securities to listing and agrees to comply with the disclosure obligations specified in the organization and operating rules of the Eurolist market, as detailed in article 5 of this Instruction;
- a draft prospectus prepared in accordance with the *Autorité des marchés financiers'* regulations;
- a list of shareholders having acquired or subscribed to the issuer's shares in the year preceding their initial listing, together with the terms of such acquisitions or subscriptions;
- the list of transfer agents and paying agents;
- a copy of the underwriting agreement (firm commitment, standby commitment, best-efforts commitment) between the issuer and the intermediaries responsible for placing the securities with the public.

B – Financial documents

- a copy of the statutory and consolidated financial statements (profit and loss account, balance sheet and notes) for the three preceding years, certified by the statutory auditors;
- the audited accounts for the first half-year, if the last fiscal year closed more than nine months prior to the date of admission;
- the special reports of the statutory auditors for the years in question.

C – Legal documents

- a certified copy of the articles of association (statuts), with all amendments;
- certified copies of the minutes of the past three years' general or special meetings of shareholders, together with minutes of Board meetings deliberating the application of shareholder resolutions;
- in cases where the issue relates to a merger or asset contribution, copies of the related agreement(s), minutes of the shareholder meetings that ratified the merger or contribution, minutes of related Board meetings, the statutory auditors' report, and the statutory appraisers' report on assets or particular benefits (where applicable), together with the related legal notices;
- minutes of the meeting having decided and authorized the issue of securities, where initial listing involves such issue;
- a statement of mortgages and other pledges.

INSTRUCTION N3-01 PUBLISHED BY NOTICE N° 2005-693 OF 16 FEBRUARY 2005 EFFECTIVE ON 21 FEBRUARY 2005

D – Specific documents for foreign issuers

- a list of the main known shareholders together with the number of securities held in portfolios in France;
- details of the number of securities already traded or likely to be traded in the Eurolist market;
- certification (in French) by the consular authorities in France or by a legal opinion issued by a law firm that the documents submitted by the issuer are in conformance with the laws and practices of its country of origin. For countries that do not operate a regulated market or whose regulated markets are not members of the International Federation of Stock Exchanges, this certification must be authenticated by the French Ministry of Foreign Affairs in Paris.

Such certification is also required for the admission to listing of foreign securities issued by unlisted entities incorporated in a Member State of the European Union (EU).

However, in lieu of the abovementioned document, an entity may submit a certificate of listing drawn up by the competent authorities of a regulated market in the country of issuance, provided that such market is a member of the International Federation of Stock Exchanges.

Article 5

The issuer whose securities are listed on the Eurolist market shall:

- provide Euronext with the minutes of all general and special meetings of shareholders, translated into English or French if necessary;
- keep Euronext informed of any changes in its articles of association (statuts) and of measures taken by its corporate bodies concerning the securities;
- inform Euronext, with a sufficient prior notice, of the prospective timetable for each financial operation and submit to Euronext the prospective timetable for each planned corporate action (notably the prospective date and amount of dividends as well as their potential modifications);
- inform Euronext of any new fact which, through its impact on the issuer's financial situation or business conditions, might significantly affect the price of its financial instruments;
- provide Euronext with copies of all announcements and publications circulated by the issuer or any document of an economic or financial nature published by the issuer;
- ensure in France, via an agent, the administration of corporate actions and other securities events as well as the payment of dividends or interest. This must be done at no cost to holders of its financial instruments. Furthermore, the issuer shall notify Euronext of any change of transfer agent or paying agent;
- when the securities are listed on a regulated market or market presenting the same characteristics, inform Euronext at least as extensively as the authorities of the market(s) in question;
- pay the fees charged by Euronext;
- fulfill all the regulatory requirements applicable as a result of the listing of its securities on a regulated market.

Article 6

As regards the admission to listing of financial instruments on regulated markets, Euronext cooperates and exchanges substantive information with the competent authorities in other EU Member States.

When applications for listing on the regulated markets of several Member States are submitted simultaneously or at close intervals, Euronext, in conjunction with the competent authorities in question, takes steps to simplify the procedure. The same applies when an application is received for a financial instrument already admitted to listing on a regulated market in another Member State.

When an entity applies for its financial instruments to be listed on the Eurolist market, it must specify whether an application has been made or will be made in the near future to another regulated market or a market presenting the same characteristics.

Article 7

Pursuant to the provisions of the organization and operating rules of the Eurolist market, admission to trading requires that shares representing at least 25% of the company's issued capital should be held by the public no later than the first day of listing, unless Euronext decides otherwise.

Euronext may waive the 25% requirement, notably when at least 600,000 shares are held by the public prior to or upon listing.

Freely transferable shares held by employees of the issuer are deemed to be publicly held. Euronext may also take into consideration shares previously subscribed by the public that may result in subscription, conversion, exchange, or repayment in equity securities.

Conversely, shares held by members of the entity's Board are not considered to be publicly held. Shares held by investors with 5% or more of the capital or voting rights are also excluded from the number of shares deemed to be publicly held.

III - ADMISSION OF FUNGIBLE SECURITIES**Article 8**

Fungible securities are defined for the purposes of this chapter as equity securities issued by a French entity that already has similar or different equity securities listed on the Eurolist market.

Article 9

The issuer and its intermediaries, in agreement with Euronext, draw up a schedule of operations.

Article 10

Applications for the listing of subsequent issues consist of the following documents:

- a letter by which the company applies for the listing of new financial instruments;
- minutes of the meetings of the issuer's governing bodies which authorized and determined the conditions applying to the operation giving rise to the issuance of new financial instruments;
- in the case of a business combination (acquisition, merger, or asset contribution), the issuer must include the agreements governing the exchange of consideration, the reports of the statutory auditors, and the minutes of the relevant general and special meetings of shareholders of the entities involved in the transaction;
- in the case of a capital increase by means of a cash issue, the issuer must include copies of the underwriting agreement (where applicable) and of certification from the depositary institution in all other cases;
- in the case of financial instruments issued by a foreign issuer, a legal opinion as to the validity of the issue;
- the prospectus and other documents prepared, where relevant, for the purpose of the issue in accordance with the *Autorité des marchés financiers'* regulations;
- articles of association (statuts), with all amendments;
- copies of the *Journal d'Annonces Légales* and the *Bulletin des Annonces Légales Obligatoires* in which the planned issue is announced, where such is the case.



**EURONEXT NOTICE 1-01
Amended on 24 June 2005**

**Entry into effect of the Euronext Rule Book
Issue Date: 17 June 2005**

Subject: Entry into force of the Euronext Rule Book

Department: Legal, Regulation, Compliance and European Affairs ("LRCEA")

**Issue Date: 24 June 2005
Effective Date: 1 July 2005**

This Notice, issued jointly by the Euronext Market Undertakings, specifies certain provisions in respect of the entry into force of the Rule Book pursuant to Rule 1801 of Book I of the Euronext Rule Book.

Terms beginning with a capital letter used in this Notice have the same meaning as defined in Book I, Chapter 1 of the Euronext Rule Book.

*
* *

1. Euronext Amsterdam will adopt Chapter 6 of the Euronext Rule Book ("Admission to Listing and Continuing Obligations of Issuers") on and from 1 July 2005. The transitional arrangements (Rule 1802) will therefore cease to have effect from that date.
2. Subject to paragraph 3, the revised Euronext Rule Book (Issue Date: 17 June 2005) shall enter into force on 1 July 2005 and shall supersede and replace the version with an issue date of 26 November 2004 for Euronext Amsterdam and that with an issue date of 23 March 2005 for the other Euronext Markets.
3. In respect of Euronext Brussels, the entry into effect of the revised Euronext Rule Book is subject to the approval of the Minister of Finance upon the recommendation of the Banking, Finance and Insurance Commission.
4. The present Notice supersedes and replaces Notice 1-01 as amended and issued on 23 March 2005.

*
* *

INSTRUCTION N3-01 APPLICABLE TO THE EUROLIST MARKET

LISTING OF EQUITY SECURITIES

I – GENERAL PROVISIONS**Article 1**

Equity securities are defined for the purposes of this Instruction as ordinary shares, preference shares, *certificats d'investissement*, *certificats coopératifs d'investissements*, certificates representing shares and, broadly, all simple or complex securities giving access to the issuer's capital.

Article 2

The application for admission to listing must contain the documents and information specified in this Instruction. Chapter II specifies information requirements for "new securities" (issued by companies not yet admitted to listing). Chapter III specifies the information requirements for "fungible securities", i.e. issues by companies already admitted to listing.

II – ADMISSION OF NEW SECURITIES**Article 3**

New securities are defined for the purposes of this chapter as equity securities, whether already issued or to be issued, of a French entity not already listed on the Eurolist market.

Article 4

The issuer wishing to be listed shall file an application containing the following documents and information, in French or English:

— General documents

- a letter by which the issuer applies for the admission of its securities to listing and agrees to comply with the disclosure obligations specified in the organization and operating rules of the Eurolist market, as detailed in article 5 of this instruction;
- a draft prospectus prepared in accordance with the *Autorité des marchés financiers*' regulations;
- a list of shareholders having acquired or subscribed to the issuer's shares in the year preceding their initial listing, together with the terms of such acquisitions or subscriptions;
- the list of transfer agents and paying agents;
- a copy of the underwriting agreement (firm commitment, standby commitment, best-efforts commitment) between the issuer and the intermediaries responsible for placing the securities with the public.

B – Financial documents

- a copy of the statutory and consolidated financial statements (profit and loss account, balance sheet and notes) for the three preceding years, certified by the statutory auditors;
- the audited accounts for the first half-year, if the last fiscal year closed more than nine months prior to the date of admission;
- the special reports of the statutory auditors for the years in question.

C – Legal documents

- a certified copy of the articles of association (statuts), with all amendments;
- certified copies of the minutes of the past three years' general or special meetings of shareholders, together with minutes of Board meetings deliberating the application of shareholder resolutions;
- in cases where the issue relates to a merger or asset contribution, copies of the related agreement(s), minutes of the shareholder meetings that ratified the merger or contribution, minutes of related Board meetings, the statutory auditors' report, and the statutory appraisers' report on assets or particular benefits (where applicable), together with the related legal notices;
- minutes of the meeting having decided and authorized the issue of securities, where initial listing involves such issue;
- a statement of mortgages and other pledges.

D – Specific documents for foreign issuers

- a list of the main known shareholders together with the number of securities held in portfolios in France;
- details of the number of securities already traded or likely to be traded in the Eurolist market;
- certification (in French) by the consular authorities in France or by a legal opinion issued by a law firm that the documents submitted by the issuer are in conformance with the laws and practices of its country of origin. For countries that do not operate a regulated market or whose regulated markets are not members of the International Federation of Stock Exchanges, this certification must be authenticated by the French Ministry of Foreign Affairs in Paris.

Such certification is also required for the admission to listing of foreign securities issued by unlisted entities incorporated in a Member State of the European Union (EU).

However, in lieu of the abovementioned document, an entity may submit a certificate of listing drawn up by the competent authorities of a regulated market in the country of issuance, provided that such market is a member of the International Federation of Stock Exchanges.

Article 5

The issuer whose securities are listed on the Eurolist market shall:

- provide Euronext with the minutes of all general and special meetings of shareholders, translated into English or French if necessary;
- keep Euronext informed of any changes in its articles of association (statuts) and of measures taken by its corporate bodies concerning the securities;
- inform Euronext, with a sufficient prior notice, of the prospective timetable for each financial operation and submit to Euronext the prospective timetable for each planned corporate action (notably the prospective date and amount of dividends as well as their potential modifications);
- inform Euronext of any new fact which, through its impact on the issuer's financial situation or business conditions, might significantly affect the price of its financial instruments;
- provide Euronext with copies of all announcements and publications circulated by the issuer or any document of an economic or financial nature published by the issuer;
- ensure in France, via an agent, the administration of corporate actions and other securities events as well as the payment of dividends or interest. This must be done at no cost to holders of its financial instruments. Furthermore, the issuer shall notify Euronext of any change of transfer agent or paying agent;
- when the securities are listed on a regulated market or market presenting the same characteristics, inform Euronext at least as extensively as the authorities of the market(s) in question;
- pay the fees charged by Euronext;
- fulfill all the regulatory requirements applicable as a result of the listing of its securities on a regulated market.

Article 6

As regards the admission to listing of financial instruments on regulated markets, Euronext cooperates and exchanges substantive information with the competent authorities in other EU Member States.

When applications for listing on the regulated markets of several Member States are submitted simultaneously or at close intervals, Euronext, in conjunction with the competent authorities in question, takes steps to simplify the procedure. The same applies when an application is received for a financial instrument already admitted to listing on a regulated market in another Member State.

When an entity applies for its financial instruments to be listed on the Eurolist market, it must specify whether an application has been made or will be made in the near future to another regulated market or a market presenting the same characteristics.

Article 7

Pursuant to the provisions of the organization and operating rules of the Eurolist market, admission to trading requires that shares representing at least 25% of the company's issued capital should be held by the public no later than the first day of listing, unless Euronext decides otherwise.

Euronext may waive the 25% requirement, notably when at least 600,000 shares are held by the public prior to or upon listing.

Freely transferable shares held by employees of the issuer are deemed to be publicly held. Euronext may also take into consideration shares previously subscribed by the public that may result in subscription, conversion, exchange, or repayment in equity securities.

Conversely, shares held by members of the entity's Board are not considered to be publicly held. Shares held by investors with 5% or more of the capital or voting rights are also excluded from the number of shares deemed to be publicly held.

III - ADMISSION OF FUNGIBLE SECURITIES**Article 8**

Fungible securities are defined for the purposes of this chapter as equity securities issued by a French entity that already has similar or different equity securities listed on the Eurolist market.

Article 9

The issuer and its intermediaries, in agreement with Euronext, draw up a schedule of operations.

Article 10

Applications for the listing of subsequent issues consist of the following documents:

- a letter by which the company applies for the listing of new financial instruments;
- minutes of the meetings of the issuer's governing bodies which authorized and determined the conditions applying to the operation giving rise to the issuance of new financial instruments;
- in the case of a business combination (acquisition, merger, or asset contribution), the issuer must include the agreements governing the exchange of consideration, the reports of the statutory auditors, and the minutes of the relevant general and special meetings of shareholders of the entities involved in the transaction;
- in the case of a capital increase by means of a cash issue, the issuer must include copies of the underwriting agreement (where applicable) and of certification from the depositary institution in all other cases;
- in the case of financial instruments issued by a foreign issuer, a legal opinion as to the validity of the issue;
- the prospectus and other documents prepared, where relevant, for the purpose of the issue in accordance with the *Autorité de marché financier*'s regulations;
- articles of association (statuts), with all amendments;
- copies of the *Journal d'Annonce Légale* and the *Bulletin de l'Annonce Légale Obligatoire* in which the planned issue is announced, where such is the case.

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CHAPTER 1: GENERAL PROVISIONS

1.1. Definitions

For purposes of this Rule Book, the following capitalised terms shall, unless specifically provided otherwise, have the following meanings:

"Admission Agreement":	a written agreement entered into between the Relevant Euronext Market Undertaking* and a Member or prospective Member in which the Member or prospective Member, as the case may be, applies for membership and agrees inter alia to abide by the Rules from time to time in force ;
"Admitted Financial Instrument":	any Financial Instrument admitted to listing or trading on a Euronext Market;
"Affiliate":	in respect of the Euronext Derivatives Markets, any Person designated as such by the Relevant Euronext Market Undertaking** pursuant to Rule 3601;
"Applicant":	in respect of admission to listing, a Person who is the Issuer or someone else acting with the Issuer's consent;
"Authorised Representative":	in respect of the Euronext Securities Markets, an individual appointed within a Member's organisation, and registered with the Relevant Euronext Market Undertaking*, pursuant to Rule 2206;
"Banking Directive":	EU Directive 2000/12/EC of the European Parliament and of the Council of March 20, 2000 relating to the taking up and pursuit of the business of credit institutions;
"Basket Trade":	cross trades in two or more Securities involving the same counterparties;
"Block Trade":	<p>(i) in respect of the Euronext Securities Markets, any Transaction of the kind defined in Rule 4403; and</p> <p>(ii) in respect of the Euronext Derivatives Markets, any Transaction permitted to be executed outside the Central Order Book utilising the Block Trade Facility pursuant to the requirements set out in Book II of the Rules or in the Trading Procedures, which may include those in respect of volume, price and type of client;</p>
"Broker":	any Member admitted in the capacity of broker pursuant to Rule 2102/2 on the Euronext Securities Markets and to Rule 3102/2 on the Euronext Derivatives Markets;

"Capital Adequacy Directive":	Council Directive 93/6/EEC of March 15, 1993 on the capital adequacy of investment firms and credit institutions;
"Central Order Book":	the Euronext Trading Platform's order book, in which all submitted orders and any modifications thereto are held until matched, expired or withdrawn;
"Certificate":	a document embodying one or more Securities;
"Clearing Agreement":	the written agreement defining, amongst other things, the mutual rights and obligations of a Member and a Clearing Member in relation to the clearing of Transactions entered into pursuant to Rule 2501 or 3501, as the case may be, between: <ul style="list-style-type: none"> (i) in respect of Clearnet, a Clearing Member authorised as a general Clearing Member, on the one hand, and a Member or prospective Member that is not or does not intend to become a Clearing Member, on the other hand; or (ii) in respect of LCH, the parties referred to in paragraph (i) above in addition to LCH and LIFFE A&M;
"Clearing House":	LCH.Clearnet Limited or LCH.Clearnet S.A., as the case may be;
"Clearing Member":	any Person authorised by the Clearing House to clear Transactions in accordance with the relevant provisions of the Clearing Rule Book;
"Clearing Rule Book":	the collection of rules governing the organisation and operation of the Clearing House, adopted by the Clearing House and approved by the Competent Authorities, as interpreted and implemented by instructions, notices and procedures issued by the Clearing House;
"Client":	any Person who employs the services of a Member in relation to one or more orders for the purchase or sale of one or more Admitted Financial Instruments;
"Competent Authority":	the public authority or self-regulatory body of Belgium, France, the Netherlands, Portugal or the United Kingdom as the case may be, having jurisdiction over the relevant matter;
"Contract Specifications":	the terms and arrangements specified by the Relevant Euronext Market Undertaking** pursuant to Rule 5103 in respect of each Derivative which is an Admitted Financial Instrument, issued as a Notice;
"Credit Institution":	any credit institution as defined in Article 1(1) of the Banking Directive, excluding any of the institutions referred to in Article 2(3) thereof;

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"Cross Transaction":	(i) in respect of Derivatives which are Admitted Financial Instruments, a Transaction executed pursuant to requirements (including those as to price) set out in Rule 5501, Book II of the Rules and the Trading Procedures whereby both the purchase and the sale are executed by one Member, albeit that the relevant orders must have originated from separate Clients or from separate accounts with different beneficial owners, as the case may be; and (ii) in respect of Securities which are Admitted Financial Instruments, a cross trade or principal trade executed pursuant to Rule 4402;
"Dealer":	any Member admitted in the capacity of dealer pursuant to Rule 2102/3 on the Euronext Securities Markets and to Rule 3102/3 on the Euronext Derivatives Markets;
"Depository Receipt":	a Security embodying an entitlement to specific rights attaching to an Underlying Security, issued by an entity other than the Issuer of the Underlying Security;
"Derivative":	any non-securitized instrument of one of the following categories: (i) options and futures contracts in respect of Securities or commodities, including equivalent cash-settled instruments; (ii) any other instruments (other than warrants and other types of Securities) the value of which is determined by reference to prices of Securities or commodities, interest rates or yields, foreign exchange rates or other indices or measures which, subject to relevant National Regulations, Euronext may determine to be eligible for trading on a Euronext Market for Derivatives;
"Equity Securities":	Shares and other transferable securities equivalent to Shares, as well as any other type of transferable securities giving the right to acquire Equities Securities as a consequence of their being converted or the rights conferred by them being exercised, provided that Securities of the latter type are issued by the issuer of the Underlying Securities or by an entity belonging to the group of the said issuer;
"Euronext":	the corporate group consisting of Euronext N.V., a corporation (" <i>naamloze vennootschap</i> ") organised under the laws of the Netherlands, the Euronext Market Undertakings and any other subsidiary of Euronext N.V., as the context may require;
"Euronext Amsterdam":	Euronext Amsterdam N.V., a corporation (" <i>naamloze vennootschap</i> ") organized under the laws of the Netherlands, operator of a securities exchange
	"Euronext Brussels":
	("houder van een effectenbeurs") authorised pursuant to Article 22 of the Dutch Securities Markets Supervision Act of 1995 (" <i>Wet toezicht effectenverkeer 1995</i> ");
	Euronext Brussels S.A./N.V., a corporation (" <i>société anonyme</i> ", " <i>naamloze vennootschap</i> ") organised under the laws of Belgium and recognised as a market undertaking in accordance with Article 16 of the Belgian Law of August 2, 2002 governing the supervision of the financial sector and financial services (" <i>Loi relative à la surveillance du secteur financier et aux services financiers / Wet betreffende het toezicht op de financiële sector en de financiële diensten</i> ");
	"Euronext Derivatives Market" or "Euronext.liffe":
	any market, including any Regulated Market, for Derivatives operated by any Euronext Market Undertaking;
	"Euronext Derivatives Membership":
	membership of one or more of the Euronext Derivatives Markets as defined in Rule 3101;
	"Euronext Lisbon":
	Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A., a corporation (" <i>sociedade anónima</i> ") organised under the laws of Portugal, a regulated market managing company authorised pursuant to Article 15 of the Portuguese Decree-Law n.º 394/99, of October 13 th , as amended by the Decree-Law n.º 8-D/2002, of January 15 th (" <i>Regime jurídico das entidades gestoras de mercados de valores mobiliários e de sistemas conexos</i> ");
	"Euronext Market":
	any Euronext Derivatives Market or Euronext Securities Market;
	"Euronext Market Undertakings":
	Euronext Amsterdam, Euronext Brussels, Euronext Lisbon, Euronext Paris and LIFFE A&M;
	"Euronext Paris":
	Euronext Paris S.A., a corporation (" <i>société anonyme</i> ") organised under the laws of France and a market undertaking (" <i>entreprise de marché</i> ") within the meaning of Article L. 441-1 of the French Monetary and Financial Code;
	"Euronext Securities Market":
	any Regulated Market for Securities operated by any Euronext Market Undertaking;
	"Euronext Securities Membership":
	membership of the Euronext Securities Markets as defined in Rule 2101;
	"Euronext Trading Platform":
	the technical platform operated by Euronext and interlinking Euronext Markets for Securities or for Derivatives, as the case may be;
	"Financial Institution":
	any financial institution as defined in Article 1(5) of the Banking Directive, which fulfills the conditions set forth in Article 19 thereof;

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<p>"Financial Instrument": any Security or Derivative;</p>	<p>"LCH.Clearnet S.A.": Banque Centrale de Compensation S.A., a corporation ("<i>société anonyme</i>") organised under the laws of France, being a clearing institution within the meaning of Article L. 442-1 of the French Monetary and Financial Code ("<i>Code monétaire et financier</i>") and designated by Euronext as a Clearing House;</p>
<p>"Home State": the country in which a Person has its registered office or, absent a registered office, its head office or, in the case of an individual, the country in which such individual has its principal place of business;</p>	<p>"LIFFE A&M": LIFFE Administration and Management, a company incorporated in England and Wales (registration no. 1591809) whose registered office is at Cannon Bridge House, 1 Cousin Lane, London EC4R 3XX, England and which has been recognised as an investment exchange pursuant to section 290 of the Financial Services and Markets Act 2000;</p>
<p>"Individual Trading Mnemonic" or "ITM": any trading access identifier assigned to a Responsible Person for the execution of business on the Euronext Trading Platform for Derivatives for which he is responsible;</p>	<p>"LIFFE CONNECTSM": the Euronext Trading Platform for Derivatives;</p>
<p>"Information Technology Agreement": in respect of the Euronext Securities Markets, the written agreement entered into between the Relevant Euronext Market Undertaking* and a Member or prospective Member pursuant to Rule 2204/2 and co-signed by the other Euronext Market Undertakings laying down the technical conditions to access the Euronext Trading Platform for Securities and the terms and conditions under which Euronext provides services to the Members in respect of Securities;</p>	<p>"Liquidity Provider": unless otherwise specified in Book II, any Member or, in respect of Euronext Derivatives Markets, any Member or Client of a Member who has undertaken, and been appointed by the Relevant Euronext Market Undertaking**, to enhance the market liquidity of a particular Admitted Financial Instrument, in accordance with Rule 2103 for the Euronext Securities Markets and with Rule 5105/1 for the Euronext Derivatives Markets;</p>
<p>"Investment Company": an investment company whether or not constituted as a UCITS;</p>	<p>"Liquidity Provision Agreement": a written agreement entered into between the Relevant Euronext Market Undertaking** and a Liquidity Provider pursuant to Rule 2103/2 for the Euronext Securities Markets and with Rule 5105/1 for the Euronext Derivatives Markets;</p>
<p>"Investment Firm": a Person, other than a Credit Institution or a Financial Institution, whose regular occupation or business is the provision of Investment Services for third parties on a professional basis, within the meaning of Article 1(2) of the Investment Services Directive;</p>	<p>"Listing Agent": a legal person assisting the Issuer by which it is appointed for the admission to listing of Securities on a Euronext Securities Market;</p>
<p>"Investment Fund": an investment fund constituted as unit trust/common fund, other than an open-ended fund;</p>	<p>"Listing Agreement": an agreement to be concluded prior to the admission to listing between the Issuer and the Relevant Euronext Market Undertaking** under which the Issuer agree to be bound by the Rules;</p>
<p>"Investment Service": any of the services listed in Section A of the Annex to the Investment Services Directive, relating to any Financial Instrument, that are provided to a third party;</p>	<p>"Market Capitalisation": with regards to a particular Security on a particular day:</p> <ul style="list-style-type: none"> (i) the price multiplied by the number of Securities of that particular type at a certain period of time, subject to a maximum of the total number of Securities of that type admitted to listing on a Euronext Securities Market, or (ii) in the case of Bonds, the amount obtained by multiplying the percentage stated as the issue price of the Bond by the issued nominal amount of the relevant issue at the end of that day;
<p>"Investment Services Directive": Council Directive 93/22/EEC of May 10, 1993 on investment services in the securities field;</p>	<p>"Member": any Person who has been admitted to Euronext Securities Membership or Euronext Derivatives Membership and whose membership has not been terminated;</p>
<p>"ISD Passport": the freedom of an Investment Firm or a Credit Institution to carry on investment business throughout the European Economic Area on the basis of authorisation by the competent authorities of its home Member State pursuant to the Investment Services Directive;</p>	
<p>"Issuer": any legal entity that has issued an Admitted Financial Instrument;</p>	
<p>"LCH.Clearnet Limited": LCH.Clearnet Limited, a company incorporated in England and Wales (registration no. 00025932) whose registered office is at Aldgate House, 33 Aldgate High Street, London EC3N 1EA, England and which has been recognised as a clearing house pursuant to section 290 of the Financial Services and Markets Act 2000 and designated by Euronext as a Clearing House;</p>	

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"Member State":	any of the Member States of the European Economic Area;
"National Regulations":	any and all laws and regulations applicable in the jurisdiction of the Relevant Euronext Market Undertaking;
"Non-ISD Firm":	a Person without the right to an ISD Passport, including a Person established within a Member State of the European Economic Area but excluded from the scope of the Investment Services Directive and a Person from a third country, whether authorised or not;
"Notice":	any written communication, labelled "Notice", issued by the Euronext Market Undertakings to Members or Issuers generally or to any class of Members or Issuers for the purpose of interpreting or implementing the Rules or any other purpose contemplated in this Rule Book;
"Other Investment Service Provider":	any Person which is authorised by the competent authority of its Home State to engage in brokerage and/or dealing in Financial Instruments, within the meaning of items 1(b) and 2 of Section A of the Annex to the Investment Services Directive, but is not a Qualifying Investment Service Provider;
"Participation Certificate":	a Certificate of participation in an Investment Fund;
"Partner Market":	a market which is the subject of an agreement with a Euronext Market Undertaking pursuant to Rule 2201/3 or Rule 3202;
"Person":	any individual, corporation, partnership, association, trust or entity as the context admits or requires;
"Public-Law Issuer":	an Issuer that is a state, a territorial body under public law or an international institution under public law;
"Qualifying Investment Service Provider":	any Investment Firm, Credit Institution or Financial Institution having its registered office or, absent a registered office, its head office in one of the Member States and authorised by the competent authority of its Home State to engage in brokerage and/or dealing in Financial Instruments, within the meaning of items 1(b) and 2 of Section A of the Annex to the Investment Services Directive, with the exception of the firms or undertakings referred to in Article 2(2) thereof;
"Responsible Person":	in respect of Euronext Derivatives Markets, an individual designated as such by a Member and registered with the Relevant Euronext Market Undertaking** pursuant to Rule 3204/1;
"Regulated Market":	any organised market for Financial Instruments within the scope of Article 1(13) of the Investment Services Directive;
	"Related Party":
	in respect of Euronext Securities Markets, any legal person that: (i) owns 50% or more of the Member; (ii) is owned 50% or more by the Member; (iii) is owned 50% or more by a third person that also owns 50% or more of the Member; or (iv) is an Investment Firm, a Credit Institution or a Financial Institution within the same scope of prudential supervision as the Member. The 50% threshold shall be assessed by reference either to the capital or voting rights;
	"Relevant Euronext Market Undertaking":
	the Euronext Market Undertaking which has approved, or is in the process of reviewing, the application for Euronext Membership of the relevant Member or prospective Member, or the Euronext Market Undertaking which has admitted the relevant Financial Instrument to listing or trading on a Euronext Market or with which the relevant application for admission to listing or trading is pending, as the context requires; when this term is intended to refer solely to a Euronext Market Undertaking in the first sense, it is marked with an asterisk (*); when it is intended to refer solely to a Euronext Market Undertaking in the second sense, it is marked with a double asterisk (**);
	"Rules":
	the rules set forth in this Rule Book, as interpreted or implemented by Notices;
	"Security":
	any transferable security of one of the following categories:
	(i) Equity Securities;
	(ii) Certificates;
	(iii) Depositary Receipts in respect of Shares;
	(iv) bonds or other debt securities;
	(v) warrants or similar securities entitling the holder to acquire any of the aforesaid securities or any basket of such securities or to receive a cash amount determined by reference to a future price or value of any such security or basket;
	(vi) units in collective investment undertakings or participation units in other investment vehicles;
	(vii) any other securities which, subject to relevant National Regulations, Euronext may decide to be eligible for trading on a Euronext Market for Securities;
	"Shares":
	any shares of capital stock or other equity securities issued by a corporation or other incorporated business enterprise;
	"Tracker":
	A UCITS as defined or specified in Book II.

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<p>"Trading Day": any day on which the Euronext Markets are open for trading;</p> <p>"Trading Host": the central processing system of the Euronext Trading Platform for Securities or Derivatives, as the case may be;</p> <p>"Trading Hours": the trading hours on any Trading Day, as announced by a Notice;</p> <p>"Trading Manager": in respect of Euronext Securities Markets, an individual appointed within a Member's organisation, and registered with the Relevant Euronext Market Undertaking*, pursuant to Rule 2205;</p> <p>"Trading Manual": those procedures concerning the Euronext Securities Markets issued pursuant to Rule 4105, issued as a Notice;</p> <p>"Trading Procedures": those procedures concerning the Euronext Derivatives Markets issued pursuant to Rule 5105, issued as a Notice;</p> <p>"Transaction": any purchase or sale of an Admitted Financial Instrument on a Euronext Market;</p> <p>"UCITS": An Undertaking for Collective Investment in Transferable Securities.</p> <p>"Underlying Security": any Security of the kind defined in Rule 6606.</p> <p>"User and Licence Agreement": in respect of the Euronext Derivatives Markets, the written agreement entered into between LIFFE A&M and a Member or prospective Member laying down the technical conditions to access the Euronext Trading Platform for Derivatives and the terms and conditions under which Euronext provides services to the Members.</p>	<p>1206</p> <p>1207</p> <p>1208</p> <p>1209</p> <p>1.3.</p> <p>1301</p> <p>1302</p> <p>1303</p> <p>1.4.</p> <p>1401</p>	<p>Capitalised terms defined in section 1.1 and used but not otherwise defined in Notices or other communications of the Euronext Market Undertakings shall have the same meaning therein as set forth in section 1.1.</p> <p>Unless specified otherwise, references to decisions or determinations made or to be made, or other acts performed or to be performed, by Euronext shall be construed to refer to decisions, determinations or other acts made or performed, or to be made or performed, jointly by the Euronext Market Undertakings.</p> <p>Unless specifically provided otherwise, time specifications in this Rule Book or in Notices or other communications of the Euronext Market Undertakings shall be construed to refer to Central European Time.</p> <p>Unless specifically provided otherwise, any time periods stated in this Rule Book or in Notices or other communications of the Euronext Market Undertakings shall be counted from midnight to midnight. The time periods shall be deemed to begin on the day following the day on which the event that causes such period to begin takes place. If the date on which any such period terminates is not a Trading Day, the relevant time period shall expire on the next Trading Day. Time periods stated in months or years shall be counted from the starting day through the day preceding the corresponding day in the relevant subsequent month or year.</p> <p>Language</p> <p>Book I of this Rule Book is drawn up, and Notices shall be issued, in the language(s) of the jurisdiction of each Euronext Market Undertaking. These language versions are equally authentic.</p> <p>For each Euronext Market Undertaking, Book II of this Rule Book is drawn up, and Notices shall be issued, in English and in the language(s) of the jurisdiction of that Euronext Market Undertaking. Subject to National Regulations, these language versions are equally authentic.</p> <p>Any applications, filings and correspondence with, and submissions to, a Euronext Market Undertaking by Members, Issuers and prospective Members or Issuers shall be in English or in the language or one of the languages of such Euronext Market Undertaking, as each Member, Issuer or prospective Member or Issuer may elect.</p> <p>Implementation and Modification of Rules</p> <p>This Rule Book shall be implemented and interpreted by:</p> <p>(i) Notices applicable to all Euronext Derivatives Markets, issued jointly by the Euronext Market Undertakings;</p> <p>(ii) Notices applicable to all Euronext Securities Markets, issued jointly by the Euronext Market Undertakings;</p> <p>(iii) Notices applicable only to markets operated by one Euronext Market Undertaking, issued separately by that Euronext Market Undertaking; and</p> <p>(iv) individual decisions adopted by one Euronext Market Undertaking pursuant to the Rules.</p> <p>Notices shall become effective and binding upon publication by the Euronext Market Undertakings in the manner set forth in Rule 1501 or at such subsequent date as is specified in such publication.</p>	<p>1.2. Construction</p> <p>1201 References to any law, regulation, directive or rule shall be construed as those in force at the relevant time, as the same may have been amended.</p> <p>1202 The Rule Book is composed of a harmonised part ("Book I") and a part which is market-specific ("Book II"). Unless specifically provided otherwise, cross-references to Rules, chapters or sections in this Rule Book shall be construed to refer to Rules, chapters or sections of the same book.</p> <p>1203 [Reserved].</p> <p>1204 Chapter or section headings in this Rule Book or in the Notices are for ease of reference only; they are not part of the content of the relevant chapter or section and do not in any way affect the interpretation thereof.</p> <p>1205 Capitalised terms used in this Rule Book shall be construed to be of such gender or number as the context admits or requires.</p>

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1402	<p>With a view to the adequate and proper operation of the Euronext Markets and the protection of the interests of participants on those markets, the Euronext Market Undertakings may modify the Rules, including by adopting additional Rules, whenever it deems such modifications necessary or appropriate.</p> <p>The Rules are modified by decision adopted jointly by the Euronext Market Undertakings in the case of Rules set forth in Book I, or by decision of the Relevant Euronext Market Undertaking in the case of Rules set forth in Book II, in each case subject to approval by the Competent Authorities. Such modifications shall become effective and binding on all Members and Issuers upon publication by the Euronext Market Undertakings in the manner set forth in Rule 1501 or at such subsequent date as is specified in such publication.</p> <p>If any modification of the Rules, other than a modification required by European Community law or National Regulations, materially adversely affects the rights or obligations of Members generally or of any class of Members, then any Member so affected may terminate its Euronext Membership by notice in writing given to the Relevant Euronext Market Undertaking* within five Trading Days from the date of publication of the relevant modification.</p>	1602	<p>Subject to National Regulations, in providing trading facilities in respect of Admitted Financial Instruments and related services and communications infrastructure and connections, Euronext shall act on a commercial best efforts basis.</p>
	<p>1.5. Publication and Communications</p>		<p>1.7. Governing Law</p>
1501	<p>The Euronext Market Undertakings shall ensure publication of this Rule Book, subsequent amendments to the Rules, and Notices through dissemination to its Members and/or Issuers or to the relevant class of Members or Issuers via its trading system, publication in its periodical publications or individual notification as appropriate.</p>	1701	<p>This Rule Book shall be governed by and construed:</p> <ul style="list-style-type: none"> (i) in respect of Euronext Amsterdam, in accordance with the laws of the Netherlands; (ii) in respect of Euronext Brussels, in accordance with the laws of Belgium; (iii) in respect of Euronext Lisbon, in accordance with the laws of Portugal; (iv) in respect of Euronext Paris, in accordance with the laws of France; (v) in respect of LIFFE A&M, in accordance with the laws of England and Wales.
1502	<p>Unless specifically provided otherwise, any notification or other communication specific to a Member or an Issuer which is required to be made in writing by any Rule may be made by any means of communication producing or permitting reproduction of a written or printed text of the notice.</p> <p>Any such notification or communication shall be deemed to have been received when effectively delivered to the recipient's address or transmitted to its fax number or electronic mail address, as the case may be, except that any notification or communication made by ordinary mail shall be deemed to have been received on the second, fourth or seventh Trading Day following the postal stamp date, depending on whether the notice is sent within the same country, to another Member State or to a country outside the European Economic Area, respectively.</p> <p>Any such notification or communication to a Member or to an Issuer shall be made to the address, fax number or electronic mail address specified in writing by such Member or Issuer. For Members, such a registration has to be done pursuant to Rule 2.7 or Rule 3.7, as the case may be.</p>	1702	<p>Nothing contained in these Rules overrides any provision of applicable National Regulations and, in the case of any conflict between any provision of these Rules and National Regulations, National regulations will prevail.</p>
	<p>1.6. Best Efforts Obligations</p>		<p>1.8. Entry into Effect</p>
1503	<p>A Relevant Euronext Market Undertaking may record conversations conducted on telecommunications equipment of any kind located on its premises, including for the avoidance of doubt conversations conducted from such premises using portable telecommunications equipment. Any such recordings shall be retained by that Euronext Market Undertaking on such terms and conditions as may be prescribed from time to time.</p>	1801	<p>This Rule Book shall enter into effect as of a date to be announced by Euronext by Notice.</p>
1601	<p>Subject to National Regulations, the Euronext Market Undertakings shall use reasonable best efforts to monitor compliance with the Rules by the Members and the Issuers, to enforce the Rules and to organise fair, orderly and efficient markets.</p>		

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CHAPTER 2: EURONEXT SECURITIES MEMBERSHIP

2.1. Euronext Securities Membership and Trading Activities

- 2101 *Euronext Securities Membership*
- 2101/1 Upon admission by the Relevant Euronext Market Undertaking* in accordance with this Chapter 2 and upon completion of such procedural requirements as may be set forth in one or more Notices on this subject, a Person shall become a member of, and be entitled to trade on, the corresponding Euronext Securities Markets operated by the other Euronext Market Undertakings, in the same capacity and subject to the same restrictions as on the markets operated by the Relevant Euronext Market Undertaking*.
- 2101/2 The rights and obligations of a Member, the Relevant Euronext Market Undertaking* and the other Euronext Market Undertakings in relation to Euronext Securities Membership shall be set forth in this Rule Book, in the Admission Agreement and in other specific agreements contemplated by this Chapter 2.
- 2101/3 Euronext Securities Membership or any right arising from such membership may not in any way be transferred or encumbered.
- 2102 *Member Capacities: Brokers and Dealers*
- 2102/1 Persons may apply for Euronext Securities Membership as a Broker and/or a Dealer.
- 2102/2 Brokers are entitled to trade exclusively for third parties, including other Members.
- 2102/3 Dealers are entitled to trade exclusively for their own account, including, subject to Rule 2103, with a view to enhancing market liquidity of an Admitted Financial Instrument.
- 2102/4 The Admission Agreement shall specify the Euronext Securities Markets on which a Member can trade and/or the categories of Admitted Financial Instruments in which it can trade.
- 2103 *Liquidity Providers*
- 2103/1 When the Relevant Euronext Market Undertaking** considers it to be in the interest of the market that liquidity in a particular Admitted Financial Instrument be improved, it may enter into agreements whereby one or more Members (or, where permitted by the relevant Book II, Clients acting purely in a proprietary capacity) assume the role of Liquidity Provider for such instrument.
- 2103/2 Liquidity Providers introduce in the Central Order Book, continuously, during auctions or in response to specific requests, buy and sell orders with a view to enhancing market liquidity of such instrument. The specific rights and obligations of a Liquidity Provider shall be set forth in the Liquidity Provision Agreement.
- 2103/3 Only Dealers (or, where permitted by the relevant Book II, Clients acting purely in a proprietary capacity) may act as Liquidity Providers.
- 2103/4 The Relevant Euronext Market Undertaking** shall determine the minimum and maximum number of Liquidity Providers for the relevant instrument.
- 2103/5 In exceptional market circumstances, the Relevant Euronext Market Undertaking** may suspend a Liquidity Provider's obligations. The Relevant Euronext Market

Undertaking** shall then disseminate the appropriate information to the Members in accordance with Rule 1501.

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The Relevant Euronext Market Undertaking** shall publish and regularly update the list of Liquidity Providers and relevant information relating to their activities in accordance with Rule 1501.

2.2. Requirements for Euronext Securities Membership

- 2201 *General Requirements*
- 2201/1 The admission of a Person to Euronext Securities Membership is subject to the prior written approval of the Relevant Euronext Market Undertaking*.
- 2201/2 Persons eligible for Euronext Securities Membership are:
- (i) Qualifying Investment Service Providers authorised to trade all or certain Admitted Financial Instruments; and
 - (ii) Other Investment Service Providers authorised under the rules of their respective Home States and National Regulations, as applicable.
- 2201/3 Individually or jointly, the Euronext Market Undertakings may enter into an agreement with another exchange operating a Regulated Market or an organised market recognised by the Competent Authorities in order to define, on a reciprocal basis, specific conditions for the admission of members of the said markets.
- For the purposes of this Rule 2201/3, such Regulated Market or organised market shall be described as a "Partner Market".
- A Person accessing a Euronext Securities Market through a cross-membership agreement of the sort contemplated by the above paragraph is referred to as a "Cross-Member". Except otherwise provided in the relevant agreement, a Cross-Member cannot benefit from other cross-membership agreements executed by Euronext.
- A Cross-Member is bound by the Rules of the Relevant Euronext Market Undertaking as amended by the provisions of the cross-membership agreement. Conversely, a Euronext Securities Member shall comply with the rules of the Partner Markets where it trades.
- Following the termination of a cross-membership agreement, the Cross-Member may elect to remain a Euronext Securities Member, in which case it will remain subject to the provisions contained in the Rules, but the specific provisions previously set forth in the terminated agreement will no longer apply.
- 2202 *Clearing Capability*
- Each prospective Member must be, or irrevocably undertake to become, a Clearing Member or, alternatively, must have entered into a Clearing Agreement or hold an irrevocable written commitment of a Clearing Member to enter into such an agreement.
- 2203 *Professional, Organisational and Technical Requirements*
- Prospective Members shall be required to:
- (i) prove professional and organisational capabilities;

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<p>(ii) satisfy such general technical requirements as may be imposed by the Relevant Euronext Market Undertaking* and included in the Information Technology Agreement; and</p> <p>(iii) demonstrate fluency of their relevant personnel in English or in the language or one of the languages of the Relevant Euronext Market Undertaking*.</p> <p>2204 <i>Information Technology Requirements</i></p> <p>2204/1 Prospective Members must satisfy the Relevant Euronext Market Undertaking* as to their technical capacity to be connected to the Euronext Trading Platform.</p> <p>2204/2 Prospective Members must enter into an Information Technology Agreement which shall specify the technical requirements for connection to the Euronext Trading Platform.</p> <p>2204/3 Each prospective Member and Member authorises the Relevant Euronext Market Undertaking* or its duly appointed agents to audit such Member's technical environment enabling it to be connected to the Euronext Trading Platform and shall provide all information requested in the course of such an audit. Each Member shall make any modification to its technical environment that may be required by the Relevant Euronext Market Undertaking* as a result of such audit.</p> <p>2205 <i>Trading Managers</i></p> <p>2205/1 Members having no more than three employees involved in trading (hereafter "traders") shall appoint one Trading Manager, and Members having more than three traders shall appoint at least two Trading Managers, in order to represent them vis-à-vis other Members and Euronext in respect of Transactions effected on the Euronext Trading Platform, including for the organisation of controls over the trading system and the related procedures, such as order filtering procedures.</p> <p>2205/2 Trading Managers must be registered with the Relevant Euronext Market Undertaking*. Without prejudice to such specific conditions as the Relevant Euronext Market Undertaking* may impose, registration of a Trading Manager shall be subject to the following conditions:</p> <p>(i) the Relevant Euronext Market Undertaking* judges the individual in question fit and proper to fulfill the role of Trading Manager;</p> <p>(ii) the individual in question obtains a professional license by passing an exam prescribed by the Relevant Euronext Market Undertaking* or by otherwise proving its experience in a manner satisfactory to the Relevant Euronext Market Undertaking*; and</p> <p>(iii) without prejudice to Rule 2207/2, the relevant Member submits a written undertaking of the individual in question to comply with the Rules, the specific conditions to which its registration has been made subject and the decisions of the Euronext Market Undertakings.</p> <p>The procedure and conditions of registration, including the requirements in respect of the professional license referred to in item (ii) above, shall be further specified in one or more Notices.</p> <p>2205/3 A Trading Manager shall be responsible for selecting and supervising the traders of the relevant Member. The Trading Manager shall select traders that are fit and proper to act in this capacity on the Euronext Securities Markets including (without limitation) on the basis of their professional capabilities and their knowledge of the Euronext</p>	<p>Securities Markets, the Rules, the Euronext Trading Platform, the Admitted Financial Instruments and the order filtering procedures.</p> <p>2205/4 If a Trading Manager:</p> <p>(i) no longer satisfies one or several of the requirements set forth in the Rules, the conditions to which its registration has been made subject or its obligations towards the Relevant Euronext Market Undertaking*;</p> <p>(ii) has acted in a manner that is detrimental or threatens to be detrimental to the interests of Euronext; or</p> <p>(iii) in any other manner has acted in breach of the Rules,</p> <p>the Relevant Euronext Market Undertaking* may at any time suspend the registration of such Trading Manager for a period not exceeding six months or terminate such registration.</p> <p>Any such suspension or termination shall be notified to such Trading Manager and the relevant Member by registered mail.</p> <p>2205/5 The Member has to make sure that a Trading Manager is reachable at any time during the Trading Hours.</p> <p>2205/6 Registration as a Trading Manager is strictly personal and may not be transferred or assigned in any manner.</p> <p>2206 <i>Authorised Representatives</i></p> <p>2206/1 Members shall appoint at least one Authorised Representative in order to represent them vis-à-vis the Euronext Market Undertakings in all matters pertaining to the exercise of the Member's capacity other than matters within the scope of the Trading Managers' responsibilities. The Relevant Euronext Market Undertaking* may allow the appointment of more than one Authorised Representative, up to a maximum of five per Member.</p> <p>2206/2 Authorised Representatives shall also be responsible for disseminating within the relevant Member's organisation and, when necessary, to their Related Parties the decisions and communications issued by the Euronext Market Undertakings and for advising the relevant Member and its directors, officers, employees, agents and representatives on the application of the Rules.</p> <p>2206/3 Authorised Representatives shall be registered with the Relevant Euronext Market Undertaking* on the basis of a declaration of the relevant Member.</p> <p>The Relevant Euronext Market Undertaking* may decline to register an individual as an Authorised Representative or terminate such registration if it considers that the individual in question is not or no longer fit and proper to act as an Authorised Representative.</p> <p>2207 <i>Other Provisions</i></p> <p>2207/1 Trading Managers and Authorised Representatives may only be registered for one of such functions and only on behalf of one Member; provided that the Relevant Euronext Market Undertaking* may decide otherwise.</p> <p>2207/2 Members shall be fully responsible for the acts and omissions of their Trading Managers and Authorised Representatives in the performance of their duties.</p>

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2.3.	Application Procedure	2303/2	Subject to Rule 2301/1, upon its admission by the Relevant Euronext Market Undertaking* to Euronext Securities Membership, a Member is authorised to trade on the Euronext Securities Markets in accordance with the terms of the Admission Agreement.
2301	<i>General</i>	2303/3	If a Member has not commenced trading within six months after having been notified of its admission, the Relevant Euronext Market Undertaking* may revoke its decision of admission at will.
2301/1	Euronext Securities Membership shall become effective only upon fulfilment of all of the following conditions:	2304	<i>Confidentiality of Information</i>
	(i) the prospective Member fulfilling all admission requirements in relation to its capacity;	2304/1	Without prejudice to Rule 2304/2, the Relevant Euronext Market Undertaking* shall keep confidential all information submitted to it by a prospective Member in connection with an application for Euronext Securities Membership or obtained by it in the course of reviewing such application.
	(ii) the Relevant Euronext Market Undertaking* having approved the application for Euronext Securities Membership and the prospective Member having satisfied all specific conditions precedent to which such approval may have been made subject;	2304/2	In its application for Euronext Securities Membership, a prospective Member shall authorise the Relevant Euronext Market Undertaking* to obtain and transmit any relevant information concerning such prospective Member, both prior to and after its admission, from or to any other Euronext Market Undertaking, the Clearing House, any public authority or any other body responsible for the regulation or supervision of Investment Services or for law enforcement, whether in the jurisdiction of the Relevant Euronext Market Undertaking* or elsewhere, subject to National Regulations.
	(iii) any audit of the prospective Members technical environment enabling it to be connected to the Euronext Trading Platform which may have been carried out by or on behalf of the Relevant Euronext Market Undertaking* having been completed to the satisfaction of the Relevant Euronext Market Undertaking*, or the prospective Member having taken action satisfactory to the Relevant Euronext Market Undertaking* to cure any deficiency of its technical environment which such audit may have brought to light; and	2305	<i>Application File</i>
	(iv) the Relevant Euronext Market Undertaking* having received originals of the Admission Agreement and the Information Technology Agreement, and, if applicable, a copy of the Clearing Agreement, all duly signed on behalf of the prospective Member; and	2305/1	The application for Euronext Securities Membership shall at least include the following items:
	(v) the confirmation in writing thereof by the Relevant Euronext Market Undertaking* to the Member.		(i) the content and terms of the license or authorisation to engage in Investment Services, issued to the applicant by the competent authorities of its Home State;
2301/2	The Relevant Euronext Market Undertaking* shall inform the other Euronext Market Undertakings, the Members, the Clearing House and the Competent Authorities of the admission of new Members and the date as from which the new Member starts trading. In addition, the Relevant Euronext Market Undertaking* shall inform the relevant Partner Market when a new cross-member is admitted.		(ii) in the case of Qualifying Investment Service Providers, evidence that the competent authorities of the applicant's Home State have made the necessary notifications to the Competent Authorities in order to allow the applicant to engage in brokerage and/or dealing in Financial Instruments in the jurisdictions of the Euronext Market Undertakings;
2302	<i>Application Procedure</i>		(iii) in the case of Other Investment Service Providers, evidence that the applicant complies with National Regulations in respect of brokerage and/or dealing in Financial Instruments;
2302/1	Prospective Members shall submit a written application including, inter alia, the information and documents specified in Rule 2305 and such additional information and documents as the Relevant Euronext Market Undertaking* may, in its sole judgement, consider relevant in order to review the application.		(iv) the proposed capacity or capacities, the Euronext Securities Markets and, when required by the Relevant Euronext Market Undertaking*, the Admitted Financial Instruments in or on which the applicant proposes to trade, together with a description of the proposed activities;
2302/2	A Member wishing to act in a capacity other than that to which it is already admitted shall file a written application to that effect with the Relevant Euronext Market Undertaking*.		(v) a description of the human and technical resources that the applicant will allocate to its trading activity, including the identities of the Trading Manager(s) and the Authorised Representative(s);
2303	<i>Determination of Application</i>		(vi) the applicant's articles of association as they are in effect at the time of application (where applicable);
2303/1	The Relevant Euronext Market Undertaking* shall, within two months after receipt of the application file mentioned in Rule 2305/1 and any additional information requested by it, in its sole discretion approve or reject such application or approve such application subject to such conditions and/or restrictions as it considers appropriate. The Relevant Euronext Market Undertaking* shall notify the applicant of its decision by registered mail.		(vii) the applicant's business profile;
			(viii) the list of all Regulated Markets and other markets for Financial Instruments of which the applicant is already a member (where applicable);

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(ix)	the list of professional associations of which the applicant is a member (where applicable);	(vi)	comply with the technical requirements of the Euronext Trading Platform and of any other information technology system or network operated by Euronext, as set out in the Information Technology Agreement;
(x)	the amount, composition and breakdown of ownership of the applicant's capital and its most recent annual financial statements;	(vii)	notify the Relevant Euronext Market Undertaking* as soon as possible and in writing of any material change to the information communicated pursuant to Rule 2305, including in particular (without limitation) in respect of the Member's license or authorisation to provide Investment Services;
(xi)	the composition of the applicant's governing bodies (where applicable);	(viii)	give prior written notice to the Relevant Euronext Market Undertaking* of any facts or circumstances which may affect the legal form or organisation of the Member or its trading activities on the Euronext Securities Markets, including (without limitation) any consolidation, reorganisation, merger, change of control or similar event to which the Member is or will become a party.
(xii)	the list of the applicant's senior management;	(ix)	notify immediately the Relevant Euronext Market Undertaking* of the commencement of any bankruptcy or similar insolvency proceedings, including amicable settlement, the Member is subject to or respectively a party to.
(xiii)	if the applicant is not itself a Clearing Member, the identity of the Clearing Member(s) with which the applicant proposes to enter into a Clearing Agreement, together with a copy of the sponsorship letter of the Clearing Member(s);	2402	In case of changes as referred to in items (vii) or (viii) of Rule 2401, the Relevant Euronext Market Undertaking* may modify the conditions under which the relevant Member may act in a particular capacity or impose additional conditions in respect thereof.
(xiv)	a commitment of the applicant to abide by the Rules;	2.5.	Clearing Agreement
(xv)	an express authorisation for the Euronext Market Undertakings or their duly appointed agents to carry out such on-site investigations (including but not limited to the technical environment audits referred to in Rule 2204/3) as the Relevant Euronext Market Undertaking* may deem appropriate in its sole discretion, as well as a commitment to provide all information requested in the course of such investigations;	2501	Any Euronext Securities Member wishing to trade on the Euronext Securities Markets must be a party to a Clearing Agreement in respect of those Securities which he is authorised to trade but which he is not authorised to clear.
(xvi)	the authorisation required by Rule 2304/2.	2502	The Clearing Agreement entered into pursuant to Rule 2501 shall comply with any requirements imposed by or pursuant to the Clearing Rule Book.
	In addition to these items, Euronext may ask for the applicant's internal rules and regulations.	2.6.	Electronic access facilities for Clients
2305/2	The application for Euronext Securities Membership shall be made by means of a standard form established by Euronext, in English or in the language or one of the languages of the Relevant Euronext Market Undertaking*. Such form shall be available at each Euronext Market Undertaking upon request.	2601	<i>Related Party</i>
2.4.	Members' Continuing Obligations	2601/1	Subject to the prior written approval of the Relevant Euronext Market Undertaking*, a Member may grant a Related Party direct access to the market; provided that such Related Party is:
2401	A Member shall on a continuing basis:	(i)	established in one of the Member States or in a country with whose relevant supervisory authority the Competent Authority has an agreement on exchange of information; and
(i)	satisfy the general and specific admission requirements imposed by the Relevant Euronext Market Undertaking* and, if applicable, trade only in the Admitted Financial Instruments specified in the Admission Agreement;	(ii)	supervised by the competent authorities of its Home States.
(ii)	pay the fees and commissions charged by Euronext according to the conditions established by Euronext and communicated to the Members;	2601/2	Traders acting on behalf of a Member and located on the premises of such Member's Related Party must be registered with the Member's Trading Manager.
(iii)	authorise the Relevant Euronext Market Undertaking* or its duly appointed agents to carry out on-site investigations in any place of business of the Member, and submit as soon as possible any information or document which the Relevant Euronext Market Undertaking* or such agents consider appropriate for purposes of such investigations;	2601/3	The Related Party concerned must undertake in writing to comply with the Rules, to authorise the Relevant Euronext Market Undertaking* or its duly appointed agents to carry out on-site investigations in such Related Party places of business and to submit as soon as possible any information or document which the Relevant Euronext Market Undertaking* or such agents consider appropriate for purposes of such investigations. These undertakings shall be detailed in a written agreement between the Member and each of the Related Party concerned, in accordance with the requirements set forth in one or more Notices.
(iv)	abide by the Rules and take all appropriate actions prescribed by the Rules or to implement amendments thereof;		
(v)	ensure the presence on its premises during Trading Hours of an Authorised Representative and at least one Trading Manager;		

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2601/4	A Member shall at all times be fully responsible for orders entered by its Related Party.	2802	<i>Suspension</i>
2602	<i>Other Clients</i>	2802/1	Notwithstanding the rules of Chapter 9, the Relevant Euronext Market Undertaking* may suspend a Member's trading privileges on the Euronext Securities Markets, in whole or in part, for a term of maximum six months if a Member fails to perform, or delays performing, any of its obligations under the Admission Agreement or the Information Technology Agreement, provided such failure does not constitute an infringement to the Rules related to the operation of Euronext Securities Markets. For the avoidance of doubt, a violation of the conditions of payment of fees and/or commissions charged by Euronext shall fall exclusively under the provisions of this Rule.
2602/1	A Member is authorised to provide filtered access to its Clients through electronic order routing facilities (including on-line transmission).		
2602/2	A Member shall at all times be fully responsible for orders transmitted via the facilities mentioned in rule 2602/1.		
2.7.	Registration		
2701	The Euronext Market Undertakings shall maintain a register of the names, addresses, places of business and capacities of Members together with the names and business addresses of Authorised Representatives and Trading Managers.	2802/2	The Euronext Securities Membership of any Member shall be suspended automatically in case of suspension or termination of such Member's capacity as a Clearing Member or suspension or termination of its Clearing Agreement, as the case may be.
2702	A Member shall forthwith notify the Relevant Euronext Market Undertaking* in writing of any change in any of the particulars referred to in Rule 2701.	2802/3	Any suspension pursuant to Rule 2802/1 shall be decided by the Board of Directors of the Relevant Euronext Market Undertaking* or by another corporate body or officer of such undertaking pursuant to authority delegated by the Board of Directors. Any such decision shall be subject to the following procedural requirements:
2703	A Member shall be deemed to have elected domicile at the address stated by it in the Admission Agreement or at the last address subsequently specifically notified by it in writing to the Relevant Euronext Market Undertaking*, as the case may be.		(i) A prior investigation of the grounds for suspension and the reporting thereof to the Board of Directors or competent body or officer, as the case may be, shall be done in accordance with the procedural requirements of section 9.2 except in case the failure or delay constitutes an imminent threat to the integrity or the safety of the market.
2704	The Euronext Market Undertakings shall, upon the written request of any interested party, provide an extract from the register referred to in Rule 2701 reproducing the information contained in it concerning any Member.		(ii) The decision of suspension shall be notified by registered mail to the relevant Member. Such notification shall include a summary statement of the factual and legal grounds on which such decision is based.
2705	Once a year, the Euronext Market Undertakings shall draw up a list showing the names, addresses and places of business of the Members, their capacities and their Authorised Representatives and Trading Managers. A copy of this list shall be sent to each Member.		
2.8.	Resignation, Suspension and Termination		
<i>2801</i>	<i>Resignation</i>	2802/4	Any fees ordinarily due by Members to Euronext shall continue to be due and payable in respect of any period of suspension, without any right to credit or refund.
2801/1	A Member may resign from Euronext Securities Membership at any time by giving the Relevant Euronext Market Undertaking* at least 15 Trading Days' prior notice by registered mail.	2803	<i>Termination</i>
2801/2	Upon a Member's notification of its resignation pursuant to Rule 2801/1, all amounts owed by such Member to Euronext shall become immediately due and payable. All of such Member's obligations resulting from Euronext Securities Membership shall be discharged to the full satisfaction of the Relevant Euronext Market Undertaking*.	2803/1	Notwithstanding the rules of Chapter 9, the Relevant Euronext Market Undertaking* may terminate the Euronext Securities Membership of any Member in each of the following circumstances:
2801/3	The Member shall forthwith return to Euronext any software, equipment and documentation which may have been made available by Euronext.		(i) the relevant Member having ceased to regularly carry out brokerage and/or dealing in Financial Instruments for a period of six consecutive months;
2801/4	A Member's resignation shall become effective only as of the date specified in a registered letter from the Relevant Euronext Market Undertaking* to such Member confirming its resignation. If no such registered letter from the Relevant Euronext Market Undertaking* is received by the relevant Member, the resignation shall become effective the day after the fifteenth Trading Day following despatch of the notice referred to in Rule 2801/1.		(ii) the commencement of bankruptcy or similar insolvency proceedings against the Member;
			(iii) the Member's application for Euronext Securities Membership containing material errors or omission or being misleading in any material respect;
			(iv) occurrence of any of the grounds for suspension referred to in Rules 2802/1 and 2802/2, if the Relevant Euronext Market Undertaking* considers that the relevant facts and circumstances present a degree of permanence or seriousness that stands in the way of continuation of Euronext Securities Membership.
		2803/2	The Euronext Securities Membership of any Member shall terminate automatically in each of the following circumstances:

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- (i) the revocation or expiration without renewal of the Member's Home State license or authorisation to engage in the relevant Investment Services;
- (ii) the death of the Member, if an individual, or the dissolution of the Member, if a legal entity or partnership.

2803/3 Any termination of Euronext Securities Membership pursuant to Rule 2803/1 shall be decided by the Board of Directors of the Relevant Euronext Market Undertaking*.

Any such decision shall be subject to the following procedural requirements:

- (i) A prior investigation of the grounds for termination and the reporting thereof to the Board of Directors shall be done in accordance with the procedural requirements of section 9.2.
- (ii) The decision of termination shall be notified by registered mail to the relevant Member. Such notification shall include a summary statement of the factual and legal grounds on which such decision is based.

2804 *Information of third parties*

The Relevant Euronext Market Undertaking* shall promptly inform the other Euronext Market Undertakings, the Members, the Clearing House and the Competent Authorities of the resignation, termination or suspension, as well as of the termination of such suspension, of the Euronext Securities Membership of any Member. In addition, the Relevant Euronext Market Undertaking* shall inform where appropriate the relevant Partner Market of the same events.

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CHAPTER 3: EURONEXT DERIVATIVES MEMBERSHIP

3.1. Euronext Derivatives Membership and Euronext Derivatives Membership Capacities

3101 *Euronext Derivatives Membership*

3101/1 Any person wishing to become a member of a Euronext Derivatives Market must apply for membership in accordance with the provisions of Rule 3.3. The admission of a Person to Euronext Derivatives Membership is subject to the prior written approval of the Relevant Euronext Market Undertaking. Upon admission by a Relevant Euronext Market Undertaking pursuant to this Chapter 3, a Person shall be denoted as a Euronext Derivatives Member.

3101/2 The trading privileges and obligations of a Euronext Derivatives Member shall be set forth in this Rule Book, the Admission Agreement and in other specific agreements contemplated by this Rule Book.

3101/3 Euronext Derivatives Membership or any trading privileges arising from such Euronext Derivatives Membership may not in any way be transferred or encumbered by or on behalf of the Euronext Derivatives Member.

3102 *Euronext Derivatives Membership Capacities: Brokers and Dealers*

3102/1 Persons may apply for Euronext Derivatives Membership as a Broker and/or a Dealer.

3102/2 Brokers are entitled to trade only for third parties, including other Euronext Derivatives Members.

3102/3 Dealers are entitled to trade for their own account. In addition, Dealers are entitled to trade for other Euronext Derivatives Members of any Euronext Market Undertaking of which they are also a Euronext Derivatives Member provided that:

- (i) they are authorised or otherwise licensed or permitted to do so by the appropriate regulatory body; and
- (ii) the National Regulations in the jurisdiction of the Relevant Euronext Market Undertaking** permit such activity by such Persons in that jurisdiction.

3.2. Requirements for Euronext Derivatives Membership

3201 *Eligibility for Euronext Derivatives Membership*

3201/1 Persons eligible for Euronext Derivatives Membership are:

- (i) Qualifying Investment Service Providers authorised to trade all or certain Derivatives which are Admitted Financial Instruments; and
- (ii) Other Investment Service Providers authorised, where relevant, under the applicable laws and regulations of their Home State.

3202 *Cross Membership*

3202/1 Individually or jointly, the Euronext Market Undertakings may enter into an agreement with another exchange operating a Regulated Market or an organised market recognised by the Competent Authorities in order to define, on a reciprocal basis, specific conditions for the admission of members of the said markets. For the

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	purposes of this Rule 3202, such Regulated Market or organised market shall be described as a "Partner Market".
3202/2	A Person accessing a Euronext Derivatives Market through a cross-membership agreement of the sort contemplated by Rule 3202/1 is referred to as a "Cross-Member". Except otherwise provided in the relevant agreement, a Cross-Member cannot benefit from other cross-membership agreements executed by Euronext.
3202/3	A Cross-Member is bound by the Rules of the Relevant Euronext Market Undertaking as amended by the provisions of the cross-membership agreement. Conversely, a Euronext Derivatives Member shall comply with the rules of the Partner Markets where it trades.
3202/4	Following the termination of a cross-membership agreement, the Cross-Member may elect to remain a Euronext Derivatives Member, in which case it will remain subject to the provisions contained in the Rules, but the specific provisions previously set forth in the terminated agreement will no longer apply.
3203	<i>Euronext Derivatives Membership Requirements</i>
3203/1	The Relevant Euronext Market Undertaking* shall determine whether an Applicant which does not already hold Euronext Derivatives Membership satisfies the following criteria:
	(i) in respect of an Investment Firm or a Credit Institution, that it is authorised by the competent authorities of its home Member State to conduct business on the market;
	(ii) in respect of a Non-ISD Firm:
	(a) that he is authorised, or otherwise licensed or permitted by the Competent Authorities to conduct business on the market, or in the absence of a requirement for authorisation, licensing or permission, he can otherwise demonstrate that he is fit and proper; and
	(b) that he enjoys the business standing suitable for admission to Euronext Derivatives Membership;
	(iii) that his staff are suitably qualified and experienced in order to implement and maintain adequate internal procedures and controls in relation to his intended business on the market;
	(iv) that, where relevant, he has entered into the User and Licence Agreement and has met any technical requirements specified by the Relevant Euronext Market Undertaking*;
	(v) that he can demonstrate fluency of their relevant personnel in English or in one of the languages of the Relevant Euronext Market Undertaking*; and
	(vi) any other criteria, including financial requirements, which the Relevant Euronext Market Undertaking* may prescribe with regard to Euronext Derivatives Membership and publish by Notice.
3203/2	Admission to Euronext Derivatives Membership of any Euronext Market Undertaking shall not confer any right to attend or vote at meetings of, or right to share in or any liability in respect of debts of, any Euronext Market Undertaking.
3203/3	An existing Euronext Derivatives Member wishing to extend his Euronext Derivatives Membership to other Euronext Market Undertakings should submit a written application to the Relevant Euronext Market Undertaking* to that effect. The Relevant Euronext Market Undertaking to which the Euronext Derivatives Member is applying to may perform checks to ensure that the Euronext Derivatives Member satisfies its additional Euronext Derivatives Membership requirements (if any).
	3204 <i>Responsible Persons and Traders</i>
3204/1	A Euronext Derivatives Member must ensure it has a sufficient number of Responsible Persons for the nature and scale of business being conducted. A Responsible Person shall be responsible for trading activity conducted on the Euronext Derivatives Markets under his ITM(s) and may be a trader himself and/or a trading supervisor.
3204/2	In order to comply with this Rule 3204, a Responsible Person must, pursuant to the requirements of the Relevant Euronext Market Undertaking**, be adequately trained and fully conversant with the Rules and Trading Procedures. A Relevant Euronext Market Undertaking** may impose requirements (and publish such requirements by Notice) in respect of training and competence of Responsible Persons.
3204/3	Subject to any restrictions imposed by the Relevant Euronext Market Undertaking**, trading may be conducted by Responsible Persons or by other individuals within the Euronext Derivatives Member, at the discretion of the Euronext Derivatives Member, provided all such individuals are suitable and adequately trained in accordance with the Rules. Traders who are not Responsible Persons may only submit orders under the ITM(s) of a Responsible Person registered to the Euronext Derivatives Member, and under his supervision.
3204/4	A Euronext Derivatives Member shall be responsible for the acts and conduct of all Responsible Persons and all individuals trading through Individual Trading Mnemonics associated with such Responsible Persons as if the acts and conduct of each of those persons were the acts and conduct of the Euronext Derivatives Member. For the avoidance of doubt a Euronext Derivatives Member shall be held responsible for a violation of a relevant obligation committed by a Responsible Person registered by him under the Rules and all individuals trading through Individual Trading Mnemonics associated with such Responsible Persons and sanctions may be imposed under the Rules.
	3.3. Application Procedure
	3301 <i>Submission of the Application</i>
3301/1	Applicants shall submit a written application form to the Relevant Euronext Market Undertaking and such additional information and documents as the Relevant Euronext Market Undertaking* may, in its sole judgment, consider relevant in order to review the application. Euronext Derivatives Membership shall become effective only upon fulfilment of the requirements specified in the Rules.
3301/2	An existing Euronext Derivatives Member wishing to act in a capacity other than that to which it is already admitted or wishing to extend its activities on another Euronext Derivatives Market shall file a written application to its Relevant Euronext Market Undertaking*.
	3302 <i>Determination of Application</i>
3302/1	A Euronext Market Undertaking shall, after receipt of an application for Euronext Derivatives Membership and any additional information requested by it, in its sole discretion approve or reject such application or approve such application subject to such conditions and/or restrictions as it considers appropriate. The Relevant Euronext Market Undertaking* shall notify the applicant of its decision in writing.
3302/2	Without prejudice to Rule 3302/3, the Relevant Euronext Market Undertaking* shall keep confidential all information submitted to it by a Member or a prospective Member

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	in connection with an application for Euronext Derivatives Membership or obtained by it in the course of reviewing such application.		submit as soon as possible any information or document which the Relevant Euronext Market Undertaking or such agents consider appropriate for purposes of such investigations;
3302/3	The Relevant Euronext Market Undertaking* shall inform Competent Authorities, the other Euronext Market Undertakings, the Euronext Derivatives Members and, as applicable, the Clearing House(s) of the admission of new Euronext Derivatives Members and the date as from which such new Euronext Derivatives Members are approved and/or start trading.	(v)	comply with the technical requirements of the Euronext Trading Platform for Derivatives and of any other information technology system or network operated by Euronext, as set out in the User and Licence Agreement or similar agreement;
3302/4	The Relevant Euronext Market Undertaking* shall inform the relevant exchange with which that Euronext Derivatives Market has concluded a cross-membership agreement when a new Cross-Member is admitted.	(vi)	notify the Relevant Euronext Market Undertaking* as soon as possible and in writing of any material change to the information submitted during the course of the Euronext Derivatives Membership application, including in particular (without limitation) in respect of the Euronext Derivatives Member's license or authorisation to conduct Investment Services;
3302/5	If a Euronext Market Undertaking decides to refuse an application it shall promptly notify the applicant in writing. Such Applicant may, by notice in writing within seven days of receiving notice of such decision, require the Euronext Market Undertaking to give additional explanations for its decision within seven days of receiving such notice from the Applicant.	(vii)	give prior written notice to the Relevant Euronext Market Undertaking* of any facts or circumstances which may affect the legal form or organisation of the Euronext Derivatives Member or its trading activities on the Euronext Derivatives Markets, including (without limitation) any consolidation, reorganisation, merger, change of name, change of control or similar event to which the Euronext Derivatives Member is or will become a party;
3303	<i>Application File</i>		
3303/1	The application for Euronext Derivatives Membership shall be made by means of a standard form established by Euronext, in English or in one of the languages of the Relevant Euronext Market Undertaking*. Such form shall be available from each Euronext Market Undertaking upon request.	(viii)	notify immediately the Relevant Euronext Market Undertaking* of the commencement or anticipation of any bankruptcy, insolvency, winding up, administration or equivalent event (including amicable settlement) in any relevant jurisdiction the Euronext Derivatives Member is subject to or to which the Euronext Derivatives Member is a party; and
3303/2	The Relevant Euronext Market Undertaking* may require from the applicant additional information and documents and may institute such investigation to verify information submitted by the applicant as it deems necessary. The Relevant Euronext Market Undertaking may require the applicant, or one or more representatives of the applicant, to attend for interview by the Relevant Euronext Market Undertaking.	(ix)	ensure that any description of his Euronext Derivatives Membership or the services that he is able to provide, in the form and context in which it appears or is used, does not mis-represent the scope of:
3303/3	Each applicant and Euronext Derivatives Member shall authorise the Relevant Euronext Market Undertaking or, subject to National Regulations, its duly appointed agents to carry out such on-site inspections, during normal business hours, in respect of its activities on the Euronext Derivatives Markets as the Relevant Euronext Market Undertaking may deem appropriate in its sole discretion. Furthermore, each applicant and Euronext Derivatives Member shall make a commitment to provide all information or make any modifications to its information system that may be required by the Relevant Euronext Market Undertaking, acting in good faith, as a result of such an inspection.	(a)	the capacity which he enjoys under the Rules in relation to the Relevant Euronext Market Undertaking; or
		(b)	the authorisation, licence or permission, if any, which he possesses from the appropriate regulatory body.
3.4.	Euronext Derivatives Members' Continuing Obligations	3.5.	Clearing Arrangements
3401	A Euronext Derivatives Member shall on a continuing basis:	3501	<i>General Clearing Arrangements</i>
(i)	abide by the Rules, as from time to time in force, and take all appropriate actions prescribed by the Rules;	3501/1	Any Euronext Derivatives Member wishing to trade on the Euronext Derivatives Markets other than as a customer of another Euronext Derivatives Member must be party to a Clearing Agreement in respect of those Derivatives which he is authorised to trade, but which he is not authorised to clear.
(ii)	fulfil his obligations under the Admission Agreement, and where relevant, the User and Licence Agreement and any other agreement(s) to which Euronext and the Euronext Derivatives Member are party;	3502	<i>Clearing Agreements</i>
(iii)	pay the fees and charges prescribed by Euronext according to the conditions established by Euronext and communicated to Euronext Derivatives Members;	3502/1	Any Euronext Derivatives Member wishing to trade on the Euronext Derivatives Markets other than as a customer of another Euronext Derivatives Member those Derivatives cleared by LCH shall use the standard Clearing Agreement prescribed by LIFFE A&M in respect of those Derivatives he is not authorised to clear himself.
(iv)	authorise the Relevant Euronext Market Undertaking or its duly appointed agents to carry out on-site investigations, during normal business hours, in any place of business of the Euronext Derivatives Member or its Affiliate, and	3502/2	In respect of Derivatives cleared by Clearnet, the Clearing Agreement entered into pursuant to Rule 3501 shall comply with any requirements imposed by or pursuant to the Clearing Rule Book.

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3.6. Electronic access facilities for non-members on the Euronext Derivatives Markets

- 3601 *Affiliates*
- 3601/1 The Relevant Euronext Market Undertaking** may consider an application from a Euronext Derivatives Member who wishes to obtain direct access to an Euronext Derivatives Market for his Affiliate(s).
- 3601/2 For the purposes of this Rule, "Affiliate" means a Person who:
- (i) owns 95 per cent or more of the Euronext Derivatives Member; or
 - (ii) is owned 95 per cent or more by the Euronext Derivatives Member; or
 - (iii) is owned 95 per cent or more by a third party who also owns 95 per cent or more of the Euronext Derivatives Member.
- All successful applicants for affiliate access will be notified in writing by the Relevant Euronext Market Undertaking**.
- 3601/3 The Relevant Euronext Market Undertaking** will only consider applications in respect of Affiliates located in jurisdictions with satisfactory regulatory arrangements including those in respect of:
- (i) supervision of investment activity; and
 - (ii) information sharing and co-operation between the supervisory authority of the jurisdiction concerned and the Competent Authorities or, where permitted by National Regulations, the Relevant Euronext Market Undertaking**.
- 3601/4 All business undertaken by an Affiliate on the Euronext Derivatives Market will be done in the name of the Euronext Derivatives Member and the Euronext Derivatives Member retains full responsibility for the conduct of all such business.
- 3602 *Clients with access via an Automated Order Routing System*
- 3602/1 Any access granted by a Euronext Derivatives Member to his Clients by way of an Automated Order Routing System must be adequately controlled in accordance with the risk management requirements as determined by the Relevant Euronext Market Undertaking** from time to time and published by Notice.
- 3602/2 All business undertaken by a Client via an Automated Order Routing System on the Euronext Derivatives Market will be done in the name of the Euronext Derivatives Member and the Euronext Derivatives Member retains full responsibility for the conduct of all such business.
- 3.7. Register of Euronext Derivatives Members**
- 3701 The Euronext Market Undertakings shall maintain a register of Euronext Derivatives Members, including at least the contact details and capacities of Euronext Derivatives Members.
- 3702 A Euronext Derivatives Member shall be deemed to have elected domicile at the address stated by him in the Admission Agreement or at the last address subsequently specifically notified by him in writing to the Relevant Euronext Market Undertaking, as the case may be.

3.8. Resignation, Suspension and Termination

- 3801 *Resignation*
- 3801/1 A Euronext Derivatives Member may cease to be a member of one or more Euronext Derivatives Markets by giving the Relevant Euronext Market Undertaking written notice of his wish to resign from Euronext Derivatives Membership (a "resignation notice"). A Euronext Derivatives Member who provides the Relevant Euronext Market Undertaking* with such resignation notice must provide any information concerning the circumstances of the resignation as the Relevant Euronext Market Undertaking* requires.
- 3801/2 Subject to National Regulations, a Relevant Euronext Market Undertaking* may, in its absolute discretion, refuse to accept a resignation notice given by a Euronext Derivatives Member or may postpone the effective date if it considers it necessary for the protection of clients, or otherwise in the interests of the market. If the Relevant Euronext Market Undertaking* does so, it may waive the Euronext Derivatives Member's liability for some or all the fees and charges arising in respect of the period following the date on which his resignation notice would otherwise have taken effect.
- 3801/3 Upon a Euronext Derivatives Member's notification of its resignation pursuant to Rule 3801/1, all amounts owed by such Euronext Derivatives Member to the Relevant Euronext Market Undertaking* shall become immediately due and payable. All of such Euronext Derivatives Member's obligations resulting from that Euronext Derivatives Membership shall be discharged to the full satisfaction of the Relevant Euronext Market Undertaking. The Euronext Derivatives Member shall forthwith return to the Relevant Euronext Market Undertaking* on request, any software, equipment and documentation which may have been made available by Euronext.
- 3801/4 A Euronext Derivatives Member's resignation shall become effective only as of the date confirmed in writing by the Relevant Euronext Market Undertaking to the Euronext Derivatives Member.
- 3802 *Suspension and Termination*
- 3802/1 Notwithstanding the rules of Chapter 9, as applicable, a Relevant Euronext Market Undertaking shall suspend (in whole or in part, for a fixed term) a Euronext Derivatives Member's trading privileges on, and may terminate his Euronext Derivatives Membership of, that Euronext Derivatives Market in the event of:
- (i) a Euronext Derivatives Member failing to perform, or delaying performing, any of such Euronext Derivatives Member's obligations under the Admission Agreement, the User and Licence Agreement or any other agreement to which both Euronext and the Euronext Derivatives Member are party for which such failure would constitute a violation of the Member's obligations under the Rules; or
 - (ii) the death of the Euronext Derivatives Member, if a natural person. However, personal representatives of the deceased may retain the Euronext Derivatives Membership for a period of up to six months following the date of death in order to complete arrangements for the orderly closing out of open positions of the Euronext Derivatives Member; or
 - (iii) the dissolution of the Euronext Derivatives Member, if a legal entity or partnership; or
 - (iv) a Euronext Derivatives Member suspending payment or calls a meeting of his creditors; or

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(v)	a Euronext Derivatives Member which is either a natural person or a partnership, having a receiving order or a bankruptcy order made against him or all of the partners; or	3802/5
(vi)	a Euronext Derivatives Member which is a legal person having a receiver, an administrative receiver or an administrator appointed or a petition for winding up presented or a resolution passed for winding-up (except a voluntary winding-up for the purposes of an amalgamation or reconstruction which has received prior approval of Euronext) or proceedings have otherwise commenced for its dissolution; or	
(vii)	insolvency or other similar event occurring in respect of a Euronext Derivatives Member; or	3802/6
(viii)	the Euronext Derivatives Member's application for Euronext Derivatives Membership containing material errors or omissions or being misleading in a material respect; or	
(ix)	the revocation or expiration without renewal of the Euronext Derivatives Member's Home State licence or authorisation to engage in the relevant Investment Services resulting in the Euronext Derivatives Member failing to satisfy the Euronext Derivatives Membership requirements under Rule 3203; or	3803
(x)	a Euronext Derivatives Member failing to satisfy the Relevant Euronext Market Undertaking that it meets any financial requirement for Euronext Derivatives Membership stipulated by the Relevant Euronext Market Undertaking from time to time; or	
(xi)	the suspension or termination of a Euronext Derivatives Member's capacity as a Clearing Member or termination of its Clearing Agreement, as the case may be.	
3802/2	Any termination pursuant to Rule 3802/1 shall be decided by the Relevant Euronext Market Undertaking, taking into account the degree of seriousness or permanence of the event in question. The decision of suspension or termination shall be notified in writing to the Euronext Derivatives Member.	
3802/3	A Euronext Derivatives Member whose trading privileges are suspended or whose Euronext Derivatives Membership is terminated may apply to the Relevant Euronext Market Undertaking at any time to have the suspension or termination revoked. On making such an application the Euronext Derivatives Member shall provide the Relevant Euronext Market Undertaking with, where relevant, any information the Relevant Euronext Market Undertaking may require. The Relevant Euronext Market Undertaking may reject such application or may reinstate the Euronext Derivatives Member or restore his trading privileges either unconditionally or subject to any conditions the Relevant Euronext Market Undertaking may think appropriate. Such Euronext Derivatives Member may, by notice in writing within seven days of receiving notice of such decision, require the Relevant Euronext Market Undertaking to give additional explanations for its decision within seven days of receiving such notice from the Euronext Derivatives Member.	
3802/4	A Euronext Derivatives Member whose trading privileges are in whole or in part suspended for any period:	
(i)	shall be prohibited from trading as a Euronext Derivatives Member during the period of suspension (save as may be allowed by the Rules for purposes of closing out his and his clients' open positions); but	
(ii)	shall remain liable in respect of all his obligations of Euronext Derivatives Membership including the payment of any fees and charges payable under the Rules.	
		Without prejudice to the above, a Person whose Euronext Derivatives Membership has been terminated shall remain subject to the Rules and to the jurisdiction of the Relevant Euronext Market Undertaking in respect of acts and omissions while he was a Euronext Derivatives Member for a period of twelve months from the date at which the termination of Euronext Derivatives Membership became effective. Furthermore, a Person whose Euronext Derivatives Membership is terminated shall forfeit all rights to use any trading privileges granted to him, without being entitled to any refund of fees paid in respect of the same.
		Upon a Euronext Derivatives Member's notification of its suspension or termination pursuant to Rule 3802/2, all amounts owed by such Euronext Derivatives Member to the Relevant Euronext Market Undertaking shall become immediately due and payable. All of such Euronext Derivatives Member's obligations resulting from that Euronext Derivatives Membership shall be discharged to the full satisfaction of the Relevant Euronext Market Undertaking. The Euronext Derivatives Member shall forthwith return to the Relevant Euronext Market Undertaking on request, any software, equipment and documentation which may have been made available by Euronext.
		<i>Notification of resignation, suspension and termination of Euronext Derivatives Membership</i>
		Euronext shall promptly inform the Competent Authorities, and as applicable, the Euronext Derivatives Members and the Clearing House(s) of the resignation, termination or suspension, as well as of the termination of such suspension, of the Euronext Derivatives Membership of any Euronext Derivatives Member. In addition, Euronext shall inform where appropriate the relevant exchanges with which it has concluded cross-membership agreements of the same events.

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CHAPTER 4: TRADING RULES FOR SECURITIES

4.1. General

4101 Scope of Chapter 4

This Chapter 4 sets forth rules governing trading on the Euronext Securities Markets.

4102 Trading Days

The Trading Days in any given calendar year shall be announced by the Euronext Market Undertakings in a Notice published no later than the last Trading Day of the preceding year.

4103 Currency of Trading

Orders for the purchase or sale of Securities shall be expressed in the currency determined by the Euronext Market Undertakings for the relevant class of Securities.

4104 Trading Symbols

The Euronext Market Undertakings shall define trading symbols for the purpose of identifying Securities in Euronext's trading systems. It may in its sole discretion modify or reassign such trading symbols at any time. The Issuers of the relevant Securities shall have no proprietary rights to such trading symbols.

4105 System Rules and Requirements

When trading on a Euronext Securities Market, Euronext Securities Members shall comply with the operational, procedural and technical requirements of Euronext's systems and networks, as specified by Euronext.

4.2. Orders

4201 Scope of Rule 4.2

This Rule 4.2 only concerns orders for the purchase or sale of Securities submitted by Euronext Securities Members to the Central Order Book of a Euronext Securities Market and shall not stand in the way of specific arrangements regarding order specifications as between Euronext Securities Members and their Clients.

A Euronext Securities Member may decline to execute orders that are subject to conditions precedent or subsequent, or other validity constraints, which are not contemplated by this Chapter 4.

4202 [Reserved]

4203 General Terms and Conditions

4203/1 Minimum indications. Any order submitted to the Central Order Book shall at least indicate the following elements:

- (i) the Security to which the order relates or the trading symbol assigned by the Euronext Market Undertakings to such Security;
- (ii) whether the order is for a purchase or a sale;

- (iii) the order quantity;
- (iv) the price conditions;
- (v) whether the order is for:
 - (a) the Euronext Securities Member's own account;
 - (b) for the account of a Related Party granted direct access pursuant to Rule 2601;
 - (c) for the account of a third party;
 - (d) whether or not such order is submitted pursuant to a Liquidity Provision Agreement.

Furthermore, when trading a basket of Securities with a single counterparty, a Euronext Securities Member shall specify, for each Cross Transaction, that it forms one component of a Basket Trade.

When placing an order, a Euronext Securities Member may also indicate special conditions as per Rule 4204/6.

4203/2 Order size. All order sizes can be traded, subject to particular specifications in respect of certain types of Securities as set forth in one or more Notices.

4203/3 Duration. Orders entered into the Central Order Book may be valid for the Trading Day, until a specified date, or until cancelled, subject to a maximum duration of 365 days. Absent specification of its duration, an order shall be deemed to be valid for the Trading Day.

4203/4 Certain events. Unexecuted orders in respect of a particular Security shall be cancelled in the Central Order Book upon the occurrence or the announcement of certain events concerning the relevant Issuer which are likely to substantially affect the price of such Security, as set forth in one or more Notices.

Euronext Securities Members must agree with their Clients whether events of the kind referred to in the preceding paragraph require express renewal of orders or whether Euronext Securities Members are entitled to re-enter orders after having performed the necessary price or quantity adjustments, where appropriate.

4203/5 Modification and cancellation. Any order entered into the Central Order Book may be modified or cancelled prior to its execution. Any increase in the order quantity or change in the limit price shall cause the forfeiture of time priority.

4204 Order Types and Parameters

4204/1 Market orders. Market orders are unlimited bid or ask orders to be executed at the next prices determined by the Euronext trading system, with any remaining unexecuted portion being added to the Central Order Book for execution as soon as possible at the next prices.

4204/2 [Reserved]

4204/3 Limit orders. Limit orders are bid or ask orders that can only be executed at their specified price limit or at a better price. The price limit must be consistent with the tick specified by Notice.

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4204/4	Market-to-limit orders. Market-to-limit orders are bid or ask orders which, in continuous trading, are executed immediately at the best opposite price limit and, in auctions, are executed at the auction price, with any remaining unexecuted portion being automatically transformed into a limit order at the last executed price and added to the Central Order Book.	4302	<i>Continuous Trading</i>
4204/5	Stop orders. Stop orders are orders which are triggered when a specified price limit is reached in trading (implying that the market must trade at or above the stop limit for a buy order and at or below the stop limit for a sell order). In the case of a stop loss order, a market order shall then automatically be generated and added to the Central Order Book. In the case of a stop limit order, a limit order shall automatically be generated and added to the Central Order Book.	4302/1	Pre-opening phase. An opening auction shall be held at the beginning of each Trading Day prior to the commencement of continuous trading, in the manner specified in one or more Notices.
4204/6	Special conditions. Certain types of orders may be made subject to the following execution conditions in accordance with the matrix of order types and execution conditions set forth in one or more Notices:	4302/2	Main trading session. Upon completion of the opening auction, trading shall take place on a continuous basis, with each incoming order being checked immediately for possible execution against orders on the opposite side of the Central Order Book and any remaining unexecuted portion of such order being added to the Central Order Book (subject to different execution conditions permitted by Rule 4204/6).
	(i) "fill-and-kill orders", also referred to as "execute-and-eliminate orders", are orders which are executed to the fullest extent possible either immediately upon entry during continuous trading or at the general matching of an auction, with any remaining unexecuted portion being cancelled;	4302/3	Closing phase. Except for certain types of Securities designated by the Relevant Euronext Market Undertaking**, the final price shall be determined through a closing auction in the manner specified in one or more Notices.
	(ii) "fill-or-kill orders" are orders which must be executed immediately and in full, failing which they shall be cancelled;	4302/4	Trading-at-last. Except for certain types of Securities designated by the Relevant Euronext Market Undertaking**, a short period shall be provided at the close of a Trading Day during which orders can be entered for execution at the last traded price.
	(iii) "minimum-quantity orders" are orders which must be executed immediately to the extent of a specified minimum quantity, with any remaining unexecuted portion being added to the Central Order Book; provided that such orders shall be cancelled failing immediate execution of the specified minimum quantity;	4303	<i>Auctions</i>
	(iv) [Reserved];	4303/1	Call phase. Each auction shall begin with a call phase in which orders are automatically recorded without giving rise to Transactions. During such call phase, Euronext Securities Members may enter new orders as well as modify or cancel existing orders. An indicative price, representing the price which the system matcher would determine on the basis of the given Central Order Book situation, shall be displayed and updated continuously as the Central Order Book situation evolves.
	(v) "iceberg orders", also referred to as "hidden-size orders", are orders of which only specified tranches, that may not be less than a threshold specified by Notice (except for the final tranche), are successively entered in the Central Order Book, and disclosed to the market, with the current time stamp following full execution of the preceding tranche;	4303/2	Price determination phase. Following completion of the call phase, the system shall seek to determine a price so as to produce the maximum executable volume as per Rule 4401/2. During such price determination phase, no new orders may be entered and existing orders may not be modified or cancelled.
	it being understood that conditions (ii) and (iii) above shall be allowed only in respect of continuous trading.	4303/3	Trading-at-last. For Securities designated by the Relevant Euronext Market Undertaking**, a period may be provided following the fixing during which orders can be entered for execution at the auction price.
4.3.	Trading Cycles	4304	<i>Post-Trading Order Book Management</i>
4301	<i>Overview</i>		During a period after the close of trading defined by Notice, Euronext Securities Members can access the Central Order Book in order to enter new orders as well as modify or cancel existing orders for the next Trading Day.
	Securities shall be traded either through continuous matching of orders at opposite sides of the Central Order Book or through call auction procedures following a period in which orders have been accumulated without execution.	4305	<i>Out-of-Hours Trading</i>
	The allocation of Securities between continuous and auction mode trading shall be determined by the Relevant Euronext Market Undertaking** on the basis of objective criteria including (without limitation) historical and expected trading volumes, the inclusion in a Euronext or other internationally recognised index and the presence of Liquidity Providers.	4305/1	Consent. Out-of-Hours trading for the account of Clients shall require the express consent of the relevant Clients.
		4305/2	Price range. Without prejudice to the rules applicable to Block Trades, Transactions made outside the trading sessions shall be effected at a price within a price range of 1% around the last traded price, or the last disseminated indicative net asset value for Securities included in the NextTrack segment (boundaries included). Euronext's decision to allow Out-of-Hours trading for Securities included in the NextTrack segment is contingent on the availability of the indicative net asset value after the close of trading in proper conditions.

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4.4. Market Mechanisms			
4401	<i>Order Matching and Execution</i>		
4401/1	Continuous trading. During continuous trading, each incoming order shall be checked immediately for possible execution against orders on the opposite side of the Central Order Book. Orders in the Central Order Book shall be executed according to price/time priority. The traded price shall be determined by the limit price of orders sitting on the book.	4403/2B	Ordinary Block Trades. Block Trades in Shares and equivalent Securities shall be effected at prices within the following ranges (boundaries included):
4401/2	Auctions. The auction price shall be determined on the basis of the situation of the Central Order Book at the closing of the call phase and shall be the price which produces the highest executable order volume. Market orders shall have priority over limit orders. Likewise, Market-to-limit orders shall take precedence over limit orders with a limit equal to the auction price. If there are several limits with equally high executable volume, the price shall be determined successively by reference to the lowest surplus for each limit, market surplus side and the price of the last automated trade (adjusted to take account of any corporate event that may have occurred in the interval) or, if such price is not available, another reference price determined in accordance with one or more Notices on the subject, until a single auction price is achieved.		(v) EUR 5,000,000 for Securities included in the NextTrack segment. Euronext shall review the transaction amounts set forth above at least annually or whenever market conditions require an earlier change, and adapt them in accordance with Rule 1402.
4402	<i>Cross Trades and Principal Trades</i> Cross trades involve the simultaneous production and execution by a single Euronext Securities Member of opposing buy and sell orders of Clients for an identical quantity of a particular Security and at the same price. Cross trades can be made outside the Central Order Book pursuant to rules 4305 and 4403. In the Central Order Book, cross trades can be made only for Securities traded continuously and shall be effected at a price within the market's best bid/ask spread at the time of execution, boundaries excluded, or, by way of exception to the time priority principle, may be executed at the market's best bid or ask limit in the case of cross trades whose size exceeds the quantity disclosed at such bid or ask limit. Principal trades involve Euronext Securities Members trading voluntarily against their Clients and shall be effected on the conditions applicable to cross trades.		(i) in respect of Shares included in the Euronext 100 and Next 150 segments: (a) if the amount of the Block Trade is less than five times the relevant NBA, the weighted average spread, determined on the basis of the average bid price and ask price each weighted in accordance with the number of Shares displayed in the Central Order Book calculated over an aggregate number of Shares needed to obtain one NBA, but with a maximum range: - from 5% below the best bid limit price to 5% above the best ask limit price displayed in the Central Order Book; and - of +/- 5% around the last traded price; or (b) if the amount of the Block Trade is equal or greater than five times the relevant NBA, 5% around the last traded price;
4403	<i>Block Trades</i>	4403/2C	(ii) in respect of other Shares: (a) 1% around the last traded price if the amount of the Block Trade is less than twice the relevant NBA; (b) an additional 1% around the last traded price for each additional multiple of the relevant NBA, with a maximum of 5% around the last traded price. (iii) in respect of Securities included in the NextTrack segment: the reservation thresholds.
4403/1	General. Block Trades in Securities admitted to listing or trading on a Euronext Securities Market may be carried out outside the Central Order Book if they are effected in accordance with this Rule 4403. For purposes of this Rule, a Notice shall determine the Securities which shall be regarded as equivalent to Shares or bonds.		Structural Block Trades. Notwithstanding Rule 4403/2B, Block Trades in an amount exceeding: (i) 7.5 million euro for all Shares and equivalent Securities; or (ii) 5% of market capitalisation for Shares only, may be effected at a price within a range of 10% around the last traded price (boundaries included). This rule shall not apply to Securities included in the NextTrack segment.
4403/2	Shares		
4403/2A	Definition. With regard to Shares and equivalent Securities, Block Trades shall mean Transactions that are equal to or exceed the following thresholds (for purposes of this Rule 4403/2 defined as "Normal Block Amount" or "NBA"): (i) EUR 500,000 in the case of Shares included in the Euronext 100 segment; (ii) EUR 250,000 in the case of Shares included in the Next 150 segment; (iii) EUR 100,000 in the case of all other Shares trading on a continuous basis; (iv) EUR 50,000 in the case of Shares trading only through call auction procedures; and	4403/3 4403/3A	Bonds Definition. With regard to bonds and equivalent Securities, Block Trades shall mean Transactions that are equal to or exceed a transaction amount of: (i) EUR 250,000 in the case of bonds trading on a continuous basis; and (ii) EUR 100,000 in the case of bonds trading only through call auction procedures.

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4403/3B	<p>Price range. Block Trades in bonds shall be effected at prices within the following ranges (boundaries included):</p> <p>(i) 0.5% around the last traded price in the case of bonds trading on a continuous basis; and</p> <p>(ii) 1% around the last traded price in the case of bonds trading only through call auction procedures.</p>	4405	<i>Trading at or around the value weighted average price</i>
4404	<i>Trading Safeguards</i>	4405/1	Market value weighted average price ("Market VWAP") Transactions are those where, in accordance with the provisions of the Trading Manual, a Member agrees with his Client or with another Member to effect a Transaction at a price within a 1% range (boundaries included) around the average price, as weighted by volumes, traded in the Central Order Book of a Security during a future period of time.
4404/1	<p>Volatility interruptions or extensions. If any order entered in the Central Order Book is bound to cause the price of any Security to cross a defined threshold, the Relevant Euronext Market Undertaking** may in continuous trading temporarily suspend ("freeze") automated execution of such orders, for the portion which would be traded outside the threshold, or in auction trading extend the call phase of the auction, as the case may be.</p> <p>The aforesaid thresholds may be determined by the Relevant Euronext Market Undertaking** in reference to a static or dynamic reference price, as set forth in one or more Notices. They may be defined as mere warning thresholds or as reservation thresholds.</p> <p>In continuous trading, the Euronext Securities Member who entered the order that triggered the interruption shall be allowed a time window to confirm the pending balance of its order. Absent such confirmation, such balance shall be cancelled. If the threshold crossed is a mere warning threshold, continuous trading shall be resumed upon completion of this confirmation process. If the threshold crossed is a reservation threshold, an auction shall be initiated before continuous trading is resumed. For certain types of Securities, such an auction shall automatically occur without the above mentioned confirmation process.</p> <p>In auction mode trading, the volatility extension shall consist of a single limited extension in time of the relevant auction's call phase.</p>	4405/2	Euronext is solely competent for defining the computation method of the weighted average prices that may be used as reference prices when registering Transactions of this kind on Euronext Securities Markets. In particular, for the purposes of such a computation, Euronext may exclude certain types of Transactions as may be specified in the Trading Manual.
4404/2	<p>Other trading halts. The Relevant Euronext Market Undertaking** may suspend trading in any Security in order to prevent or halt disorderly market conditions, either on its own initiative, and in its sole discretion, or at the reasoned request of the relevant Issuer.</p> <p>In addition, the Relevant Euronext Market Undertaking** shall suspend trading in any Security upon the request of a Competent Authority.</p>	4405/3	Only Shares traded continuously are eligible for such Market VWAP Transactions facility.
4404/3	<p>Trade or price cancellation. The Relevant Euronext Market Undertaking** may cancel Transactions, even if already registered, which in its reasonable judgement do not comply with a Rule or applicable law or regulation or are the subject of a manifest material error. In the circumstances described in one or more Notices, the Relevant Euronext Market Undertaking** may also cancel a traded price, which shall have the effect of cancelling all Transactions effected at such price in the specified time interval.</p> <p>The Relevant Euronext Market Undertaking** shall inform Euronext Securities Members as promptly as possible upon such a cancellation if made during the trading cycle and, for cancellations made after the close thereof, at the latest before the opening of the following trading session.</p>	4.5.	Confirmation, Reporting and Publication
		4501	<i>Confirmation</i>
			The Euronext Market Undertakings shall acknowledge orders entered into the Central Order Book and give them a sequential number per Security, which shall be disclosed to the relevant Euronext Securities Member.
			The Euronext Market Undertakings shall send a confirmation of execution to the relevant counterparties upon full or partial execution of any order, which confirmation shall state the unfilled order quantity, if any.
		4502	<i>Reporting of Transactions</i>
		4502/1	Scope. This rule governs only Transactions (i.e. trades made under the Rules of Euronext Securities Markets) and is without prejudice to the trade reporting obligations set forth by national regulations implementing Article 20 of the Investment Services Directive.
		4502/2	Order book Transactions. Transactions carried out in the Central Order Book are automatically and immediately deemed to have been effected on, and reported to, the Euronext Securities Market operated by the Relevant Euronext Market Undertaking**.
		4502/3	Off order book Transactions. A Euronext Securities Member who has effected a Transaction outside the Central Order Book shall immediately report such Transaction to the Relevant Euronext Market Undertaking**. For the avoidance of doubt, Market VWAP Transactions shall be reported immediately after the end of the agreed period of time referred to in Rule 4405.
			When reporting a Euronext Securities Member shall indicate whether it acted as principal or not.
			Transactions carried out outside the Central Order Book shall only upon reporting be deemed to have been effected on the Euronext Securities Market operated by the Relevant Euronext Market Undertaking**.
		4503	<i>Publication</i>
		4503/1	Pre-trade transparency. The Euronext Market Undertakings shall continuously disseminate to Euronext Securities Members, Related Parties with whom Euronext Securities Members have granted direct access with the consent of the Relevant Euronext Market Undertaking* pursuant to Rule 2601/1, eligible information vendors

and other Persons which have entered into a Euronext market databases distribution agreement:

- (i) the market by orders, i.e., all orders outstanding at a given time, unless a "fast market" procedure applies in case of extreme activity;
- (ii) the market by limits, i.e., the five best bid/ask limits in the Central Order Book, including the number of orders and total disclosed order quantity at each such limit, and the weighted average spread calculated in accordance with item (I) (a) of Rule 4403/2B.

During the call phase of auctions, the Euronext Market Undertakings shall continuously display the indicative price.

4503/2 Post-trade publication. For each Transaction carried out in the Central Order Book, the Euronext Market Undertakings shall immediately disseminate the quantity, price and time of execution of such Transaction.

The Transactions carried out as Cross Transactions for purposes of a Basket Trade shall be disseminated with a special indicator.

With regard to Shares and equivalent Securities, the following distinctions shall apply:

- (i) Block Trades in which the Euronext Securities Member does not act as principal shall be published upon reporting;
- (ii) principal Block Trades shall be published as follows:
 - (a) within 60 minutes after reporting if the amount of the Block Trade is less than five times the relevant NBA;
 - (b) within 120 minutes after reporting if the amount of the Block Trade is equal or greater than five times the relevant NBA;

provided that, in the case of principal Block Trades in Shares and equivalent Securities, in an amount equal to or exceeding 5% of market capitalisation, the relevant Euronext Securities Member who represents that it has not yet closed out its position may request to defer publication until the opening auction or the opening of continuous trading on the following Trading Day, as appropriate.

- (iii) Transactions carried out outside Trading Hours shall be published before market opening on the following Trading Day;
- (iv) Market VWAP Transactions shall be identified as such and published immediately upon reporting, unless they qualify for the Block Trade deferred publication regime.

For purposes of this Rule, a Notice shall determine the Securities which shall be regarded as equivalent to Shares.

4503/3 Use of market data by Euronext Securities Members. The use of market data by a Euronext Securities Member is governed by the Euronext market databases distribution agreement with Euronext.

4.6. Clearing and Settlement

4601 Transactions executed on a Euronext Securities Market shall be cleared in accordance with the rules and procedures set forth in the Clearing Rule Book, and settlement shall be arranged through the settlement organisations designated by Euronext.

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CHAPTER 5: TRADING RULES FOR DERIVATIVES

5.1. General

5101 Scope of Chapter 5

This Chapter 5 sets forth rules governing trading on the Euronext Derivatives Markets ("Euronext.liffe").

5102 Trading Days and trading hours

5102/1 The Trading Days in any given calendar year shall be announced by Euronext.liffe in a Notice published no later than the last Trading Day of the preceding year.

5102/2 The opening and closing hours of the markets, and the opening and closing trading times for each Derivative which is an Admitted Financial Instrument within the foregoing hours, shall be determined from time to time and published by Euronext.liffe.

5103 Contract Specifications

5103/1 The prescribed terms of arrangement in respect of a Derivative which is an Admitted Financial Instrument are published by Euronext.liffe as Contract Specifications.

5103/2 Such Contract Specifications may be amended from time to time and such amendments will be published in a Notice. The Relevant Euronext Market Undertaking** will not perform amendments to Contract Specifications in respect of open positions except in exceptional circumstances and/or in the interests of maintaining a fair and orderly market.

5104 Delivery months, expiry months and expiry dates

5104/1 The delivery months or expiry months or expiry dates, as the case may require, in respect of all Derivatives which are Admitted Financial Instruments shall be determined from time to time and published by Euronext.liffe.

5105 Liquidity Providers

5105/1 The Relevant Euronext Market Undertaking** may enter into agreements with Euronext Derivatives Members or Clients of Euronext Derivatives Members to enhance the liquidity in specific Derivatives which are Admitted Financial Instruments.

5105/2 The Relevant Euronext Market Undertaking** shall publish and regularly update the list of Liquidity Providers and information relating to their commitments under the terms of the applicable Liquidity Provision Agreements.

5106 Trading Procedures

5106/1 Euronext.liffe implements such procedures ("Trading Procedures") as it deems fit including, without limitation, the following:

- (i) procedures governing the conduct of trading on LIFFE CONNECT®; and
- (ii) procedures in relation to any other aspect of business conducted on the market.

Such procedures may be introduced or amended from time to time and are published by Euronext.liffe in accordance with Rule 1501.

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5106/2 The Trading Procedures have the same status with regard to enforceability as the Rules.

5.2. Access to LIFFE CONNECT®

5201 Subject to a Euronext Derivatives Member entering into a User and Licence Agreement and satisfying such conditions as may be required by the Relevant Euronext Market Undertaking** from time to time and subject to the Rules and Trading Procedures from time to time in force, the Relevant Euronext Market Undertaking** will provide access to LIFFE CONNECT® to a Euronext Derivatives Member who wishes to conduct business in respect of Derivatives made available by that Relevant Euronext Market Undertaking** for trading on LIFFE CONNECT®.

5202 Pursuant to the arrangements referred to in Rule 5201, the Relevant Euronext Market Undertaking** may:

- (i) suspend a Euronext Derivatives Member's access, or access via a particular ITM or ITMs, to LIFFE CONNECT® following a warning which may be made in writing or verbally (and subsequently confirmed in writing); or
- (ii) terminate a Euronext Derivatives Member's access to LIFFE CONNECT® by notice in writing.

5203 For the avoidance of doubt, the Relevant Euronext Market Undertaking** shall:

- (i) terminate a Euronext Derivatives Member's access to LIFFE CONNECT®; and
- (ii) cancel all outstanding orders submitted by, or in the name of, that Euronext Derivatives Member,

if the trading privileges of a Euronext Derivatives Member are suspended or if the Euronext Derivatives Member is expelled from membership.

5.3. Trading on LIFFE CONNECT®

5301 Trading and Order matching

5301/1 Derivatives shall be traded on LIFFE CONNECT® through continuous matching of orders at opposite sides of the Central Order Book in accordance with the trade priority rules determined by the Relevant Euronext Market Undertaking** from time to time and published in Book II of the Rules or in the Trading Procedures, as the case may be.

5302 Order types

5302/1 The order types which may be submitted to the Central Order Book consist of:

- (i) limit orders;
- (ii) market orders; and
- (iii) market on open orders.

The Trading Procedures from time to time in force shall specify the detailed requirements for each type of order in respect of each Derivative which is an Admitted Financial Instrument.

5303 Order execution

5303/1 Transactions may be executed on LIFFE CONNECT® only through Individual Trading Mnemonics associated with Responsible Persons.

5303/2 Every Transaction, whether executed on the Central Order Book or otherwise, shall be executed in accordance with Trading Procedures from time to time implemented by Euronext.liffe. Transactions may take place only on Trading Days during the hours specified for that purpose under Rule 5102/2.

5303/3 All bids, offers and Transactions made through a LIFFE CONNECT® workstation shall be binding on the Euronext Derivatives Member through whose Individual Trading Mnemonics such bids, offers or Transactions (as the case may be) are made.

5304 Contractual relationships

5304/1 Valid acceptance of a valid bid or offer shall make a Transaction between the members whose traders made the bid or offer and the acceptance.

5304/2 In the case of LIFFE CONNECT®, the matching of a valid bid with a valid offer by the Trading Host shall constitute the valid acceptance of a valid bid or offer for the purposes of this Rule 5304.

5.4. Termination, Suspension and trade invalidation/cancellation

5401 Termination of a trading session

5401/1 The Relevant Euronext Market Undertaking** may terminate a trading session for one or more Derivatives in the interests of an orderly market. The procedures for termination and/or resumption of a trading session are detailed in the Trading Procedures.

5402 Suspension or limitation of trading

5402/1 Without prejudice to actions taken pursuant to Chapter 9, the Relevant Euronext Market Undertaking** may suspend or limit the availability for trading of a Derivative or take any other measure it deems necessary in the interests of maintaining an orderly and proper market. Such suspension or limitation, and any resumption of availability for trading, or the imposition or revocation of any such other measure, shall be published by the Relevant Euronext Market Undertaking** by the method deemed most effective in the circumstances and confirmed, where appropriate, by Notice.

5403 Invalidation and cancellation of Transactions

5403/1 A Transaction made or purported to be made may be declared invalid by the Relevant Euronext Market Undertaking** in the circumstances set out in Book II of the Rules or in the Trading Procedures.

5403/2 A transaction made in error in designated Derivatives may be declared invalid by the Relevant Euronext Market Undertaking** subject to the conditions set out in Book II of the Rules or in the Trading Procedures.

5.5. Cross Transactions and Off Order Book Transactions

5501 Cross Transactions

5501/1 The execution of Cross Transactions shall be permitted subject to conditions to be specified by the Relevant Euronext Market Undertaking** and published by Euronext.liffe by Notice or in Book II of the Rules, as the case may be.

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5501/2 Cross Transactions in respect of particular classes of Derivatives may be subject to additional conditions or restrictions, including those in relation to the transactions' price, which are detailed by the Relevant Euronext Market Undertaking** in the Trading Procedures.

5502 *Off Order Book Transactions*

5502/1 The Relevant Euronext Market Undertaking** shall specify in Book II of the Rules or in the Trading Procedures the conditions under which Transactions may be executed outside the Central Order Book.

5502/2 Pursuant to Rule 5502/1, the Relevant Euronext Market Undertaking** may make available one or more of the following facilities in respect of a Derivative which is an Admitted Financial Instrument:

- (i) block trading;
- (ii) basis trading;
- (iii) asset allocations;
- (iv) against actuals;
- (v) error corrections; and
- (vi) pre-negotiation corrections.

5502/3 In addition to the facilities listed in Rule 5502/2, the Relevant Euronext Market Undertaking** may make available facilities which fall outside the scope of a regulated market. Where such facilities are made available, Book II of the Rules or the Trading Procedures (as the case may be) shall specify the conditions under which they will be operated and the relevant provisions of the Rules which shall apply to business executed and reported through such facilities.

5.6. Pre-negotiation and Pre-arrangement

5601/1 Euronext Derivatives Members are permitted to negotiate with other Persons prior to executing, or attempting to execute, a Cross Transaction or an Off Order Book Transaction ("pre-negotiation") where such pre-negotiation is expressly permitted by the Rules or the Trading Procedures and such pre-negotiation is conducted strictly in accordance with the requirements of such Rules or Trading Procedures.

5601/2 Any prior negotiation with other Persons other than that referred to in Rule 5601/1 shall give rise to a violation of the Rules. Any Transaction made or purported to be made, the execution of which was the subject of prior negotiation other than in accordance with Rule 5601/1 ("pre-arrangement"), may be declared invalid.

5.7. Recording and reporting

5701 *Recording of order details*

5701/1 In addition to the information required pursuant to Rule 5701/3, a Euronext Derivatives Member must, pursuant to Rule 8203/1, ensure that each order received from a client for execution on LIFFE CONNECT® is recorded and time-stamped immediately. The order record must be time-stamped again on execution and also at the time of any cancellation of the order by the client.

5701/2 Order records may be maintained on order slips or by electronic order routing systems, or by any other means specified by the Relevant Euronext Market Undertaking**, providing it complies with the requirements of this Rule 5701.

5701/3 Order records relating to LIFFE CONNECT® business must contain the following information and any additional information required by the Relevant Euronext Market Undertaking**:

- (i) member identification;
- (ii) identity of the individual submitting the order to the Trading Host and the ITM under which it is submitted;
- (iii) identity of the individual completing the order record;
- (iv) client identification;
- (v) buy/sell;
- (vi) volume;
- (vii) contract;
- (viii) put/call and exercise price (if applicable);
- (ix) delivery/expiry month;
- (x) price or price limit, price range or strategy price;
- (xi) special instructions e.g. GTC; and
- (xii) strategy type indicator (if applicable).

5701/4 All order records, of whatever kind, must be:

- (i) robust, secure and not prone to alteration;
- (ii) made available immediately on the day of the transaction and within a reasonable period of time thereafter, where required by the Relevant Euronext Market Undertaking**; and
- (iii) presented in a manner which is easily decipherable by the Relevant Euronext Market Undertaking**;

5701/5 Euronext Derivatives Members who employ an electronic system for order routing must have suitable contingency procedures in the event of systems failure, which may include back up systems or recourse to a paper-based audit trail, such that no loss of audit trail data can occur.

5702 *Retention of information in respect of an order*

5702/1 Information recorded pursuant to Rules 5701 must be retained by members for a period of no less than five years after the date of the Transaction.

5703 *Reporting*

5703/1 *Scope.* This rule governs only Transactions (i.e. trades made on a Euronext Derivatives market under these Rules) and is without prejudice to any trade reporting obligation to which a member is subject by his regulator or supervisor.

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- 5703/2 *Order book Transactions.* Transactions carried out in the Central Order Book are automatically and immediately deemed to have been effected on, and reported to, the Euronext market operated by the Relevant Euronext Market Undertaking**.
- 5703/3 *Off order book Transactions.* A Euronext Derivatives Member who has effected a Transaction outside the Central Order Book shall report such Transaction to the Relevant Euronext Market Undertaking** by such time and in such manner as may be prescribed by that Euronext Market Undertaking.
- Such Transactions shall be deemed to have been effected on the Euronext market operated by the Relevant Euronext Market Undertaking** only when they have been received or validated, as the case may be, by that Euronext Market Undertaking.
- 5704 *Publication*
- 5704/1 Euronext.liffe immediately and continuously publishes the volume and price associated with all bids and offers submitted to the Central Order Book.
- 5704/2 Euronext.liffe immediately publishes the volume and price associated with each Transaction made in the Central Order Book. In respect of Transactions on a regulated market effected outside the Central Order Book, Euronext.liffe publishes the volume and price associated with each such Transaction immediately after its receipt or validation, as the case may be.
- 5705 *Use of market data by Euronext Derivatives Members*
- 5705/1 The use of market data by Euronext Derivatives Members is governed by the Euronext market data distribution agreement with Euronext.

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CHAPTER 6: ADMISSION TO LISTING AND CONTINUING OBLIGATIONS OF ISSUERS

6.1. Scope of Chapter 6

6101 This Chapter 6 sets forth:

- (i) the requirements and procedures for the admission to listing and delisting of Securities, and
- (ii) the continuing obligations of Issuers whose Securities are admitted to listing.

6102 For the purposes of this Chapter 6, admission to listing shall mean the admission to trading of Securities by the Relevant Euronext Market Undertaking** on a Euronext Securities Market at the request or with the consent of the Issuer, and delisting shall be construed accordingly.

6103 The Relevant Euronext Market Undertaking** shall be competent for all matters with respect to admission to listing and delisting of Securities and the continuing obligations of Issuers as set forth in this Chapter 6, unless provided otherwise by National Regulations.

6104 References to amounts denominated in euros in this Chapter 6 and in any Notices issued, or supplementary requirements imposed, pursuant to this Chapter 6 shall be deemed to refer also to broadly equivalent amounts in other currencies.

6.2. Application procedure

6201 An application for admission to listing must be filed with, and in such form as is determined by, the Relevant Euronext Market Undertaking** and published in one or more Notices.

6202 The Relevant Euronext Market Undertaking** and the Applicant shall jointly agree a timetable in respect of the admission to listing.

6203 An application for admission to listing must state whether a similar application has been filed at another organised market or Regulated Market or whether such an application is to be filed in the near future.

6204 The application for the first admission to listing of Securities must be signed and filed by the Applicant and, if so required by the Relevant Euronext Market Undertaking** in Book II, by a Listing Agent.

The Relevant Euronext Market Undertaking** shall specify by Notice the qualifications and the duties of the Listing Agent.

6205 An application for the admission to listing of Depository Receipts must also be signed by the Issuer of the Underlying Securities, except if the Underlying Securities are admitted to listing on another Regulated Market.

6206 The Relevant Euronext Market Undertaking** may:

- (i) impose on an Applicant, on a specific case-by-case basis, such supplementary listing requirements in addition to those specified in Rules 6.6 and 6.7 as it reasonably considers appropriate and of which it shall duly inform the Issuer in respect of an application for admission to listing prior to the conclusion of its consideration of such application;
- (ii) require any additional documentation and information from the Applicant; or

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- (iii) carry out such inquiries as may reasonably be required in connection with its review of an application for admission to listing.

6.3. Decision by the Relevant Euronext Market Undertaking**

6301 Unless agreed otherwise by the Issuer and the Relevant Euronext Market Undertaking**, the Relevant Euronext Market Undertaking** shall make a decision in respect of an application for admission to listing within a maximum period of:

- (i) ninety (90) days in case of a first admission to listing; and
(ii) thirty (30) days in all other cases.

Those periods shall begin from the date when the Relevant Euronext Market Undertaking** has received all documentation and information required to be provided by the Issuer pursuant to Rule 6.5.

6302 The decision of the Relevant Euronext Market Undertaking** to admit Securities to listing shall remain valid for a maximum period of ninety (90) days, except if the Relevant Euronext Market Undertaking** should become aware that any information provided in the application file has changed in the meantime. The Relevant Euronext Market Undertaking** may extend this period once for a maximum of a further ninety (90) days upon the written request of the Issuer.

6303 The Relevant Euronext Market Undertaking** shall determine the date on which the admission to listing of Securities becomes effective and shall publish that date and the conditions of admission to listing of the Securities in question as well as any relevant particulars for the trading of such Securities.

6304 In the case of a public offer of Securities, the listing shall become effective only after the completion of the subscription period, except in the case of tap issues of Securities when the closing date for subscription is not yet fixed.

6.4. Grounds for refusal

6401 The Relevant Euronext Market Undertaking** may refuse an application for admission to listing of a Security on any appropriate ground, including (without limitation) if:

- (i) the Issuer does not meet one or more of the requirements imposed by or pursuant to this Chapter 6 or any applicable National Regulations; or
(ii) it considers that admission to listing of the Securities may be detrimental to the fair, orderly and efficient operation of the Euronext Securities Market or to the reputation of Euronext as a whole; or
(iii) it finds that a Security is already admitted to listing on another market and that the Issuer does not comply with the obligations resulting from such admission to listing.

6402 A decision to refuse an application for admission to listing and the reasons for this refusal shall be notified to the Issuer in writing.

6403 In the case of a refusal, the Applicant may appeal against the decision taken by the Relevant Euronext Market Undertaking** before any court or authority and according to such procedure and within such timeframe as may be prescribed under National Regulations.

6.5. General documentation to be furnished at the time of the application

6501 At the time of the application, insofar as applicable, the following documentation must be supplied to the Relevant Euronext Market Undertaking**:

- (i) a written undertaking to:
- (a) inform immediately the Relevant Euronext Market Undertaking** if any information provided in the application file has changed in the meantime;
- (b) comply with the Rules and any modifications of them;
- (c) comply, as the case may be, with any measure taken by the Relevant Euronext Market Undertaking** according to Rule 6.8;
- (d) comply with the obligations as set forth in Rule 6.9; and
- (e) pay the handling charges, initial listing fees and recurring listing fees prescribed by Euronext, when such charges and fees become due and payable.
- (ii) a Listing Agreement, signed by the Issuer and supported by a Listing Agent if so required by the Relevant Euronext Market Undertaking** knowing that the Relevant Euronext Market Undertaking** may consider the aforementioned written undertaking as constituting the Listing agreement;
- (iii) documentation which evidences to the satisfaction of the Relevant Euronext Market Undertaking** that:
- (a) the legal position and structure of the Issuer are in accordance with applicable laws and regulations, both as regards its formation and as regards its operations under its articles of association;
- (b) the legal situation in respect of the Securities is in accordance with applicable laws and regulations;
- (c) a paying agent and/or a transfer agent has been appointed at no cost to the holders; and
- (d) the administration of corporate events and the payment of dividends are ensured;
- (iv) a copy of any (draft) prospectus relating to the issue signed by the Issuer;
- (v) corporate documentation authorising the issue;
- (vi) a statement by the Issuer as to the amount or number of Securities issued at the time of the application; and
- (vii) copies of the published or filed audited financial statements or pro forma accounts of the financial statements as required by Rule 6702/1 (iii) for Shares, Depository Receipts for Shares and Equity Securities
- 6502 Without prejudice to Rule 6503, in addition to the documentation and information required pursuant to Rule 6501, the Relevant Euronext Market Undertaking** may specify by Notice other documentation that must be supplied in respect of particular categories of Securities.
- 6503 All documentation that is required to be submitted pursuant to this Chapter 6 shall be in English or in a language accepted by the Relevant Euronext Market Undertaking** and if necessary translated by a certified translator. If the head office of the Issuer is located

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outside the European Union, the Relevant Euronext Market Undertaking** may require that the Issuer's financial statements are restated in the GAAP applicable to the jurisdiction in which the Relevant Euronext Market Undertaking** has its registered office and that this restatement is reviewed by an auditor acceptable to it.

6702 *Additional listing requirements for the admission to listing of Shares, Depository Receipts for Shares and Equity Securities.*

6702/1 If the application relates to the first admission to listing of Shares, Depository Receipts for Shares or Equity Securities, admission to listing shall take place if the following conditions are met:

(i) At the time of admission to listing, a sufficient number of Securities must be distributed to the public.

A sufficient number of Securities shall be deemed to have been distributed either when the Securities in respect of which application for admission to listing has been made are in the hands of the public to the extent of a least 25 % of the subscribed capital represented by the class of Securities concerned or when, in view of the large number of Securities of the same class and the extent of their distribution to the public, the market will function with a lower percentage. This percentage may not be lower than 5 % and must represent a value of at least five (5) million euro calculated on the basis of the offering price.

(ii) At the time of admission to listing, the Issuer or, in the case of Depository Receipts, the issuer of the Underlying Securities must have published or filed audited annual financial statements or pro forma accounts, consolidated where applicable, for the preceding three financial years, drawn up in accordance with the accounting standards of the country where the Issuer has its registered office, IFRS or any other accounting standards allowed by National Regulations for the period covered by the financial information. If the fiscal year closed more than nine (9) months before the date of the admission to listing, the Issuer must have published or filed audited semi-annual accounts.

6702/2 Without prejudice to Rule 6206, the Relevant Euronext Market Undertaking** may grant dispensation from the requirement set forth in Rule 6702/1 (ii) if this is in the interests of the Issuer or in the case of Depository Receipts, the issuer of the Underlying Securities or of investors and if the Issuer has made available the necessary information allowing an informed judgment on the company, its financial situation and its business or, in the case of Depository Receipts, that of the issuer of the Underlying Securities.

In those cases, the Relevant Euronext Market Undertaking** may subject the admission to listing to additional requirements in respect of Market Capitalisation, shareholders' equity and/or lock-up requirements, or any other condition at the time of the admission to listing.

6702/3 The Issuer or the Applicant may decide to distribute in whole or in part the Securities through a centralisation process organized by the Relevant Euronext Market Undertaking**. The Relevant Euronext Market Undertaking** concerned shall specify such procedure in Book II.

6703 *Additional listing requirements for the admission to listing of corporate Bonds*

6703/1 Upon admission to listing, the nominal amount of corporate Bonds must amount to at least two hundred thousand (200,000) euro, except in the case of tap issues where the amount of the issue is not fixed.

6703/2 The application for admission to listing must relate to all corporate Bonds ranking pari passu.

6703/3 The Relevant Euronext Market Undertaking** may as a condition to admission to listing require that the relevant corporate Bonds be rated by a rating agency or require that a guarantee for the principal amount and interest be issued by a parent company or by a third party as agreed with the Relevant Euronext Market Undertaking**.

6.6. General listing requirements for Securities

6601 Upon admission to listing and for as long as the Securities are listed:

- (i) the legal position and structure of the Issuer must be in accordance with applicable laws and regulations both as regards its formation and its operation under its articles of association;
- (ii) the Issuer must comply with the requirements of any relevant Competent Authority; and
- (iii) adequate procedures must be available for the clearing and settlement of Transactions in respect of such Securities.

6602 The Issuer shall ensure that Securities of the same class have identical rights as per its articles of association and National Regulations.

6603 Securities must be validly issued in accordance with applicable laws and regulations governing those Securities, the Issuer's articles of association and other constituent documentation.

6604 The form of Securities must be in conformity with the requirements of applicable National Regulations.

6605 The Issuer shall ensure that Securities are freely transferable and negotiable.

6606 Securities entitling holders to acquire others Securities ("Underlying Securities") are eligible for admission to listing only if at the time of the application:

- (i) the Underlying Securities are admitted to listing on a Regulated Market or, outside the European Union, on another organised market subject to equivalent standards as determined by the Relevant Market Undertaking**; or
- (ii) there are adequate assurances that such Underlying Securities will be admitted on such market by the time at which the right to acquire them can be exercised.

6607 An application for admission to listing must cover all the Issuer's Securities of the same class issued at the time of the application or proposed to be issued.

6608 The Issuer shall undertake to apply for admission to listing for all Securities of the same class referred to in Rule 6607, vis-à-vis the Relevant Euronext Market Undertaking** and the Competent Authority.

6.7. Additional listing requirements per category of Securities

6701 In addition to the general listing requirements set forth in Rule 6.6, this Rule 6.7 specifies additional listing requirements regarding the admission to listing of specific categories of Securities.

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6704 *Additional listing requirements for the admission to listing of Securities issued by Investment Funds and Investment Companies*

6704/1 With regard to Securities issued by an Investment Fund or by an Investment Company, the following requirements must be met:

- (i) Upon admission to listing, the foreseeable Market Capitalisation of the Securities for which admission to listing is sought must be at least five (5) million euro.
- (ii) Upon admission to listing, a sufficient number of Securities issued by an Investment Fund or by an Investment Company must be distributed to the public.

A sufficient number of such Securities shall be deemed to have been distributed either when the Securities in respect of which application for admission has been made are in the hands of the public to the extent of a least 25 % of the subscribed capital represented by the class of concerned Securities or when, in view of the large number of Securities of the same class and the extent of their distribution to the public, the market will function with a lower percentage.
- (iii) At the time of the admission to listing or, if that admission coincides with an issue and the Securities to be issued have already been allotted at the time of admission, after the issue of the allotted Securities, the Market Capitalisation must be at least five (5) million euro.

6705 *Additional listing requirements for the admission to listing of Trackers*

6705/1 Admission to listing of a Tracker is conditional upon the conclusion of:

- (i) a Liquidity Provision Agreement between the Relevant Euronext Market Undertaking** and at least one Liquidity Provider; and
- (ii) an Inclusion Agreement in respect of the NextTrack segment between the Relevant Euronext Market Undertaking** and the Issuer.

6706 *Additional listing requirements for the admission to listing of warrants*

6706/1 Any Issuer seeking the admission to listing of warrants must be:

- (i) a Credit Institution or an Investment Firm; or
- (ii) an entity subject to a comparable supervision and control, whereby certification of such supervision and control and proof of the comparability must be provided by the Issuer; or
- (iii) any other entity whose obligations, in relation to the warrants being issued, are unconditionally and irrevocably guaranteed by, or benefit from an arrangement which is equivalent in its effect to such a guarantee provided by, an entity which satisfies (i) or (ii) above.

6706/2 Euronext may condition the admission to listing of a warrant to the conclusion of a Liquidity Provision Agreement between the Relevant Euronext Market Undertaking** and a Liquidity Provider.

6706/3 The Relevant Euronext Market Undertaking** may subject the admission to listing of warrants to a minimum quantity per issue or to a minimum order size.

6707 *Additional listing requirements for the admission to listing of other transferable Securities*

6707/1 The admission to listing of other transferable Securities shall be subject to such specific requirements as the Relevant Euronext Market Undertaking** may define by Notice taking into account the nature of the Securities for which admission is sought and, as far as possible the general listing requirements specified in this Chapter 6 for comparable Securities.

6707/2 The Relevant Euronext Market Undertaking** may determine that other transferable Securities do not qualify for admission to listing.

6.8. Listing measures

6801 *General*

6801/1 The Relevant Euronext Market Undertaking** may take all such measures in respect of Financial Instruments admitted to listing on an Euronext Securities Market as it deems necessary to facilitate the fair, orderly and efficient operation of its markets. The Issuer will be informed as soon as possible on this measure.

6801/2 For this purpose and subject to National Regulations, the Relevant Euronext Market Undertaking** may, inter alia:

- (i) impose specific conditions upon the Issuer to ensure that the obligations imposed and the requirements set pursuant to this Chapter 6 or the Listing Agreement are being complied with, or
- (ii) list a Security with a special indicator, or
- (iii) suspend the trading of a Security pursuant to Rule 4404, or
- (iv) delist the Security and terminate the Listing Agreement according to Rule 6804.

6802 *Market Capitalisation compartments*

6802/1 The Relevant Euronext Market Undertaking** may create specific segments in the Euronext Securities Market it operates, based namely on Market Capitalisation criteria, and allocate Securities to those distinct segments. This allocation will be reviewed annually.

Securities included in a specific segment as foreseen in Rule 6803/2 are not included in these segments.

6803 *Specific compartments*

6803/1 The Relevant Euronext Market Undertaking** will regularly examine the situation of Issuers. Depending on the outcome of this examination, the Relevant Euronext Market Undertaking** may decide, without prejudice to the Rules 6801 and 6804, to allocate the Securities concerned into a distinct segment of the Euronext Securities Market.

The objective of this specific segment is to group together Securities whose market and/or financial characteristics are affected by events that might disrupt their situation in an enduring way or threaten the fair, orderly and efficient operation of the market.

6803/2 The Relevant Euronext Market Undertaking**:

- (i) will decide to include a Security admitted to listing in the specific segment if the Issuer find itself in a situation where it is claiming or has started to be claimed for bankruptcy or insolvency procedures which are similar to bankruptcy, or equivalent

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- proceedings for an issuer governed by a foreign law, as soon as the Relevant Euronext Market Undertaking** has learnt of this situation;
- (ii) may decide to include a Security admitted to listing in the specific segment if an exceptional event occurs that disrupts the Issuer's performance or the continuity of its activities on a long-term basis.
- 6803/3 Securities that are included in the specific segment referred to in Rule 6803/1 shall be removed from it at the request of the Issuer or at the initiative of The Relevant Euronext Market Undertaking** in the following conditions:
- (i) if inclusion in the specific segment followed the initiation of proceedings aimed at in point (i) of Rule 6803/2:
- in the event of a withdrawal from the proceedings, provided the Issuer publishes a press release revealing the terms and conditions of the proceedings of its activities;
- (ii) if inclusion in the specific segment followed the initiation of proceedings aimed at in point (ii) of Rule 6803/2:
- when Issuers can justify that its performance or activities are no longer disrupted, provided the Issuer publishes a press release revealing the terms and conditions of the proceedings of its activities;
- (iii) automatically in case of delisting as described in Rule 6804.
- 6803/4 The Relevant Euronext Market Undertaking** may further specify by Notice the examination criteria and the operating procedures for the allocation of Securities in this specific segment.
- 6804 *Delisting*
- 6804/1 Euronext may delist Securities listed on its markets in the following circumstances:
- (i) at the written request of the relevant Issuer or Applicant insofar as this is permitted by National Regulations; or
- (ii) on its own initiative and on any appropriate grounds including (without limitation):
- (a) manifest failure to comply by the Issuer or the Applicant with the obligations imposed and the requirements set pursuant to the Rules or the Listing Agreement; or
- (b) Dissolution of the Issuer or payment moratorium or bankruptcy or any similar insolvency proceedings under National Regulations or foreign law against the Issuer or the Applicant; or
- (c) in the opinion of the Relevant Euronext Market Undertaking** less than 5% of the Securities remain available for trading; or
- (d) without prejudice to Rule 4404/2, in the opinion of the Relevant Euronext Market Undertaking**, facts or developments occur or have occurred with regard to a Security which prevent the continued listing of that Security or which cause the Relevant Euronext Market Undertaking** to believe that a fair, orderly and efficient market for a Security cannot be maintained; or
- (e) adequate clearing and/or settlement services for a type of Securities are no longer available; or
- (f) the delisting of the Shares or other Securities into which they are

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- convertible or for which they are exchangeable, as the case may be.
- 6804/2 If the Relevant Euronext Market Undertaking** decides to delist a Security pursuant to Rule 6804/1 (ii), the following procedure shall apply:
- (i) the Relevant Euronext Market Undertaking** shall determine the date on which the delisting of the Securities shall become effective;
- (ii) the intention to delist and the anticipated date for such delisting shall be notified in writing to the Issuer;
- (iii) the Issuer shall be given an opportunity to be heard by the Relevant Euronext Market Undertaking** before any decision to delist is taken;
- (iv) the Relevant Euronext Market Undertaking** shall publish the date on which delisting of the Securities shall become effective as well as the conditions of delisting and any other relevant information concerning the delisting;
- (v) on the date on which the delisting of the Securities becomes effective the Listing Agreement, if any, will be terminated without any further action being required.
- 6804/3 If a request for delisting of Securities is made by the Issuer according to Rule 6804/1 (i), the following procedure shall apply:
- (i) the written request for delisting must state for which Securities delisting is requested as well as the grounds for delisting.
- (ii) the Relevant Euronext Market Undertaking** shall determine the date on which the delisting of the Securities shall become effective.
- (iii) the Relevant Euronext Market Undertaking** shall publish the date on which delisting of the Securities shall become effective as well as the conditions of delisting and any other relevant information concerning the delisting.
- 6804/4 The Relevant Euronext Market Undertaking** may subject any delisting of Securities to such additional requirements as it deems appropriate.
- 6805 *Appeals*
- 6805/1 The relevant Applicant or the Issuer may appeal against the decision to delist pursuant to Rule 6804 taken by the Relevant Euronext Market Undertaking** before any court or authority and according to such procedures and within such timeframe as may be prescribed under National Regulations.
- 6.9 Continuing obligations**
- 6901 *General*
- 6901/1 Scope This section sets forth the obligations which the Issuer must meet on a continuous basis for so long as its Securities are admitted to listing.
- 6901/2 Fees The Issuer shall pay any fees charged by Euronext in accordance with the conditions established by Euronext and communicated to the Issuers.
- 6902 *Listing of Newly-Issued Securities of the Same Class*
- 6902/1 When additional Securities of the same class as Securities already admitted to listing are issued, application for admission to listing of such additional Securities shall be made:

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- (i) as soon as they are issued in a case of public issued Securities; and
- (ii) no later than ninety (90) days after their issue in other cases.
- 6903 *Investor Relations*
- 6903/1 Equal treatment The Issuer shall ensure equal treatment of all shareholders in the same position and all holders of debt Securities issued as part of the same issue with regard to the rights attached to such Securities.
- 6903/2 Information The Issuer shall provide all necessary information and facilities to enable holders of listed Securities to exercise their rights.
- The Relevant Euronext Market Undertaking** may specify by Notice specific obligations regarding notice of shareholders' meetings, payment of dividends and appointment of paying agents.
- 6904 *Administration of securities events*
- 6904/1 Without prejudice to the continuing obligations imposed by National Regulations, the Issuer shall, at least two Trading Days before such events, disclose to the Relevant Euronext Market Undertaking** any information regarding securities events in respect of the Securities admitted to listing that the Relevant Euronext Market Undertaking** deems necessary to facilitate the fair, orderly and efficient functioning of the market.
- Such information shall be disclosed to the Relevant Euronext Market Undertaking** in a timely manner in advance of such corporate or securities event in order to allow it to take appropriate technical measures.
- The Issuer must at least provide any legal and corporate documents with regard to the securities events listed in Rule 6904/2. The Relevant Euronext Market Undertaking** may further specify by Notice the type of documents to be submitted to it pursuant to this Rule 6904/1.
- 6904/2 The information referred to in Rule 6904/1 includes (without limitation):
- (i) amendments which affect the respective rights of different categories of Shares, Depository Receipts for shares and Equity Securities or debt Securities;
- (ii) any issuing or subscription of Financial Instruments, notably when it involves pre-emptive rights and preference periods;
- (iii) any business combination or split;
- (iv) any changes of transfer agent or paying agent;
- (v) announcement of any distribution;
- (vi) payment and detachment of any dividend or interests ;
- (vii) coupons being declared without value;
- (viii) redemption of securities, notably redemption prior to maturity;
- (ix) any prospectus relating to public offerings;
- (x) if applicable, an annual report on the status of liquidation and indication of the reasons preventing the completion of such liquidation and more generally any decision regarding any situation of bankruptcy or insolvency;

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- (xi) any other event or information which, on publication by or on behalf of the Issuer, may modify the price of the Financial Instrument;
- (xii) the admission to listing or trading on any Regulated Market or other organised market that is subject to equivalent standards; and
- (xiii) any substantial modifications in the structure of its share ownership.
- 6904/3 In the case of admission to listing of depositary receipts, warrants and other Securities entitling holders to acquire other Securities, the information mentioned in Rule 6904/1 includes (without limitation):
- (i) information that affect the respective rights of different categories of Securities;
- (ii) corporate events of the issuer of the Underlying Securities; and
- (iii) any adjustment or modification that the Issuer makes to the exercise condition of the warrant as a result of any change in or to the Underlying Securities including details of the underlying event that necessitated the adjustment or modification.
- 6904/4 In the case of admission to listing of Securities issued by an Investment Company or Investment Fund, the information mentioned in Rule 6904/1 that the management company of Investment company or funds shall communicate to the Relevant Euronext Market Undertaking** includes (without limitation):
- (i) announcement of any distribution;
- (ii) coupons being declared without value.
- 6904/5 In the case of admission to listing of Trackers, the information mentioned in Rule 6904/1 includes (without limitation):
- (i) the Issuer's total net asset value and the net asset value per Share, the composition of its assets, the number of Shares outstanding and the reference index level linked to the net asset value; and
- (ii) any change in the index calculation method as well as in the compilation of the index.
- 6905 *Disclosure Obligations*
- 6905/1 The Issuer shall disclose to the Relevant Euronext Market Undertaking**, no later than when it has to make it public, any information regarding the listed Securities which it has to make public.
- 6905/2 The information mentioned in Rule 6905/1 includes (without limitation):
- (i) annual and interim reports, including financial statements with auditors reports, if any;
- (ii) information required to be filed with the relevant Competent Authority or public authority in respect of changes in its share ownership;
- (iii) changes to the nature of its activities or amendments to its articles of association;
- (iv) legal announcements of special and general meetings; and
- (v) all periodic and occasional information which has to be made public, no later than when it is made public.

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6905/3 The Issuer shall communicate to the Relevant Euronext Market Undertaking** all information disclosed to other markets on which the relevant Securities are admitted to listing or trading and shall do so no later than the time at which such information is made public on this other market (taking into account different time zones in which such other markets may be situated).

6.10 Transitory Provisions

61001 Securities that have been admitted to listing on a Euronext Securities Market prior to the entry into effect of this Chapter 6 shall be deemed to be admitted to listing pursuant to the provisions of this Chapter 6.

61002 The Relevant Euronext Market Undertaking** may by means of Notice define transitory provisions in respect of the applicability of the provisions of this Chapter 6 to Securities that are already admitted to listing on a Euronext Securities Market prior to the entry into effect of this Chapter 6.

61003 At the specific request of the Issuer, the Relevant Euronext Market Undertaking** will make its best efforts to facilitate the transfer of the listing of Securities from a Euronext Securities Market organised by a Relevant Euronext Market Undertaking to another Euronext Securities Market organised by another Relevant Euronext Market Undertaking.

For the avoidance of doubt this "best efforts facilitation" does not cover specific requirements falling under the control of the relevant Competent Authority.

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CHAPTER 7: SPECIAL RULES FOR NEXT ECONOMY AND NEXT PRIME SEGMENTS

7.1. General

7101 Scope of Chapter 7

7101/1 This Chapter 7 sets forth certain additional requirements in relation to Shares included in the Next Economy and Next Prime segments.

7101/2 Eligibility criteria for inclusion of Shares in the Next Economy Segment and the Next Prime Segment, the application procedure for such inclusion and the procedure for appealing against decisions denying such inclusion shall be set forth in one or more Notices.

7102 Additional Obligations

7102/1 Without prejudice to financial reporting and other disclosure standards and procedures imposed by applicable law or by Competent Authorities, an Issuer of Shares included in the Next Economy Segment or the Next Prime Segment shall comply with the requirements set forth in sections 7.2 and 7.3.

7102/2 To the extent that the Competent Authority, within the meaning of Article 105 of Directive 2001/34/EC of the European Parliament and of the Council of 28 May 2001 on information to be published on a regular basis by companies the shares of which have been admitted to official stock-exchange listing, is legally empowered to do so, it shall supervise, according to national procedures, compliance with the additional disclosure obligations set forth in section 7.2.

7103 Inclusion Agreement

7103/1 Other obligations of an Issuer in relation to Shares included in the Next Economy Segment or the Next Prime Segment shall be set forth in a written agreement entered into between the Relevant Euronext Market Undertaking** and such Issuer.

7103/2 The agreement referred to in Rule 7103/1 shall provide that failure by the Issuer to comply with any of the requirements set out in such agreement or in sections 7.2 and 7.3 shall lead to termination of inclusion of the Shares in the relevant segment, subject to a possibility to cure non-compliance within a time period specified in such agreement.

7.2. Additional Disclosure Obligations

7201 Accounting standards for half-yearly reports and annual accounts

For the financial year beginning on or after the 1st January 2004, an Issuer shall prepare and publish its annual and half-yearly consolidated financial statements to be disclosed pursuant to Rules 7202 and 7203 in accordance with the accepted accounting principles applicable in the relevant jurisdiction. Annual consolidated financial statements and half-yearly reports of each financial year beginning on or after January 1, 2005 shall be prepared and published in accordance with the International Financial Reporting Standards ("IFRS") (in line with European Regulation n°1606/2002).

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7202	<i>Annual Reports</i>		
7202/1	Timing		
	Within three months from the end of the financial year, an Issuer shall make public its annual report including audited annual consolidated financial statements.		
7202/2	Content		
	If not already required by the financial reporting and other disclosure standards and procedures imposed by the applicable law, an annual report shall include the following components:	7203/4	Auditing
	(i) annual consolidated financial statements. The consolidated financial statements shall include consolidated balance sheet, income statement, cash flow statement, statement showing either all changes in equity or changes in equity other than those arising from capital transactions with owners and distributions to owners, notes to the consolidated financial statements and basic and diluted earning per share; and		Half-yearly financial statements for the first six months of the financial year shall be subject to a limited review performed by the Issuer's auditors in accordance with national GAAS as they relate to review engagements or in accordance with IFAC n° 910 International Standard on Auditing "Engagement to Review Financial Statements". The auditors limited review report shall be published together with the half-yearly report.
	(ii) a management discussion and analysis. The content of the management discussion and analysis shall be defined in a Notice.		The note referred to in Rule 7203/3 and published together with the half-yearly report shall be examined by the Issuer's auditors in the same way as its half-yearly financial statements. The note referred to in Rule 7203/3 and published together with the annual report shall be examined by the Issuer's auditors in the same way as its annual consolidated financial statements. The Issuer's auditors shall report on the results of their examination.
	In their 2003 annual report and in their annual reports published thereafter, Issuers shall state if they intend to publish quarterly reports compliant with Rule 7205.		
7202/3	Auditing	7204	<i>Annual Reference Document</i>
	Annual consolidated financial statements shall be subject to an audit performed by the Issuer's auditors in accordance with the auditing standards set forth by the International Federation of Accountants (for purposes of this Chapter 7 referred to as "IFAC") or national Generally Accepted Auditing Standards (for purposes of this chapter 7 referred to as "GAAS"), as the case may be.		Euronext regards as best practice that companies included in the Next Economy and Next Prime segments publish an annual reference document containing information regarding an Issuer's shareholders' equity, management, operations, financial situation and results, as approved by the Competent Authority, whether or not in combination with its annual report.
7203	<i>Half-yearly Reports</i>	7205	<i>Quarterly Reports</i>
7203/1	Timing		
	Within three months from the end of the second quarter, an Issuer shall make public a half-yearly report, covering the first six months of such financial year. Where the Issuer has decided to comply with the best practice described in Rule 7205, the half-yearly report shall also present the data for the second quarter in a separate column.		Euronext regards as best practice that companies included in the Next Economy and Next Prime segments publish first and third quarterly reports with a content that shall be the same as the content of the half-yearly report as defined in Rules 7201 and 7203/2. This best practice is without prejudice of the National Regulations regarding quarterly reports.
7203/2	Content	7205/1	Timing
	The half-yearly report shall include interim condensed financial statements and interim condensed management discussion and analysis.		Within two months from the end of the first and third quarters, an Issuer shall make public a quarterly report according to the following sequence:
	A Notice shall specify the content of interim condensed financial statements and interim condensed management discussion and analysis as well as the compulsory components and the components regarded as best practice by Euronext.		(i) a first quarterly report covering the first three months of the relevant Issuer's financial year;
	Interim condensed financial statements shall be prepared on a consolidated basis if the Issuer published annual consolidated financial statements.		(ii) a third quarterly report covering the third quarter and the first nine months of such financial year.
7203/3	Note to prepare the first time application of IFRS		However, for quarters included in the financial year beginning on or after January 1, 2004, an Issuer may make public its quarterly reports for the first and third quarters within three months from the end of these quarters.
	At the latest in the second quarterly report concerning the first semester of the financial year beginning on or after 1 st January 2004, an Issuer that has not already		

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7205/2	Auditing	<p>The quarterly financial statements for the first and third quarters need not be reviewed by the Issuer's auditors. If, however, a review of such financial statements is made in accordance with established professional standards and procedures for such a review, the report from the auditors shall be included in the respective quarterly reports.</p> <p>The notes referred to in Rule 7203/3 included in a quarterly report shall be reviewed and reported on by the Issuer's auditors in the same way as defined above for the quarterly reports.</p>
7205/3	Status of the best practice	<p>Euronext shall reconsider the status of this best practice if a quarterly report requirement is adopted within a European directive and implemented in the Member States where Euronext operates Regulated Markets.</p>
7.3.	Continuous Trading	
7301		<p>Shares included in the Next Economy Segment or the Next Prime Segment shall be traded on a continuous basis, with or without the involvement of one or more Liquidity Providers.</p>
7.4.	Transitional Provisions	
7401		<p>This Chapter 7 shall become effective as of a date which shall be announced in a Notice by Euronext, except that:</p> <p>Rules 7204 and 7301 shall become effective as of January 1, 2002;</p> <p>Rule 7201 shall become effective for the quarterly report relating to the first quarter of the financial year beginning on or after January 1, 2004;</p> <p>Earlier application is encouraged;</p> <p>Rule 7202 shall become effective for the annual report relating to the financial year beginning on or after January 1, 2003;</p> <p>Earlier application is encouraged;</p> <p>Rule 7203 shall become effective for the first quarter of the financial year beginning on or after January 1, 2004;</p> <p>Earlier application is encouraged.</p>

CHAPTER 8: RULES OF CONDUCT

8.1.	General	
8101		<p><i>Scope of Chapter 8</i></p>
8101/1		<p>This Chapter 8 sets forth rules of conduct specific to the Euronext Markets which the Members must observe when trading on such Markets.</p>
8101/2		<p>The Rules set forth in this Chapter 8 are without prejudice to applicable general rules of conduct imposed by the relevant regulatory body.</p>
8102		<p><i>General Duties of Integrity, Fair Dealing and Care</i></p> <p>When trading on the Euronext Markets, a Member shall:</p> <ul style="list-style-type: none"> (i) observe high standards of integrity, market conduct and fair dealing; (ii) act with due skill, care and diligence; and (iii) refrain from any act or course of conduct which is likely to harm the reputation of Euronext or any Euronext Market.
8103		<p><i>Cooperation with a Euronext Market Undertaking</i></p>
8103/1		<p>In dealing with a Euronext Market Undertaking, its directors, officers, employees, agents and representatives, Members shall act in an open and cooperative manner, be honest and truthful and not mislead or conceal any material matter.</p>
8103/2		<p>In particular, without limiting the generality of Rule 8103/1, a Member shall:</p> <ul style="list-style-type: none"> (i) provide full and prompt responses to all requests for information by a Euronext Market Undertaking, and (ii) notify the Relevant Euronext Market Undertaking promptly of any matter which may reasonably be expected to be a matter of concern to the Euronext Market Undertaking in the context of its relationship with such Member, including (without limitation) any corporate action or other event that may cause such Member to cease to be in compliance with the Rules. This duty of disclosure shall arise as soon as the Member becomes aware, or has reasonable grounds for believing, that such a matter has arisen or will arise.
8104		<p><i>No Fraudulent or Misleading Conduct</i></p> <p>A Member must not engage in:</p> <ul style="list-style-type: none"> (i) any action or any course of conduct that is aimed at artificially moving the price or value of any Admitted Financial Instrument or any instrument underlying an Admitted Financial Instrument or the level of any index of which an Admitted Financial Instrument is a component; (ii) entering artificial orders or otherwise entering into or causing any artificial Transaction; (iii) reporting a fictitious Transaction or any other false data to Euronext or causing such data to be input into any Euronext system;

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<p>(iv) any action or any course of conduct that creates or may reasonably be expected to create any false or misleading impression as to the market in, or price or value of, any Admitted Financial Instrument;</p> <p>(v) any action or any course of conduct that causes or contributes to a breach of any applicable law, regulation or Rule by any other Person (whether or not a Member);</p> <p>(vi) any other action or any other course of conduct that may damage the integrity and the transparency of any of the Euronext Markets; or</p> <p>(vii) agreeing or acting in concert with, or providing any assistance to, any Person (whether or not a Member) with a view to or in connection with any action or course of conduct referred to in items (i) through (vi) above.</p>	<p>(ii) can reasonably be expected to be accommodated by the relevant Central Order Book in terms of absorption capacity and price movement;</p> <p>(iii) is not liable to compromise the financial soundness of such Member and does not exceed any limits to which such Member may be subject under its Clearing Agreement; and</p> <p>(iv) presents no risk for market integrity or the orderly nature of the relevant Euronext Market.</p>
8105	8202/2
<i>Use of Euronext Trading Platforms</i>	<i>Electronically routed orders.</i> A Member shall put in place automated recording and control procedures in order to screen, in accordance with Rule 8202/1, electronic orders routed to such Member or originating from program trading and intended to be transmitted directly to a Euronext Market without human intervention, as well as implement such other procedures and safeguards as the Euronext Market Undertakings may require by Notice. A Member shall maintain, for a period of five years, a record of automatic screening parameters and modifications thereof as well as of rejected orders.
8105/1	8203
A Member must behave in a responsible manner when using a Euronext Trading Platform and must only use its facilities when there is a genuine need to do so. A Member is prohibited from engaging in practices which may cause degradation of the service or give rise to a disorderly market. Such practices include, but are not limited to, submitting unwarranted or excessive electronic messages or requests to a Euronext Trading Platform.	<i>Audit trail</i>
8106	8203/1
<i>Internal controls</i>	<i>Records of orders.</i> A Member shall immediately upon receipt of an order and upon each modification thereof, time-stamp by a process other than handwriting and record such order in the manner set forth in one or more Notices. All records concerning orders, classified chronologically, shall be maintained for a period of five years for possible inspection by the Euronext Market Undertakings.
8106/1	8203/2
A Member shall set up and maintain an appropriate system of internal controls, which ensures that the Member continuously complies with all requirements imposed by or pursuant to the Rules.	<i>Voice recording.</i>
8106/2	(i)
The system of internal controls shall contain internal procedures specific to the Member's capacity on the Euronext Markets. These procedures shall be documented and updated on a regular basis.	In respect of Euronext Securities Markets, the Relevant Euronext Market Undertaking** requires recordings to be made by or on behalf of the Member of conversations regarding Transactions made, or intended to be made, on the market which are conducted on telecommunications equipment of any kind located in a Member's premises. Any such recordings made pursuant to such requirements shall be retained by the Member for a period of six months for possible inspection by Euronext.
8106/3	(ii)
A Member shall have adequate arrangements to ensure that all staff involved in the conduct of business are suitable, adequately trained and properly supervised.	In respect of Euronext Derivatives Markets, the Relevant Euronext Market Undertaking** shall specify in Book II of the Rules requirements in respect of recording by or on behalf of the Member of conversations regarding Transactions made, or intended to be made, on the market.
8.2. Order processing	8203/3
8201	<i>Records of Transactions.</i> A Member shall maintain for a period of five years adequate accounting and other records to document all of its Transactions and, if applicable, the settlement thereof and the custody of Securities traded on the Euronext Markets.
<i>No Offsetting or Grouping of Orders</i>	
8201/1	
Except as specifically authorised by a Relevant Euronext Market Undertaking** in one or more Notices and subject to National Regulations, a Member may not offset or group orders for the purchase and sale of Admitted Financial Instruments.	
8201/2	
Rule 8201/1 shall not prevent a Member from placing a single buy or sell order for the accounts of several Clients to whom the Member provides portfolio management; provided that the Admitted Financial Instruments acquired pursuant to such order shall be allocated among such Clients in the manner provided prior to the entry of such order.	
8202	
<i>Order screening</i>	
8202/1	
<i>Screening.</i> Prior to submitting an order to the Central Order Book, a Member shall screen such order through a set of registration and control procedures which enable such Member to ascertain that such order:	
(i)	
in case of a Client order, conforms to the specifications given by such Client;	

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CHAPTER 9: MEASURES IN CASE OF VIOLATION OF THE RULES

9.1. Scope of Chapter 9

9101 An alleged violation by a Member of an obligation of the Rules related to the operating of Euronext markets, other than those administered by LIFFE A&M, (an Alleged Violation) shall be dealt with in accordance with the provisions of this Chapter.

9102 This Chapter is without prejudice to:

- (i) any action and/or measures that may be taken by Euronext based on any procedure laid down in another part of the Rules;
- (ii) the right to carry out on-site investigations on basis of Chapter 2;
- (iii) any provision of National Regulation concerning enforcement by the Competent Authorities;
- (iv) any disciplinary proceedings that may be initiated by LIFFE A&M pursuant to its regulatory functions under National Regulations.

9103 Immediate measures

In case a violation of the Rules by a Member constitutes a threat to the integrity or the safety of the markets, or upon instruction of the Competent Authority, Euronext may take immediate measures to protect the market, including suspension of all or some of a Member's trading rights.

9.2. Procedure

9201 Examination

9201/1 For the examination of an Alleged Violation Euronext may:

- (i) require the Member to provide any information, copies of records and documents that may be relevant for the examination of Alleged Violation;
- (ii) send a representative to a Member's offices at any time during normal business hours in the country in which such offices are located, who may require immediate access, to all such information, records and documents kept by a Member that may be relevant for the examination of the Alleged Violation; and/or
- (iii) require, any Member to procure the attendance of any of its directors, officers, employees, agents and representatives at a specified time and place, at either the offices of the Relevant Euronext Market Undertaking* or those of the Member, in order to answer questions or provide explanations that may be relevant for the examination of the Alleged Violation.

9202 Confidentiality

9202 Euronext shall use any information obtained pursuant to Rule 9201 exclusively for purposes and within the scope of this Chapter 9 and any related arbitration or court proceedings and shall not otherwise disclose such information except:

- (i) to the Competent Authorities or other public authorities having jurisdiction over the relevant matter;
- (ii) when otherwise required by applicable law and regulation; or
- (iii) pursuant to exchange-of-information arrangements with other exchanges or clearing houses, provided that these arrangements are bound by an equivalent confidentiality undertaking.

9203 Report

9203/1 When there is an Alleged Violation Euronext shall make a written report.

9203/2 This report shall contain the findings of Euronext and a reference to the Rule allegedly breached by the relevant Member.

9203/3 Euronext shall send this report upon completion to the relevant Member.

9203/4 Euronext shall give the relevant Member an opportunity to present its response in writing within two weeks, unless otherwise specified, after receiving the report.

9203/5 Any comments made by the Member shall be attached to said report.

9204 Exploratory Meeting

9204/1 Upon completion of the report and after receiving the written comments, if any, of the Member, Euronext shall at either parties request, organize a meeting with the Member. This meeting will allow both parties to ask further questions and respond on an Alleged Violation.

9204/2 The meeting will be held at the premises of the Relevant Euronext Market Undertaking* or, if both parties agree, in an other place.

9204/3 In this meeting both parties may, at their own discretion, bring any representative, expert or other person. Each party shall ensure the confidentiality of the non-public information provided to such attendees and will be liable for breach of confidentiality by those present on their behalf, unless those attendees have a statutory obligation to disclose the information. Both parties shall have the possibility to deny the attendance of experts or other persons if they are able to prove that these persons are affected by conflicts of interest.

9204/4 The number of persons attending a meeting for each party shall not exceed eight, unless agreed upon otherwise between Euronext and the Member.

9204/5 Upon prior request of the Member, Euronext shall draft minutes of the said meeting to be signed by Euronext and the Member.

9.3. Rectification, suspension and termination

9301/1 If a Rule has been violated, Euronext may:

- (i) require the Member to fulfil its obligations under the Rules or require rectification towards Euronext of the violation by a Member of an obligation under the Rules within a term specified;
- (ii) either:

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- (a) require from the Member liquidated damages for the violation of the Rule, of a fixed amount between EUR 500 and EUR 250.000 according to a scale published in a Notice; or
- (b) claim any kind of compensation for actual damage caused to Euronext's interest as a commercial operation and as a Regulated Market or to the integrity or safety of its markets, if the damage is proven to be patently higher than the fixed amount under a). The claim shall be limited to direct damage except in case of willful misconduct or gross negligence;
- (iii) suspend some of the Member's trading or membership rights for no more than six months;
- (iv) suspend for no more than six months the Member's Euronext Membership;
- (v) terminate the Member's Euronext Membership; and/or
- (vi) publish all or part of the decision taken by Euronext under this Rule.

9301/2 The relevant Member shall be informed of the decision of the Relevant Euronext Market Undertaking* by a letter sent by registered mail.

9301/3 The Relevant Euronext Market Undertaking* shall promptly inform the other Euronext Market Undertakings, the Members, the Clearing House and parties with whom Euronext has concluded a cross-membership agreement of:

- (i) a suspension or termination of the Membership of any Member;
- (ii) the period of such suspension; and
- (iii) the decision of the Member to contest the decision before the competent court or an arbitration institution.

9.4. Reporting and publication

9401 *Reporting*

9401 Euronext shall:

- (i) report on the monitoring of Rule Book compliance and violations of the Rules to the Competent Authority on the basis of arrangements between Euronext and the Competent Authority;
- (ii) immediately notify the Competent Authority of a decision to suspend or to terminate a Member's trading or membership rights under Chapter 9;
- (iii) prepare and publish a general report on the application of Chapter 9 from time to time but at least once a year. If necessary to protect the integrity or the safety of the markets such report may disclose the identities of the Members involved.

9402 *Infringement of National Regulations*

9402 If Euronext finds in the course of an examination of an Alleged Violation or on any other occasion serious indications of a possible infringement of National Regulations, it shall report the matter to the relevant Competent Authority as soon as possible.

9.5. Liability after Membership termination or resignation

9501 Termination or resignation of Euronext Membership is without prejudice to the right of Euronext to ask for evidence and to require financial compensation pursuant to Rule 9301/1 (ii) for damages caused by any violations of the Rules by a Member.

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BOOK II – SPECIFIC RULES APPLICABLE TO THE FRENCH REGULATED MARKETS

PART I: RULES APPLICABLE TO THE EUROLIST MARKET

Article P 1.0

Eurolist* is a regulated market within the meaning of article L.421-1 of the "Code monétaire et financier", operated by Euronext Paris. It complies with the definition of an "official list" within the meaning of Directive 2001/34/EC of the European parliament and of the Council of 28 May 2001 on the admission of securities to official stock exchange listing and on information to be published on those securities.

* Eurolist: Eurolist by Euronext™

TITLE 1: ADMISSION TO TRADING OF FINANCIAL INSTRUMENTS**CHAPTER 1: CONDITIONS FOR THE ADMISSION OF FINANCIAL INSTRUMENTS****Section 1 – Admission procedure**

Article P 1.1.1

The application to admit to trading on the Eurolist market a financial instrument as defined in article L.221-1 of the "Code Monétaire et Financier" shall be submitted to Euronext Paris by the issuer with the support of one or more financial intermediary that sponsor the offering.

Article P 1.1.2

The Board of Directors of Euronext Paris decides on the admission and delisting of financial instruments, subject to the right of the *Autorité des marchés financiers* (AMF) to oppose the decision.

Acting on a delegation from the Board, the Chairman of Euronext Paris may decide, on the same condition and if deemed necessary for orderly market operations, on the admission of a financial instrument. The Chairman shall report any such decision at the next Board meeting.

Article P 1.1.3

Euronext Paris ascertains that the financial instruments for which admission to trading is requested are reasonably likely to be traded in satisfactory conditions of liquidity and security.

When financial instruments of an issuer are not yet admitted to trading, Euronext Paris can require an affidavit of the issuer's legal status.

Section 2 – Conditions for the admission to trading of equity securities

Article P 1.1.4

Euronext Paris shall be informed of any transfer of financial instruments effected during the year preceding their initial trading. Moreover, it may require that the financial instruments in question be temporarily withheld from trading.

Section 3 – Conditions for the admission to trading of other financial instruments*A – Admission to trading of units of debt securitization funds (fonds commun de créances)*

Article P 1.1.5

Application for admission to trading shall concern all units of the debt securitization fund belonging to the same tranche of an issue.

Article P 1.1.6

At the date of application, the remaining life of the issue of units of the debt securitization fund shall be at least one year.

Euronext Paris verifies that both the size of the tranche for which admission has been requested and the number of units issued are sufficient to assure a liquid market.

B – Admission to trading of warrants

Article P 1.1.7

The admission of warrants is subject to verification by Euronext Paris that the issue conforms to principles established by the *Autorité des marchés financiers*.

C – Admission to trading of UCITS (exchange-traded funds)

Article P 1.1.8

UCITS applying for admission to trading must have been specifically designed to be traded on a market: their management aim has to be based on the movements of a reference index. Euronext Paris may limit the number of UCITS listed for each index, in order to preserve market liquidity. A Euronext Paris *Instruction* specifies the conditions for their admission to trading.

D – Conditions for the admission to trading of Depositary Receipts (DR)

Article P 1.1.9

The application to admit a DR to trading must propose at least one member of the market to exercise the functions of liquidity provider under the conditions set forth in Book I of these Rules as well as in the Liquidity Provision agreement.

The application to admit a DR to trading stipulates the name of the depositary bank responsible for custody of underlying securities represented by DRs and for issuance of the corresponding DRs. The application must be accompanied by a written commitment from the issuer to the effect that the securities represented by the DRs have been duly issued. The application is also accompanied by the depositary bank's written commitment certifying that the securities represented by the DRs have been placed in proper custody.

Euronext Paris receives a copy of the contract between the depositary bank and the issuer of the equity securities represented by the DRs, which defines the terms of issuance, transfer, custody, and administration of the DRs.

Euronext Paris must be notified of any proposed change to the aforementioned contract. Euronext Paris must be informed immediately if either party terminates the contract.

Article P 1.1.10

A DR's admission to trading is announced in an Euronext Paris *Avis* that specifies the name(s) of the liquidity provider trading the financial instrument concerned, the offering procedure, the date of initial quotation, and the trading conditions.

E – Conditions for the admission to trading of bonds

Article P 1.1.11

Notwithstanding any contrary provision, debt securities issued by a Member State of the Organization for Economic Cooperation and Development (OECD) are admitted to trading simply upon application by the issuing Member State.

Article P 1.1.12

Euronext Paris verifies that the number of financial instruments issued and held by the public is sufficient to ensure a liquid market.

CHAPTER 2: PROCEDURES FOR PLACING AND INITIAL TRADING

Article P 1.2.1

Admission to trading on the Eurolist market is announced in an official *Avis* published by Euronext Paris describing the procedures for the placing and initial trading of admitted securities as well as the timetable for initial trading.

A - Placing procedures

Article P 1.2.2

The placing of financial instruments admitted to trading can be done, in whole or in part, at the same time as they are initially admitted on the market or immediately beforehand.

Article P 1.2.3

The placing of financial instruments during the period immediately preceding their initial trading can be done through a complete or partial underwriting transaction by one or more legally authorized entities.

The lead manager for these placing transactions shall provide Euronext Paris with a statement detailing the results of the placing, which are then published by Euronext Paris in an *Avis*.

Article P 1.2.4

Euronext Paris may allow a placing to be effected in part under the procedure described above and in part as a fixed-price offer or open-price offer. Euronext Paris shall determine whether the choice of procedure is consistent with the characteristics of the operation.

The price set for the fixed-price offer or the final price resulting from the open-price offer cannot be higher than the placing price.

B - Initial trading procedures

Article P 1.2.5

The initial trading of financial instruments on the Eurolist market is effected through one of the following procedures: direct trading, minimum-price tender, fixed-price offer, open-price offer.

1° Provisions common to all procedures

Article P 1.2.6

The initial trading of financial instruments admitted on the Eurolist market is announced in an Euronext Paris *Avis* that discloses notably the segment of the market, the name of the issuer and of the intermediaries entrusted with the listing and trading procedures, the number, type and characteristics of the admitted financial instruments, the price stipulated by the issuer or by the sellers, the procedure selected for initial trading and, generally, all details necessary for informing the public.

New listings are announced by Euronext Paris in an *Avis* published before the date set for the initial trading. The timetable for such announcements, specific to each procedure, is specified in an Instruction.

Article P 1.2.7

Unless otherwise stated in the *Avis* referred to in the above article, orders that are not filled on the first day of trading and that include no specified time limit are considered to have expired.

Article P 1.2.8

Whatever the procedure followed, Euronext Paris may require that persons placing buy orders should lodge a sufficient deposit with the intermediary with whom their orders have been placed. Euronext Paris fixes the percentage of the orders represented by this deposit and the length of time during which such funds are to remain unavailable. Euronext Paris may also demand that intermediaries pay such deposits directly to it. Euronext Paris fixes the minimum period for the deposit or the unavailability of such funds.

Article P 1.2.9

Should Euronext Paris, in the light of the number of buy orders received, deem that the rules for the selected initial trading procedure would lead to the quotation of a price abnormally high in terms of the offer price or to an excessive scaling-down of buy orders, it shall postpone the initial trading date.

An Euronext Paris *Avis* announces the new date and, where necessary, the selected initial trading procedure and the new conditions applicable to such quotation.

All buy orders must be renewed.

Article P 1.2.10

The results of the initial trading procedure are published in an Euronext Paris *Avis*, which states the traded price or the indicative price recorded, the number of financial instruments traded and the conditions governing trading on the following days.

2° The minimum-price tender procedure

Article P 1.2.11

Euronext Paris *Avis* announcing a new listing of a financial instrument through a minimum-price tender specifies the number of instruments to be made available to the market by those seeking the new listing -- shareholders and management of the issuer, financial intermediaries -- as well as the minimum offer price at which they are prepared to sell.

Those seeking the new listing may, with the approval of Euronext Paris, reserve the right to modify the minimum price initially stipulated, provided such possibility was mentioned in the listing *Avis* and that the final offer price be published in conformity with Article P 1.2.6. These new terms are announced in an Euronext Paris *Avis* that describes the conditions governing the confirmation of outstanding buy orders.

Article P 1.2.12

To effect a minimum-price tender, Euronext Paris centralizes buy orders sent to it by members. It may accept only limit orders and may exclude those orders at a limit which it considers abnormally high in terms of the minimum offer price.

Euronext Paris may divide the financial instruments offered on the market into several lots and assign each lot to accepted bids, ranked according to the limits set. Original orders may be scaled down if market conditions so require.

The initial price fixed is the limit set on the last order met. There is only one price on the first day of trading.

3°/ The procedure for fixed-price offers and open-price offers

Article P 1.2.13

The Euronext Paris *Avis* announcing an admission through a fixed-price offer procedure or open-price offer procedure specifies the number of financial instruments to be placed on the market by those seeking the admission and the price (in the case of a fixed-price offer) or price range (for an open-price offer) at which they are to be offered.

Those seeking the new listing may, with the approval of Euronext Paris, reserve the right to modify the offer price or price range initially stipulated, provided such possibility was mentioned in the listing *Avis* and that the final offer price or offer price range be published in conformity with Article P 1.2.6. These new terms are announced in an Euronext Paris *Avis* that describes the conditions governing the confirmation of outstanding buy orders.

Article P 1.2.14

On the day set for the offer, Euronext Paris centralizes the buy orders sent to it by members. Only orders placed at the offer price are accepted. If Euronext Paris declares that the offer is successful, the price quoted is the offer price.

Article P 1.2.15

On the day set for the open-price offer, Euronext Paris accepts only buy orders at prices consistent with the offer's price range (extremes included). If Euronext Paris declares the offer successful, the price quoted is determined at the end of the offer and takes account of demand indicated in the guaranteed placement.

Article P 1.2.16

With the approval of Euronext Paris, those seeking the new listing may divide the buy orders tendered in connection with the fixed-price offer or open-price offer into several categories.

Such categories may be defined according to the number of financial instruments requested and to the type of investor originating the order.

An Euronext Paris *Avis* sets out the criteria under which financial intermediaries can accept buy orders. This *Avis* also specifies the conditions governing the transmission of such orders to Euronext Paris as well as the amount of information on the identity of order originators that Euronext Paris may require from the financial intermediaries. Furthermore, the *Avis* specifies the criteria used by Euronext Paris for, on the one hand closing the order book, and on the other, allocating the financial instruments offered amongst those placing orders, either according to a straight proportional formula or by giving preferential treatment to smaller orders.

4°/ The direct trading procedure

Article P 1.2.17

The initial trading of financial instruments using the direct trading procedure is carried out under the standard conditions for trading.

With the approval of Euronext Paris, and for the initial trading of equity securities, the direct trading procedure may allow a stated number of the equity securities offered to be sold on the market on the date of initial trading through a bought deal on behalf of the selling shareholders or of the underwriters.

The *Avis* announcing a new listing states the number of equity securities to be placed on the market by those seeking the new listing and the minimum price at which they are to be sold. The *Avis* also specifies the conditions governing the centralisation of orders by Euronext Paris as well as the maximum price variation that it is prepared to authorise in the light of market conditions, where necessary through a scaling-down of orders.

CHAPTER 3: CLASSIFICATION OF FINANCIAL INSTRUMENTS

Article P 1.3.1

For the purposes of rule 6803/2 (j) of Book I, chapter 6, Euronext Paris will register in the specific segment ("compartment spécial") an issuer which is involved in the proceedings mentioned in Book6, Title 2 of the *Code de commerce* (articles L.620-1 et seq.).

CHAPTER 4: THE DELISTING OF FINANCIAL INSTRUMENTS

Article P 1.4.1

At the request of the issuer or on its own initiative, the Board of Directors of Euronext Paris may decide to delist financial instruments from the Eurolist market unless the AMF opposes such delisting.

Acting on a delegation from the Board, the Chairman of Euronext Paris may, in the interest of the market, decide on the delisting of a financial instrument subject to the AMF's right to oppose. The Chairman shall report any such decision at the next Board meeting

Article P 1.4.2

The delisting of a financial instrument is announced in an Euronext Paris *Avis*, indicating the date on which it takes effect.

Article P 1.4.3

Unless Euronext Paris accepts a justified request from the issuer, debt securities shall continue to be traded until they are redeemed.

TITLE 2: THE TRADING OF FINANCIAL INSTRUMENTS**CHAPTER 1: TRANSACTIONS EXECUTABLE ON THE MARKET****Section 1 – Cash-settled transactions**

Article P 2.1.1

Transactions executed on the Eurolist market are cash-settled.

The buyer is accountable for the funds, and the seller for the securities, as soon as the order is executed. Credits and debits on a financial instrument account are made on the date of order execution.

Section 2 – Linked transactions

Article P 2.1.2

Notwithstanding the provisions of the above article, market members can, for certain financial instruments listed in an Euronext Paris notice, make transactions that consist of a cash-settled trade linked to an offsetting settlement-delivery transaction at a deferred maturity chosen from the maturities opened for trading by Euronext Paris.

For such transactions, the negotiation pertains to a rate of remuneration for making the financial instruments available to the buyer.

Orders relating to such transactions are subject to a special matching procedure, the details of which are set forth in a Euronext Paris Instruction.

Section 3 – Buy-in or sell-out in case of client's default

Article P 2.1.3

A member may demand, on its own initiative or at the request of Euronext Paris, that funds or financial instruments be deposited before the execution of trades.

Article P 2.1.4

If a client does not deliver the financial instruments or funds to the member on time, i.e. the day following the trade or the maturity of a linked transaction, then the member shall proceed, without further notice, to buy-in the undelivered financial instruments sold or to sell-out the unpaid financial instruments bought, at the expense and risk of the defaulting client.

CHAPTER 2 : ORDERS SPECIFIED AS BEING FOR DEFERRED SETTLEMENT AND DELIVERY

Article P 2.2.1

Notwithstanding any other provisions of these rules, trading members are allowed, for certain financial instruments, to accept orders specified as being for deferred settlement and delivery (hereafter "DSOs") from their clients.

A member that has agreed to accept a DSO must immediately present the related buy or sell order to the market. The client is irrevocably committed upon execution of the cash-settled order to pay for or to deliver the securities.

Absent an extension, the execution of a DSO postpones the debit or credit of the client's account until the last trading day of the month. DSOs transacted during the last four trading days of the month mature on the last trading day of the following month.

Until the last trading day of the month in question, securities bought and cash received under a DSO are booked to the member's account. The member has full title to the securities and cash and, subject to the provisions on corporate actions, enjoys all the prerogatives attaching to this right.

The list of financial instruments eligible for DSOs is set forth in a Euronext Paris. Notice. Where market conditions require, Euronext Paris can temporarily withdraw an instrument from the said list.

Article P 2.2.2

Members can refuse DSOs to buy and DSOs to sell.

Article P 2.2.3

Subject to the provisions of the above article, a client who is committed by the execution of a DSO can, no later than the fourth trading day before the end of the month, apply to have his commitment extended under the conditions and time limits specified in an Instruction.

The extension of a DSO takes place on the third trading day before the end of the month, in principle at the day's closing price. Such extension gives rise, on the last trading day of the month, to the payment to or deduction from the client's cash account by the member of a margin amount equivalent to the difference between the value of the position at the traded price and its value at the extension price.

Article P 2.2.4

Commitments arising from a DSO shall be accounted for under the rules defined by the Autorité des marchés financiers.

A member must at all times be capable of informing Euronext Paris of his position in each financial instrument corresponding to the execution of a DSO.

Article P 2.2.5

Members are required to call for initial margin from clients to cover commitments arising from the execution of a DSO, under the rules laid down by the Autorité des marchés financiers.

For any financial instrument appearing on the list referred to in Article P 2.2.1, Euronext Paris may increase the minimum margin that may be demanded from clients to cover their commitments arising from DSOs.

Article P 2.2.6

The provisions relative to the buy-in or sell-out of the positions of defaulting clients shall apply if the client fails to remit the financial instruments or the cash funds, as appropriate, to the member on the trading day following the maturity of the DSO, except in the event of an extension.

CHAPTER 3: CORPORATE ACTIONS**Section 1 – General provisions**

Article P 2.3.1

Unless otherwise decided by Euronext Paris, a subscription or an allotment right is detached from the relevant financial instrument on the day that the subscription or allotment operations start.

Article P 2.3.2

Where corporate actions do not give rise to a detachment of rights but do affect the price of the financial instrument, adjustments are made as necessary to maintain the situation of buyers and sellers, subject however to rounding.

Article P 2.3.3

Interest or dividend coupons are detached on the day they become payable.

For a financial instrument issued by a foreign entity, the coupon detachment can be different from the payable date.

Article P 2.3.4

In case of corporate actions directly affecting the price of an instrument, without detachment of rights or with detachment of non-negotiable rights, Euronext Paris will issue an *Avis* specifying the respective rights of buyers and sellers.

Section 2 – Provisions specific to DSOs and linked transactions

Article P 2.3.5

Euronext Paris determines by means of an Instruction the procedures whereby the rights likely to be detached from a security are reassigned either by the member to the buying client in the case of a DSO or by the cash buyer to his counterparty until the maturity of a linked transaction.

In general, a member is entitled to the allotment rights or subscription rights pertaining to securities to which he has full title provided that he is responsible for transferring the said rights to the buyer on whose behalf a DSO has been executed. The member is entitled to the dividends and coupons pertaining to securities to which he has full title provided that he is responsible for paying the buyer, when the DSO matures, the exact cash equivalent of the rights received.

The same principles apply symmetrically between :

- the selling client and the member in case of a DSO to sell;
- the cash buyer and his counterparty in case of a linked transaction.

CHAPTER 4: PUBLIC OFFERS**Section 1 – Public tender offer**

Article P 2.4.1

At the request of the Chairman of the *Autorité des marchés financiers* (AMF), Euronext Paris halts trading in financial instruments that are the subject of a proposed public offer or other financial instruments concerned by such a proposal.

Article P 2.4.2

From the beginning of the offer period to the closing of the offer, trading members enter their orders on the central order book.

For continuously traded financial instruments, trades are executed at or between the best bid or ask outstanding at the time of execution.

Trading members can also execute trades outside trading hours. Notwithstanding any other provisions, such trades can be executed only at the last traded price.

Article P 2.4.3

The registering of option contracts is not permitted during the period between the proposed offer's publication by the AMF and the closing of the offer. Outstanding option contracts that were registered before such publication can be exercised.

Article P 2.4.4

From the beginning of the offer period to the closing of the offer, trading members cannot accept a DSO unless it is intended to unwind positions taken previously by similar orders.

Article P 2.4.5

Orders not executed before the end of the offer period expire automatically either three trading days, at least, before the closing date or when the offer closes.

For each public offer, a Euronext Paris *Avis* indicates the time period during which orders are valid.

Article P 2.4.6

From the beginning of the offer period to the closing of the offer, Euronext Paris publishes the following information for each financial instrument concerned by the offer and for each trading system:

- trading volume
- opening price
- highest price
- lowest price
- closing price

Information concerning trades made during the trading session is published at the end of the trading day.

Information concerning trades made outside the trading session is published at the latest before the market opens the next day.

Article P 2.4.7

A Euronext Paris Instruction specifies the sequence of operations for the public offer, notably the procedure for centralizing orders, if appropriate.

In agreement with the AMF, Euronext Paris announces the conditions and timeframes for:

- the deposit by account-keepers of securities tendered to the offer
- delivery and payment of cash or securities.

It also specifies the date at which the results of the offer will be available.

In addition, Euronext Paris publishes the conditions for settlement and delivery of the securities acquired or, if the offer is declared to have failed (*sans suite*), the date at which securities will be returned to the aforementioned account-keepers.

Section 2 – Offers for sale

Article P 2.4.8

A proposed offer for sale with a view to resale of financial instruments listed on the Eurolist market, intended to increase the float, must be described in an application submitted to Euronext Paris by the person holding the financial instruments to be sold.

Article P 2.4.9

Except with the approval of Euronext Paris, particularly in view of the number of financial instruments offered or of their value, an offer for sale must relate to a quantity of securities representing either at least 10% of the total number of equity securities of the same category in the relevant company, or at least 20 times the average daily trading volume recorded on the market during the six months preceding the filing of the offer.

Article P 2.4.10

The application is submitted by mail to Euronext Paris and must specify:

- the initiator's objective;
- the number and specification of the financial instruments offered for sale;
- if applicable, the minimum number of financial instruments that must in fact be sold by the initiator for the tender to be declared successful;
- the price, or the mechanism for setting the price, at which the initiator offers to sell the financial instruments;
- the conditions regarding payment of the price.

Article P 2.4.11 Euronext Paris may suspend trading in the financial instrument concerned by a offer for sale as soon as the proposed offer is filed. Euronext Paris determines whether the offer is acceptable.

If Euronext Paris declares the offer acceptable, it publishes an *Avis* stating the identity of the initiator, the number of financial instruments offered for sale, the price or mechanism for setting the price at which they are offered, and all other terms and conditions of the offer necessary for informing the public.

The *Avis* is published at least four trading days before the date set for carrying out the offer. Furthermore, the validity of the offer to investors cannot be less than three trading days.

With the prior approval of Euronext Paris, and provided that such possibility be stated in the *Avis*, the initiator may reserve its right either to set a minimum number of financial instruments to be sold as a condition for declaring the offer successful and completing it, or, depending on demand, to increase the number of financial instruments offered by up to 25% of the number initially offered.

Article P 2.4.12

On the day set for carrying out the offer for sale, Euronext Paris centralises the buy orders transmitted to it by members. Euronext Paris accepts only orders at the offer price, stipulated as being in response solely to the offer for sale, and valid for one day only.

Orders must be at the offer price if it has been set prior to order centralisation.

Concerning offers for which the price is set after orders centralised, orders are stipulated at the offer price, as defined in the *Avis* mentioned in the above article.

Article P 2.4.13

The result of the offer for sale is reported in an *Avis*. If Euronext Paris declares the offer successful, the *Avis* indicates any reduction applied to the buy orders.

If trading has been suspended, it is resumed on the first trading day following the day on which the offer was carried out.

Article P 2.4.14

With the approval of Euronext Paris, the initiator may provide that the orders issued in connection with the offer for sale will be divided into different categories under the conditions set out in the section relative to the procedures for initial trading.

Article P 2.4.15

Euronext Paris may authorize that the offering of the financial instruments be carried out partly through a placing procedure and partly as a offer for sale. Euronext Paris ascertains that the procedures selected are consistent with the characteristics of the planned operation.

In such case, the placing price of the financial instruments must be at least equal to the price fixed for the offer for sale.

The price used in carrying out the offer for sale can be set after the orders are centralized, provided that the methods for determining the price have been announced.

Article P 2.4.16

Once the placing is complete, the lead firm must provide Euronext Paris with a detailed statement describing the results thereof. Such results are published in an *Avis*.

CHAPTER 5: REGISTRATION OF OPTION CONTRACTS ON FINANCIAL INSTRUMENTS ADMITTED TO TRADING ON THE EUROLIST MARKET

Article P 2.5.1

Euronext Paris registers option contracts on financial instruments listed on Eurolist. These contracts give one of the parties an option to sell or to purchase a given number of financial instruments (a) at a price traded on the market on the day of the contract, (b) at a price traded on the market on the day of expiration, or (c) at a price equal to the average of the prices traded between those two dates. Alternatively, the party can forego such trade without penalty.

The application for registration of an option contract indicates the identity of the parties, the period during which the option can be exercised, the exercise price, and the number of financial instruments involved. The expiration of an option contract may not exceed two years after the date of its registration.

If the option contract refers to a price on the day on which it is filed with Euronext Paris, that filing must be made before the opening of the following trading session.

If the contract has a validity of more than three months, the parties may agree on an average price based on prices for the three months preceding the date at which the option is exercised.

The application for registering an option contract is supported either by the contract itself, signed by the parties, or by an exchange of letters between the parties, filed by an authorized investment service provider acting as guarantor of the trade.

Article P 2.5.2

Euronext Paris is also empowered to register option contracts on financial instruments admitted to the Eurolist market with a view to their resale (*reclassement*) to one or several investors who have not yet been identified.

The registered contract or contracts indicate, under the responsibility of the intermediary or intermediaries handling the resale, the maximum number of financial instruments to be resold, the price and expiration date of the option contract, and the identity of the seller or sellers of the financial instruments.

The option contract must be filed for registration, at the latest, before the opening of the trading session following the session during which the price set for the resale was traded. The expiration of the option contract may not exceed three months after the date of its registration.

On the day on which the option contract is exercised, the intermediary or intermediaries involved inform Euronext Paris of the conditions under which the resale was transacted and the identity of the acquirers of the financial instruments.

CHAPTER 6 : TRADES MADE OUT OF THE CENTRAL ORDER BOOK**PART II – RULES APPLICABLE TO MATIF AND MONEP****Section 1 – Debt securities trades**

Article P 2.6.1

At least once a day, Euronext Paris compiles and disseminates statistical information concerning the market for each debt security.

Section 2 – Trades resulting from a stock contingent trade on an option contract

Article P 2.6.2

The transactions on a security admitted to trading on the Eurolist Market that result from a trade combining an option contract and its underlying security ("stock contingent trade") executed on a regulated futures and options market operated by Euronext Paris are deemed to be carried out on the abovementioned regulated securities markets, provided that the price of the underlying security is set within an interval, the terms and conditions for calculation of which are defined according to an instruction of Euronext Paris.

Article P 2.6.3

For every transaction carried out on the underlying security as a result of the registration of a stock contingent trade, Euronext Paris shall immediately publish the following information :

- the price,
- the quantity,
- the time of the transaction.

The transaction is identified by a special indicator.

Article P/M 1.0

The MATIF ("Marché à Terme International de France") and the MONEP (Marché des Options Négociables de Paris) are two regulated markets, within the meaning of Article L.441-1 of the "Code Monétaire et Financier", which are operated by Euronext Paris.

As a result of an agreement, trades carried out on the MATIF and the MONEP are cleared and guaranteed by Banque Centrale de Compensation, hereafter LCH.CLEARNET, according to the conditions and limits specified by the operating rules of the clearing house LCH.CLEARNET.

Unless otherwise specified, the following provisions of this Book II of the Euronext Rule Book shall apply equally to both of these markets in addition or, where such is the case, by special dispensation to those of Book I.

TITLE I: DERIVATIVES

CHAPTER 1: ADMISSION OF DERIVATIVES

Article P/M 1.1.1

Euronext Paris shall admit derivatives for trading. The admission of the said instruments is subject to the right of opposition of the Autorité des marchés financiers (AMF).

Regarding single equity (including units of collectives schemes) options or futures, the listing process presumes that the underlying security meets the criteria defined in a Euronext Paris *Instruction*, notably as regards transaction volume and/or market capitalization for equities.

Admission of a derivative, as well as its first listing date and trading conditions, shall be officially announced in a Euronext Paris Notice.

Article P/M 1.1.2

The general specifications of derivatives traded on the MONEP and the MATIF and the conditions for their adjustment or their liquidation, notably following corporate actions on underlying securities, are defined in a Euronext Paris *Instruction*. The specific characteristics of each futures contract and each category of option contract are stipulated in an information sheet ("fiches techniques").

Article P/M 1.1.3

For each derivative, or category of derivatives, Euronext Paris shall be entitled to organize "committees of experts". The purpose of these committees is mainly to offer advice to the exchange for the specifications of derivatives.

An official Euronext Paris *Instruction* sets out the operating procedures and the composition of these committees of experts.

Article P/M 1.1.4

To ensure that the market is properly informed, the admission of single equity options or futures presumes that the issuer of securities underlying a listed derivative on the MONEP has to notify the market of any corporate deliberations concerning ex-dividend dates, on basis either of the statutory provisions applying to him as a public issuer or of a special assent thereto given to Euronext Paris.

CHAPTER 2: DELISTING OF A DERIVATIVE FINANCIAL INSTRUMENT

Article P/M 1.2.1

Euronext Paris has the right to delist a derivative, subject to the opposition of the Autorité des marchés financiers (AMF).

The delisting of a derivative is announced to the members in a Euronext Paris Notice, which specifies the delisting date and conditions for implementing the measure. A Euronext Paris *Instruction* defines the procedure concerning the liquidation of positions that are still open on the concerned derivative.

Article P/M 1.2.2

Euronext Paris decides to delist an option contract or a futures contract including, inter alia, the following factors:

- delisting of one of the underlying instruments of the contract if these instruments are listed on a regulated market, or suppression of the underlying index.
- a lack of liquidity of the contract.

CHAPTER 3: CATEGORIES OF DERIVATIVES**Section 1: Option contracts**

Article P/M 1.3.1

An option contract to buy or sell an underlying instrument is a contract by means of which the buyer of the option obtains from the seller, by paying a premium, the right, but not the obligation, to buy or sell a determined quantity of the underlying instrument at a price agreed upon in advance, known as the "strike price", within a specified time or at a specified date.

However, certain option contracts may be settled, at the exercise date, by simple payment of the difference between the strike price of the option contract and the value of the settlement index calculated each day, where appropriate, or the liquidation index calculated at expiration. Procedures to calculate the settlement or liquidation index are specified in a Euronext Paris *Instruction* or in the relevant information sheet.

American-style options may be exercised at any time until expiration. European-style options may be exercised only at expiration.

The term "option class" shall refer to all options of the same style (American or European) within the same maturity category (short- or long-term) on the same underlying asset.

Article P/M 1.3.2

All options of the same class with the same following terms form an option series.

- option type (put or call);
- expiration date;
- strike price;
- the quantity or the nominal amount of the underlying asset.

Each option series trades at a price called the option premium.

The creation or elimination of an option series, as well as any change in the terms of existing option series, is announced in a Euronext Paris Notice.

Article P/M 1.3.3

The holder of an option position may issue an exercise instruction only with the intermediary through which the position was originally recorded.

When exercised, an option giving rise to delivery of a financial instrument cleared by LCH.CLEARNET is converted by the clearing house to a transaction in the underlying instrument at the strike price for the relevant quantity.

Section 2: Futures contracts

Article P/M 1.3.4

A futures contract consists of the commitment at a given price and date of:

- the buyer, to receive the underlying instrument and to pay;
- the seller, to deliver the underlying instrument and to receive payment.

However, certain futures contracts may be settled, at maturity, by simple payment of the difference between the price at which the instrument was traded and the final settlement price.

Procedures to calculate the settlement price of the futures contracts at expiration are specified in a Euronext Paris *Instruction* or in the relevant information sheet.

TITLE II: TRADING ORGANIZATION**CHAPTER 1: ORDER PRESENTATION AND EXECUTION**

Article P/M 2.1.1

Vis-à-vis their clientele, members shall only be obliged to present orders to the market, not to execute them at any given price.

The confirmation of an execution of an order can only be affirmed to clients after such orders have actually been executed on the market.

Article P/M 2.1.2

A Notice issued by Euronext Paris shall specify the conditions for under which the trading licenses referred to in Article L.441-2 of the Financial and Monetary Code can be issued to the individuals entitled to produce orders on the market on behalf of members.

Article P/M 2.1.3

Members shall have adequate procedures for recording telephone conversations pertaining to the reception, execution or confirmation of orders on a medium that allows subsequent verbatim reproduction of such conversations. Any such recording shall be maintained for a period of six months for possible inspection by Euronext Paris.

Article P/M 2.1.4

During the continuous market phase, order matching occurs on the basis of price priority, it being understood that orders that stipulate no price limit are given priority, and, where limits are equal, according to time priority.

Article P/M 2.1.5

Orders shall be presented as soon as their validity conditions are met, unless the client agrees that matching business is procured to have his order executed in accordance with one of the following special trades which are not subject to the general mechanism for matching buy and sell orders in a central order book :

- cross transactions;
- block trades. Block trades consist of trades on a volume beyond a threshold set forth by Euronext Paris by taking into account the usual size of trades in the central order book and, where appropriate, the price level of the underlying instrument;
- basis trades;
- against actuals;
- asset allocation;
- non-automated trades allowed, where appropriate, in case of emergency termination of trading on LIFFE CONNECT[®] system.

The Trading Procedures define these transactions and specifies their execution procedures, mentioning where appropriate which contracts are eligible thereto.

Article P/M 2.1.6

Special trades must be negotiated at a price consistent with the tick determined by Euronext Paris and shall be reported by members to Euronext Paris immediately upon their completion.

In particular :

- cross transactions shall be executed within a price interval set forth in the Trading Procedures, which shall in no event exceed the best bid or ask limit prevailing at the time in the central order book ;
- block trades shall be executed within a price interval around a value determined by Euronext Paris, taking into account notably the commitments of liquidity providers active in the relevant contract, where appropriate.

By exception to the publication rules of Book I, Euronext Paris shall publish for non-automated trades referred to in Article P/M 2.1.5 the high and low prices and total quantities traded for the relevant business day, once all these trades have been registered.

CHAPTER 2 : TRADE CANCELLATION

Article P/M 2.2.1

Euronext Paris shall be authorized to cancel trades which have already been registered if they do not comply with the applicable rules, including trades made in unforeseen or exceptional circumstances. This can be done when the members concerned are informed of the specific reasons for the cancellation of the trade.

Article P/M 2.2.2

A request for trade cancellation is admissible on the part of a market member only in case an aberrant price has been traded, as assessed solely by Euronext Paris.

Euronext Paris may in this respect cancel a traded price, thereby canceling all trades made at that price. Euronext Paris can also cancel a specific trade.

The Trading Procedures specify the cases in which transactions can be cancelled and the procedures for making cancellation requests.

Article P/M 2.2.3

Euronext Paris shall inform members of every cancellation as soon as its decision is made.

CHAPTER 3: MARKET SUSPENSION CONDITIONS

Article P/M 2.3.1

Euronext Paris shall be entitled to suspend trading in a futures contract for one or more maturity, or option series, in which there is no open interest or postpone the opening of new maturities or option series for a stipulated time.

Article P/M 2.3.2

When trading in the asset underlying a contract is halted, Euronext Paris may, depending on the reason for the halt, decide to suspend trading in the instrument or to suspend or relax the obligations of liquidity providers assigned to that contract. A mere volatility interruption in the underlying asset shall not in itself be considered as a ground for suspension.

When the underlying asset is an index, the aforementioned provisions may be enforced in case of unavailability of the index or if it is replaced by a trend indicator calculated on less than 25% of the index capitalization.

Article P/M 2.3.3

When traded prices for one of the two nearest maturities of a futures contract exceed the thresholds set by the clearing house that trigger intra-day margin calls (expressed as a change from the previous trading session's settlement prices), Euronext Paris is entitled to suspend trading in that futures contract as well as in any options in such contract or in the same underlying asset.

Article P/M 2.3.4

In response to a request by the Autorité des marchés financiers ("AMF"), Euronext Paris shall suspend trading for the period specified by the AMF in options and futures whose underlying instrument is a single equity security that is the subject of a public tender offer.

Between the beginning of the offer period and the closing of the offer for equity securities underlying options and futures, own-account and client orders to sell call options or futures must be "covered", i.e. the underlying shares that would be deliverable must be deposited beforehand with the order-giver's intermediary; conversely, buy orders for futures contracts must be margined by a cash deposit equivalent to the full value of the securities underlying the contract, provided that these provisions do not apply to orders aimed at closing existing positions.

Depending on the bid success rate and the characteristics of the open positions in the corresponding derivatives, Euronext Paris may decide to maintain these margin requirements after the bid has closed.

The aforementioned margin requirements do not apply to trades made by liquidity providers in discharge of their obligations vis-à-vis Euronext Paris.

GREEN PAPER**Green Paper on Financial Services Policy (2005 - 2010)**

Text with EEA-relevance

COM (2005) 177

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ANNEX II

TIMELINES INCLUDING MEASURES ADOPTED, UNDER NEGOTIATION, UNDER PREPARATION

GREEN PAPER ON FINANCIAL SERVICES POLICY (2005-2010)

The overall objective of the Commission's financial services policy¹ over the next 5 years is :

- To consolidate progress towards an integrated, open, competitive, and economically efficient European financial market and to remove the remaining economically significant barriers.
- To foster a market where financial services and capital can circulate freely at the lowest possible cost throughout the EU - with adequate and effective levels of prudential control, financial stability and a high level of consumer protection.
- To implement, enforce and continuously evaluate the existing legislative framework, to deploy rigorously the better regulation agenda for any future initiatives, to enhance supervisory convergence and strengthen European influence in global financial markets.

This paper presents the preliminary views of the Commission for its financial services policy priorities for the next five years. It takes into account many convergent opinions expressed in the 2-year consultation process that started with the work of four expert groups, followed by wide public consultation². Other parallel initiatives include the report on financial integration by the EU Financial Services Committee³ and the Draft Report by the Economic and Monetary Affairs Committee of the European Parliament on the current state of integration of EU financial markets⁴.

The Commission now seeks views on its initial ideas on the future of European financial services policy. Responses should be sent by 1 August 2005, to the following email address: markt-consult-financialservices@cec.eu.int. Responses will be placed on the Commission's website – unless there is an explicit request to the contrary.

Comments and further preparatory work within the Commission will be taken into account for the determination of the **Final Policy Programme**, which will be presented in the form of a White Paper in **November 2005**.

The 2005-2010 financial services policy objectives in a nutshell....

...the result of 2 years consultation....

open for your comments....

...views welcomed on this Green Paper

¹ As part of the Commission's overall strategic objectives 2005-2009. see COM(2005) 12, 26.1.2005, Section 1.1, 2nd paragraph and COM(2005) 24, 2.2.2005, point 3.2.1

² See: http://europa.eu.int/comm/internal_market/en/finances/actionplan/stocktaking_en.htm

³ Report for consideration by EU Finance Ministers on 2nd June 2004, only in limited circulation.

⁴ See: http://www.europarl.eu.int/meetdocs/2004_2009/documents/PR/553/553131/553131en.pdf

1. KEY POLITICAL ORIENTATION

In the last six years there has been major progress towards an integrated European capital and financial services market. Most of the necessary rules outlined in the Financial Services Action Plan (FSAP) have been agreed on time and are now being put in place. European decision making and regulatory structures have become more rational and efficient as a result of the "Lamfalussy process"⁵. Continued systematic cooperation has developed between the European institutions and market participants. And, in the wake of the euro, political confidence in the integration process has increased.

Real progress over the last 6 years towards an integrated EU market....

The job, however, is not finished. A new phase now begins for the period 2005-2010, with a very different focus:

...but the job is not finished. A new phase begins with less emphasis on regulation and more emphasis on transposition and enforcement of existing measures

- Consolidation of existing legislation, with few new initiatives;
- Ensuring the effective transposition of European rules into national regulation and more rigorous enforcement by supervisory authorities;
- Continuous ex-post evaluation whereby the Commission will monitor carefully the application of these rules in practice – and their impact on the European financial sector.

Member States, regulators and market participants must play their role. If needed, the Commission will not hesitate to propose to modify or even repeal measures that are not delivering the intended benefits. This approach is essential to ensure that the hard-won European regulatory framework will function optimally – for the benefit of market participants, more than 20 million European businesses and 450 million citizens, and thus for the European economy as a whole.

The agenda for the last 6 years was driven by the vision that deep, liquid, dynamic financial markets will ensure the efficient allocation and provision of capital and services throughout the European economy – from wholesale to retail – laying the foundation for higher long term growth and job creation across the economy. The watchwords for the FSAP legislative proposals were cross-border competition, market access, enhanced transparency, market integrity, financial stability and efficiency. Overall, FSAP legislation remained faithful to these guiding principles – and they are still valid today.

Key philosophy of FSAP remains sound....

⁵ The Lamfalussy report, published on 15 February 2001, can be found on the Commission's website: http://europa.eu.int/comm/internal_market/securities/lamfalussy/index_en.htm; see also footnote 8 in Annex I

The economic benefits of European financial integration (Annex I) are beyond doubt. This has also been recognised in the Lisbon strategy⁶ – and confirmed by the Commission's mid-term review of Lisbon with its strengthened emphasis on growth and jobs⁷.

the economic benefits of European financial integration are beyond doubt....

Aligning national regulatory approaches to a common European regulatory system is challenging: it entails considerable "ex-ante" adjustment costs for national enforcement agencies and market participants. These transitional problems pose a challenge in themselves – particularly as they are mainly concentrated over a short period (2005-2007). However, concerns about these transitional costs should not obscure the broader economic benefits. The alternative is stark: fragmented and under-performing financial markets and/or a patchwork of national pools of liquidity subject to divergent, uncoordinated risk-management practices and a higher cost of capital. The FSAP has created an enabling legal framework which should allow issuers, investors and providers of financial services to transact on a pan-European level without undue legal impediment. The key, now, is to make it function well.

...even if there are short-term transitional costs

Today, economic and market evidence suggests that European financial integration is underway in many sectors: in the wholesale markets; in stock exchanges; in financial markets infrastructure, such as clearing and settlement. This has improved conditions for all users of financial services. A European market "reflex" is beginning to emerge, however, much remains to be done both in the above mentioned areas and other areas in retail and wholesale. For example, the area of retail distribution remains fragmented and some markets remain impenetrable. These barriers need to be carefully assessed, in particular to see whether they constitute significant economic impediments to the free flow of capital and financial services.

EU financial markets are integrating but some barriers remain....

A well-functioning risk capital market is a strategically important element of promoting new and innovative firms, entrepreneurship, raising productivity and the sustainable rate of economic growth in Europe. Currently the European market for risk capital is much less effective than for instance the market in the U.S. Therefore, identifying the priorities for any further initiatives in this area is important.

...the important risk capital market is underdeveloped

A rigorous "better regulation" approach will be applied throughout: from policy conception, to open and transparent consultation at all levels, to establishing thorough and convincing economic impact assessments before launching a new proposal and to ex-post evaluation. This is crucial to reduce administrative costs for financial institutions and issuers and to

Better regulation approach must be rigorously applied to all new initiatives

⁶ The Lisbon European Council of 23 and 24 March 2000 agreed on a new strategic EU goal for the next decade: to become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion.

⁷ Growth and jobs: A New Start for the Lisbon Strategy', February 2005, http://europa.eu.int/growthandjobs/pdf/COM2005_024_en.pdf

raise the competitiveness of the European financial industry.

These disciplines should also be applied by the European Parliament and the Council to avoid evidence-based Commission proposals being mushroomed into unnecessary, sapping complexity. In particular, Member States should avoid adding layer upon layer of regulatory additions that go beyond the Directives themselves – so-called “goldplating” – thus stifling the benefits of a single set of EU rules and adding unnecessary burden and cost to European industry⁸.

As before, there must be an evidence-based expectation that any new European proposal for financial services legislation and implementing rules will yield significant economic benefits in terms of efficiency and stability. A yardstick should be the extent to which measures facilitate cross-border business and enhance the competitiveness of Europe's financial markets, while, at the same time, protecting internal stability.

The Commission's approach will continue to build as much consensus as possible in any preparatory phase, working closely and transparently with Member States and the European Parliament, with EU supervisory networks (CEBS⁹, CEIOPS¹⁰, and CESR¹¹), with the European Central Bank, market participants and more intensely in the future with consumer groups¹². Regulatory philosophies differ among Member States – so the art of European legislation in these complex areas is to find the balance best serving Europe's interest. Any legislation should respect the subsidiary and proportionality principles of the Treaty¹³ and strengthen competition.

The important debate on European supervisory convergence now needs to be taken forward. The supervisory system must have the necessary instruments to make European financial services regulation work effectively and thus facilitate pan-European business. The outcome must ensure full democratic accountability to the Member States and European Parliament. In this context, the entry into force of the European Constitution¹⁴ is important for the medium term continuity and sustainability of the Lamfalussy process¹⁵.

Complex rules and unhelpful “goldplating” must be avoided....

...and any further EU initiatives must be based on clear evidence of economic benefits

Commission will continue to work at all levels to build consensus....

...respecting the principles of the Treaty

EU supervisory convergence debate is underway – ensuring EU rules work in practice and political accountability is key

With the regulatory framework and supervisory structures largely in place, the Commission foresees that synergies with different policy areas – particularly competition and consumer policy – will grow over the next 5 years. Some sectoral enquiries in the financial services area have already been announced. The Commission would like market participants to play a more effective and pro-active role in consistently signalling clear infringements or anti-competitive behaviour from whatever source – first at national level and then to the Commission.

Commission will maximise policy synergies over next 5 years, especially with competition and consumer policy

Other horizontal and complementary policy areas (corporate governance, company law reform, accounting, statutory auditing) are also of immense importance in building confidence and transparency in European financial markets. Although outside the scope of this Paper, work in these areas will progress in line with the agreed timetables¹⁶ and the “better regulation” principle-based and simplification approach. Companies, accountants, auditors and other market participants must apply the highest ethical standards in their work. National supervisors must ensure they are effectively applied, also vis-à-vis off-shore financial centres. If not, market and political pressure for additional regulatory intervention in these and other domains will intensify. Currently, this issue is further reflected on in the revision of the 4th and 7th Company Law Directives on accounting standards. The objective is to strengthen disclosure when using entities established in off-shore financial centres.

Corporate governance, company law reform, accounting and auditing are key horizontal policies – but outside the scope of this Paper....

The debate about the future governance, funding and political accountability of global standard-setting bodies, such as the International Accounting Standards Board, are of growing political importance. The Commission considers that public oversight of these structures must be strengthened, to ensure appropriate reflection of stakeholders, satisfactory transparency, due process and sustainable financing.

...political accountability for global standard setters is important as well

Looking outwards, Europe has a major strategic opportunity to influence the regulatory parameters of the emerging global financial market. That is why the deepening of the EU-US financial markets dialogue and strengthening financial relations with Japan, China and for instance India are so important (see 3.4). The Commission favours widening the agendas of these dialogues, making them more forward-looking and drawing more on market participants' input. Further efforts to open third country financial markets will be pursued in the Doha trade round as well as in bilateral and regional trade agreements.

Externally, a major opportunity for the EU to deepen relations with the US and Japan, China and India

⁸ See Commission Recommendation on best practices for Member States' transposition of EU legislation, SEC2004(918) final.

⁹ Committee of European Banking Supervisors, established as per 1 January 2004.

¹⁰ Committee of European Insurance and Occupational Pensions Supervisors, established as per 24 November 2003.

¹¹ Committee of European Securities Regulators, established as per 7 June 2001.

¹² The FIN-USE forum of financial services experts is already providing the Commission with valuable input from a user perspective.

¹³ Where legislative solutions appear justified, these are enacted on an EU-wide basis only if local measures clearly demonstrated to have failed or to be impracticable; their effects should not go beyond those needed for the good functioning of the internal market.

¹⁴ In particular (new) article 1-36 that provides call-back rights to the European Parliament and to the Council for controlling delegated regulations adopted by the Commission.

¹⁵ The 'sunset clauses' in the securities area come into effect from 2007 onwards. Under these clauses, delegated powers to the Commission to adopt implementing measures through

comitology (level 2 of the Lamfalussy process) will expire, unless the Council and the European Parliament explicitly agree to extend them (which will be a co-decision proposal by the Commission).

¹⁶ The Corporate Governance and Company Law Action Plan; including actions on: IAS implementation; 8th Company Law Directive; acceptance of IAS in third country jurisdictions, such as the US; transparency of corporate governance structures; improving shareholder structures etc.

The Commission would be interested to hear from stakeholders:

- whether they agree with the overall objectives for the Commission's policy over the next 5 years;
- whether they agree with the key political orientation described above.

2. BETTER REGULATION, TRANSPOSITION, ENFORCEMENT AND CONTINUOUS EVALUATION

Improved economic performance and welfare creation will largely depend on the capability of European institutions, supervisory authorities and market participants to ensure that the existing rules are consistently applied and enforced - so that best practice becomes the norm (Annex I Section II). This way a level playing field is created – with consistent and accurate interpretations of Community law – avoiding legal uncertainties and ambiguities. This means enforcement mechanisms need to be strengthened and interconnected across the Member States, *inter alia*, via the European supervisory networks. This shared responsibility is a major challenge in a European Union of 25 Member States – with further enlargements in the pipeline.

The shared responsibility of consistent application and enforcement of existing EU rules is a pre-requisite for financial integration

The priorities are:

- Continued application of open and transparent policy making with extensive use of consultation mechanisms at all levels;
- Simplifying and consolidating all relevant (European and national) financial services rules¹⁷;
- Converging standards and practices at supervisory level, while respecting political accountability and current institutional boundaries;
- Working with Member States to improve transposition and to ensure consistent implementation;
- Evaluation whether the existing directives and regulations are delivering the expected economic benefits and repealing measures that do not pass this test; and
- Ensuring proper implementation and enforcement, if needed, by infringement procedures building on existing legislation and case law.

Priorities measures are further outlined in Annex I, Section II

¹⁷ A few pilots for simplification might be chosen in the coming years. Launching a feasibility study might be helpful to find out if over time all rules can be fused in one body of consistent law (some sort of 'Financial services rulebook').

The Commission would be interested to hear from stakeholders:

- whether they agree with the priority measures identified; and
- which additional measures should be taken to foster consistent application and enforcement of European legislation.

3. CONSOLIDATION OF FINANCIAL SERVICES LEGISLATION OVER THE 2005-2010 PERIOD

3.1. FINISH REMAINING MEASURES

ONGOING LEGISLATION AND MEASURES IN PREPARATION

The first priority of the next 12 months is to complete the unfinished business of the remaining elements in the negotiation phase at the European Parliament and the Council and of the key measures now under preparation by the Commission.

Priority is the completion of FSAP 'leftovers'

The latter are a (possible) directive on post-trade financial services (clearing and settlement), the new Insurance Solvency framework and a (possible) legislative proposal on payments (see Annex II). This preparation involves both thorough impact assessments and wide stakeholders' consultations.

AREAS WHERE THE COMMISSION MAY DECIDE NOT TO MAKE A PROPOSAL

The Commission is committed to act only where European initiatives bring clear economic benefits to industry, markets and consumers. Concretely, the Commission is currently looking into the areas of **rating agencies** and **financial analysts**, where – after having received the advice of CESR and CEBS – a decision should be made if additional legislation is needed at this stage or if the current provisions in the Market Abuse Directive as well as self-regulation¹⁸ and monitoring mechanisms could be sufficient. It is already clear that the Commission will not propose any implementing measures under the **Take Over Bids Directive**.

Commission will not propose legislation if clear economic and other benefits cannot be demonstrated

However, if the Commission would decide not to propose legislation in these and other areas, the Commission would not hesitate to revisit this position, should future market developments suggest that robust intervention is needed.

AREAS WHERE THE COMMISSION MAY RECONSIDER ITS PROPOSAL

Following EU Member States agreement to **The Hague Convention** (a

Commission might consider

¹⁸ For instance the Code of the International Organisation of Securities Commissions (IOSCO).

intermediary¹⁹), the Commission made a proposal for signature but recently some Member States and the ECB have expressed concerns with the Convention. The Commission will prepare, by end 2005, a legal assessment evaluating the concerns raised and then decide whether changes are needed to the current signature proposal or not.

withdrawing proposals currently under discussion

3.2. EFFICIENT AND EFFECTIVE SUPERVISION

As European financial integration progresses, new challenges for supervisors are emerging. Monitoring cross-border risk is becoming more critical and although integration will strengthen overall stability, the potential for 'spill-over effects' such as a system failure affecting several financial markets and/or groups that operate on an EU-wide basis will increase. The Commission believes in tackling these challenges through an evolutionary, bottom up approach (Annex I Section III).

Supervisory cooperation is key in underpinning financial integration and should be strengthened

3.3. ENABLING CROSS-BORDER INVESTMENT AND COMPETITION

Consolidation in the financial services sector should be driven by the market. At the same time, financial soundness and stability of the financial system must be ensured in some areas. The costs and barriers to cross-border transactions constitute a formidable obstacle to cross-border investment and economic rationalisation within Europe. The Commission has identified in a preliminary report the potential barriers and has invited stakeholders to come forward with – in their view – the most inhibiting obstacles²⁰. Eliminating or at least reducing these unjustified barriers will strengthen the competitiveness of the sector and of the economy at large – and foster growth and job creation (Annex I Section IV).

Removal of unjustified barriers to consolidation will bring economic benefits

3.4. THE EXTERNAL DIMENSION

The Commission will monitor carefully that candidate countries fulfil their responsibilities in the financial services area. Furthermore, enhancing European influence on the global stage and ensuring the global competitiveness of the European financial sector should remain a priority. Financial services are a global business - developments in one jurisdiction have an impact on others. Annex I Section V outlines the (regulatory) objectives identified and the good progress made in building open, *ex-ante* regulatory dialogues with the US and China. The Commission would also like to deepen financial relations with other countries, like Japan, and, if possible, also with India over the next 5 years

The EU's financial sector must be competitive in global markets...

...financial markets regulatory dialogues need to be deepened, with the US, but also with Japan, China and possibly India

The Commission would be interested to learn from stakeholders:

- whether they agree with the identified measures where the Commission might decide to take no action, or if there are other concrete areas where the Commission should not bring forward proposals presently in the pipeline or, indeed, areas where the Commission should consider withdrawing;
- their assessment if the existing regulatory and supervisory framework is sufficient to tackle the supervisory challenges in the years ahead, what are the gaps and how these can be filled most effectively;
- what are the objectives, sectors to be covered and the priority areas in regulatory and cooperative activities on a global scale.

4. POSSIBLE, TARGETED NEW INITIATIVES

In line with the opinions expressed in the 2-year consultation process that started with the work of four expert groups, the Commission has identified two clear policy areas where initiatives might bring benefits to the European economy: **asset management** (Annex I Section VI) and **retail financial services**. Work in these areas will be bottom up, consultative, and working with the grain of the market.

Commission identified two areas for further work: asset management and retail financial services

The post-FSAP stocktaking process identified the market for retail financial services as an area requiring further attention (Annex I Section VII). While significant progress has been achieved to integrate financial markets, retail financial services markets – *i.e.* financial services offered to consumers, remain deeply fragmented.

Retail financial markets are still fragmented

The role of the Commission is to facilitate the provision of retail financial services in Europe. In cross-border service provision, four distribution channels can be identified: (i) a consumer purchases the service from a provider in another Member State by travelling to that Member State; (ii) a firm markets/sells to consumers in another Member State without establishing; (iii) a firm establishes in more than one Member State and adapts its offerings to local markets; and (iv) services being designed on a pan-European basis, even if delivered locally.

Currently delivery by branches, intermediaries or other distributors is the most likely business model

Although the approach of creating pan-European passports for businesses and consumers seems to be the most beneficial one, possible alternative regimes, such as so-called "26th regimes" for those operators and consumers who want to be active across borders, leaving the 25 sets of national rules untouched, are currently debated. The benefits of such "26th regimes" remain to be proven and reaching agreement on optional European standards designed only for certain products will be difficult. However, the Commission takes note of the current debate and will respond to the call to explore such 26th regimes further, by launching a feasibility study, *e.g.* in the areas of simple (term-life) insurance and

The "26th regime" is worth exploring, e.g. for simple (term-life) insurance and savings products

¹⁹ A uniform legal formula for determining proprietary rights is considered particularly useful in cases where securities are held through a chain of financial intermediaries in different countries.

²⁰ See http://europa.eu.int/comm/internal_market/finances/cross-sector/index_en.htm#obstacles

savings products.

The Commission thus proposes to establish Forum groups for specific retail products, consisting of experts in the field, representing industry and consumer interests, to identify any barriers and examine possible solutions. This work will be supported by extensive research.

The Commission will establish Forum groups, use extensive research

AREAS OF POSSIBLE FUTURE ACTION

Mortgage credit is one area where further retail integration might be beneficial – while the number of products in the market should not be limited; a separate Green Paper, planned for summer 2005, will address the 48 recommendations coming from the Mortgage Credit Forum Group's report. Concrete initiatives could be announced – after thorough consultation - earliest in 2006.

For mortgage credit, a separate Green Paper is planned for this summer

Based on the conclusions coming from the expert groups and the views expressed in the public consultation, the following areas might merit further consideration as well:

Three other areas are already identified by the Commission for further consideration

- **Codification and possibly simplification of existing rules on information requirements**, in particular with a view to ensuring consistency and coherence between different texts²¹;
- **Financial mediation**, in particular by allowing cross-border service provision by knowledgeable and reliable intermediaries, while applying full transparency on fees and relationships with providers. Work has already been done in this area²². However, given developments in products and the structure of financial providers, the need for further alignment of rules on conduct of business, sales advice and disclosure should be examined;
- **Bank accounts**: in particular looking into obstacles to opening accounts cross-border, as well as issues regarding their handling, portability, transferability and closure. There appear to be particular problems associated with, e.g. non-residency and identification requirements.

The Commission would be interested to learn from stakeholders:

- whether they agree with the new identified priority areas;
- what are the (dis)advantages of the various models for cross-border provision of services, whether there is a business case for developing a 26th regime, and which business lines might benefit;
- how to enable consumers to deal more effectively with financial products and whether this means more professional and

independent advice, improved education or financial literacy training are needed;

- whether they agree with the issues identified in the above list of retail products, or if they would suggest other areas where additional action at EU level could be beneficial.

²¹ The Commission is developing a Common Frame of Reference as a tool to use in improving the coherence of European contract law.

²² Under the Insurance mediation Directive and in the Markets in Financial Instruments Directive.



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This guide may be amended and reissued from time to time to accommodate market developments and changes to the UKLA's Listing Rules.

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A Practical Guide to Listing

Listing: a pivotal choice

The London Stock Exchange has been helping to finance companies, and provide a market for their shares, for over 200 years. For companies of all types, nationalities and sizes, the market has offered access to a deep pool of investment capital, while bringing sharebuyers the benefits of a transparent and liquid market on which to trade.

Most successful privately-owned companies will ultimately reach a stage where they consider whether to list their shares on a public market. In making this decision, they inevitably face a whole series of fundamental questions about their future. Perhaps the company has venture capital backers or family founders looking for an opportunity to realise part of their

investment. Or maybe the business' expansion plans are being constrained by a lack of finance.

Clearly, a flotation may provide solutions to challenges such as these. Going for a listing is one way to address these challenges – and companies need to weigh up all the options before deciding which is the most suitable. Even when a flotation appears the best route, the company must give careful consideration to the pros and cons involved, and to the longer-term implications of being a listed company.

The purpose of this publication

As its title suggests, this publication is designed to be a down-to-earth, practical guide to the listing process, taking you, in a series of logical steps, from the very start of

the decision stage, right through to life as a public company. This publication does not seek to encourage you to list, as this is a decision you will reach only after much consideration and discussion with your advisers. Instead, its aim is to bring to your attention the issues and potential challenges of which you should be fully aware before setting out on this road.

Admission Process

A two-stage admission process applies to companies who want to have their securities admitted to the Exchange's main market for listed securities. The securities need to be admitted to the Official List by the UK Listing Authority (UKLA), a division of the Financial Services Authority, and also admitted to trading by the Exchange. Once both processes are complete, the securities are officially listed on the Exchange.

Contributors

In researching and writing this publication, we have spoken to many people with direct experience of the flotation process from every side. Their co-operation and input has been invaluable. In order to enable them to be as frank as possible, we have allowed them to remain anonymous throughout, and have only identified them by their area of expertise. However, the people who have helped us know who they are, and we would like to thank them sincerely. Without their assistance, this publication would not have been possible.

The opinions and quotes we have used have been drawn from four types of market professionals:

Accountant

Any firm looking to come to the stock market must have a reporting accountant, who is responsible for reviewing the company's financial record and position, so that potential investors can make an informed choice about its shares. Accountants may also act as the sponsor to an issue. The accountants we have spoken to are highly experienced in advising companies through the flotation process.

Company

We have spoken to senior executives who have been through the flotation process as company directors, some of them several times. These people come from a wide range of industries. Their experience makes them ideally qualified to comment not only on the benefits of flotation, but also on the potential pitfalls, and on what it feels like to be going through the process.

Fund Manager

The fund managers we have spoken to are responsible for investment decisions involving millions of pounds every day. They have been able to provide invaluable advice on what the market and the investing institutions are looking for from the companies they invest in.

Stockbroker

Stockbrokers are securities firms which are members of the London Stock Exchange, authorised to buy and sell shares on the Exchange's markets on behalf of their clients. They may also act as sponsors, the main financial advisers to a company on its flotation, and/or as corporate brokers, acting as the company's main interface with the stock market. The stockbrokers we have spoken to have extensive experience of guiding companies through flotation.

It may be the most demanding thing that you've ever done... but also the most rewarding.

1 Decision Stage

Narrowing down the options
Looking at yourself and your business
 What are the pros' and cons of a listing?
 The pros: reasons for going public
 The cons: reasons for staying private

Is your company right for a listing?
 Regulatory requirements
 Market requirements

Are your company and its management ready?
 Investor relations
 Corporate governance

Preparing the way for your flotation
 Appointment of advisers
 Deciding on the method of listing
 Executing necessary changes in the board and operations
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1 DECISION STAGE

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Narrowing down the options

The decision on whether to list your company's shares on a public market is a significant one. It must be based on an honest and realistic assessment of your company, its management resources, its stage of development and its prospects. And it must be made after full consideration of the alternative routes by which your business might achieve its goals.

The precise circumstances which prompt a company to consider floating vary in every case. It may simply be a shortage of capital for expansion, with the sources of finance which have taken the business this far – such as banks or existing shareholders – now unwilling or unable to put more money in. There may be existing shareholders, particularly venture capitalists, looking for the opportunity to realise part of their investment.

Main market

The main market is the Exchange's principal market for listed companies from the UK and overseas. It currently includes approximately 1,770 UK companies and 430 overseas companies.

The company may also want to tie in key staff through employee share ownership schemes, and give them a liquid market on which to trade their shares. Marketing issues may also be influential, since a private company may often find itself at a disadvantage if the majority of its competitors are listed, because those competitors may be seen by customers and suppliers as being more financially reliable.

As well as improving the perception of a company's financial stability and transparency, a quote on a public stock market also demonstrably increases the profile which a company receives in the press.

Any or all of these factors may help to shape the ultimate form of your decision. For example, a cash-generative business may currently have no need of further finance – and many companies opt to join the market without raising any additional capital. In these circumstances, the other benefits are seen as justifying the costs of the listing. But even in these cases, there is the advantage that the opportunity for future capital-raising via the stock market is opened up. And, as a general rule, access to capital is a



major stimulus behind most companies' decisions to float on the market.

In general, a business which needs more long-term funding, but wishes to retain its independence, will look at four options:

- ◆ bank finance, generally in the form of long-term loans
- ◆ further investment from existing shareholders (possibly in conjunction with additional bank finance)
- ◆ venture capital, with the venture capital providers generally taking a substantial equity position, on the understanding that they will have an 'exit' via a trade sale or flotation in three to five years
- ◆ a listing with accompanying capital-raising on a public market.

Each of these options has its own benefits and drawbacks, depending on a wide range of

factors specific to the business, including its prospects, its sectors of operation, its owners and its managers. Raising equity finance, either public or private, may be cheaper but will inevitably involve a trade-off in terms of loss of control, especially of the nature and timing of the backers' exit from private equity. Taking on further debt finance, on the other hand, may be especially risky in times of rising interest rates or market uncertainty.

Every option should be examined closely, but inevitably all of them have major implications for the ownership, control and strategy of the business. And since each of these options involves further financial commitment from outside, they will all require a business plan setting out solid and realistic targets and projections for the company's continuing development.

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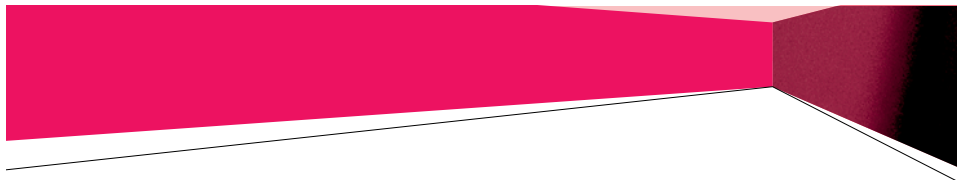
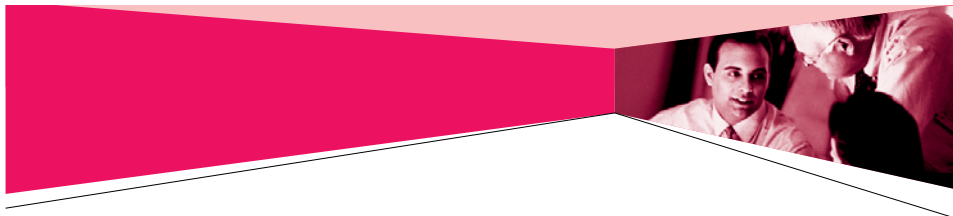
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AIM

AIM is the Exchange's global market for young and growing companies. Launched in 1995 it has been specifically developed to meet the needs of these types of companies. Over 679 companies from the UK and overseas are quoted on AIM. More details are available from the AIM team on +44 (0)20 7797 4404 or visit our website www.londonstockexchange.com/aim.



Looking at yourself and your business

Before even considering the pros and cons of a flotation, as a director of a company thinking about coming to market you must take a long hard look at your own ambitions, both personally and professionally.

The process of preparing for and seeing through a flotation is a demanding and painstaking one, and the ongoing obligations faced by a listed company represent a step-change from the requirements of a private business. Indeed, some private businesses are run in a way to suit the lifestyle of the owner-managers, which would prove highly incompatible with the rigours of a public listing.

This means that any owner or manager looking at taking a company public should think carefully about what the change will mean. They should also bear in mind that any disruption or departures at board level in the aftermath of a flotation are likely to have an effect on both investor confidence and the share price. Anyone taking a company public should think in terms of several years' commitment – and should ask themselves questions such as these:

- ◆ What are my long-term personal goals?

- ◆ What are my ambitions for my professional career?
- ◆ How committed am I to the business?
- ◆ Do I feel sufficiently committed to see the process through?
- ◆ Is my relationship with the rest of the board/management team strong enough?
- ◆ Am I prepared for the continuing obligations, restrictions and public profile involved in running a listed company?

If you do feel committed enough to proceed, then you must also analyse your own company's strengths and position in the market, given the fact that these will be crucial in persuading investors to buy and hold the shares once the flotation has gone ahead. It is often best for the company to identify a small group of directors to consider these issues, in order to minimise the disruption to the business as a whole. Questions you should ask – if you have not been doing so already – should include:

- ◆ Where is our current business plan taking us?
- ◆ What are our likely capital requirements?

“You often see conflicts among the board members, because everyone has a different agenda. The classic confrontation is the owner versus the management team – basically the owner's desire to stay in control versus the managers' requirement for shares as a reward for staying on with the company. If conflicts like this are addressed early enough, then there is no problem.”

Corporate adviser, accountancy firm

“It can be a very steep learning-curve for management. It is generally much easier for them if they already have venture capital investors, and are therefore used to the idea of outside shareholders.”

Corporate adviser, stockbroking firm

- ◆ How strong is our competitive position, and how can it be maintained and strengthened?
- ◆ What is the quality of the management team, both at board level and below, and does it need strengthening?
- ◆ Are all members of management working to the same agenda?
- ◆ What outside advice and perspective – such as non-executive directors – does the board have access to?
- ◆ What will attract investors to the company and are we ready to commit time to communicating with investors?

Inevitably, the preparations for a flotation place every member of the management team under intense pressure, and if cracks between them are ever going to appear, then they will appear during this process. So it is crucial to ensure that the board is unified behind whatever collective decisions have been taken – and that all members are able to explain and promote the company's plans.





What are the pros and cons of a listing?

Many owners and managers of private companies which have gone public say that before embarking on the process they thought that the main advantages of a listing were access to capital and to provide a market for the company's shares. The most prominent drawback was considered to be the continuing obligations placed on a listed company.

Having been through the process, they realise that the spread of pros and cons is both broader and much more complex than that. For example, many are surprised by the scale of the positive effect on their relationship with suppliers and customers. By the same token, the amount of work required to complete the project and the input and commitment of directors may be higher than some companies anticipated when flotation was first raised as an option.

The pros: reasons for going public

The relative importance of each argument in favour of a listing depends on the company's precise circumstances. While the priority may vary, here are the main benefits which are usually identified by companies and advisers.

Access to capital for growth:

A listing on the Exchange's main market brings a company the opportunity to raise equity finance, both at the time of the initial listing and through further capital-raising at a later stage.

Providing a market for your company's shares:

The creation of a public market at an externally-agreed price stimulates liquidity in the shares, and gives shareholders the opportunity to realise the value of their holdings. This can help to broaden the shareholder base, and enables existing investors – whether venture capitalists or other owners – to exit, if they so choose, either on flotation or at a later date.

Employee commitment:

A public market in the shares means employee share ownership schemes have a visible value and market for trading. This encourages employees' participation in the ownership of the company, and increases their long-term commitment to the business. This in turn helps the company to recruit and retain good staff.

Ability to take advantage of acquisition opportunities:

Greater access to capital, and the capability to issue paper with a market value as an

'For us, the most obvious benefit of the listing has been the ability to raise capital for growth or simply to reduce our debt. But there are other advantages too. For example, a listing definitely helps to raise your visibility and your profile, which is obviously very important when you are growing your business quickly. What I can say is that without the finance which we have accessed through the stock market, we simply could not have been where we are today.'

Company secretary, media company

'When you go to see prospective customers and they realise you are a publicly quoted company, it makes a lot of difference. For example, we sell systems to clients on three-year service contracts. If you go in on that basis and they don't know who you are, then they might not have the confidence to buy from you, because they can't be sure you'll still be around in three years' time. But if you're publicly quoted, as we are, then they're much more ready to buy your product.'

Operations director, technology company

acquisition currency, can increase the potential to make acquisitions of private or quoted companies.

Higher public profile:

The listing on a public market inevitably means that the business and its activities will receive more extensive coverage in the press, thus widening the awareness of the company and its products. It will also be covered in analysts' reports. This heightened profile in turn can help to sustain demand for and liquidity in the shares.

Reassurance for customers and suppliers:

Companies coming to market tend to find that the perception of their financial strength within their own industry is transformed. This is especially true of a smaller company dealing with much larger customers, who are reassured that the company has received regulatory approval and has undergone a rigorous due diligence process. This perceived higher financial standing may even enable the listed business to conduct business on better commercial terms, since the perceived risk of default is lower.

Greater efficiency:

The requirement for more rigorous disclosure tends to lend itself to better systems

and controls, improved management information, and greater operating efficiency for the business as a whole.

The cons: reasons for staying private

It is crucial that a business considering a flotation appreciates the drawbacks, obligations and costs, both in terms of money and management time, which are likely to be involved. Some of these are one-off effects before and during the flotation process, while others – such as the higher degree of disclosure – continue beyond the listing. Overall, a flotation brings significant responsibilities as well as benefits, since it involves the stewardship of outside investors' money.

Again, the relative importance of these disadvantages may vary with the precise circumstances and even personalities involved in the business. Those most generally identified by directors and advisers include:

Susceptibility to market conditions:

However strong and well-run a business is, it may find that the price and liquidity of its shares are affected by market conditions beyond its control. A smaller listed company may find that its shares suffer from illiquidity, or a company of any

size may find that its share price is adversely (or even positively) affected by market rumour, economic developments or events elsewhere in the same industry. In the worst case scenario, adverse market conditions at the time of coming to market may force the postponement of a planned flotation.

Potential loss of control:

The sale of equity in the company inevitably involves ceding a degree of management control to the outside shareholders, whose views must be taken into account. In fact, certain corporate actions on the main market – such as significant acquisitions – are only possible with the prior approval of shareholders. And the need to satisfy shareholders' requirement for a return on their investment, on a continuing basis, can lead to the company feeling

Why have disclosure requirements?

The disclosure requirements which the UKLA places on all listed companies have two main purposes: to ensure the timely disclosure of all potentially price-sensitive information, and the equal treatment of all shareholders.



Is your company right for a listing?

pressure to achieve short-term performance rather than long-term strategic goals. Depending on the proportion of the equity which remains in directors' hands, the company may also run the risk of being taken over by an unwelcome acquirer at some point in the future.

Disclosure requirements and ongoing reporting:

The process of floating, and the subsequent listing, both involve the company in a much higher degree of disclosure and reporting than is required of a private company. This will require additional investment in management information systems, and a more rigorous application of compliance controls.

Loss of privacy:

The greater accountability to outside shareholders inevitably means that the directors lose much of the privacy and autonomy they may have enjoyed when running a private company. The company's heightened profile also means that any underperformance receives a greater degree of coverage, which may have a direct impact on the share price. The higher degree of interest which the press takes in a listed company can be a benefit in good times, but may be much less welcome when things are not going so well.

Costs and fees:

Especially if the company is relatively small, the overall costs involved in flotation, raising additional capital and the ongoing costs of maintaining a listing may outweigh the benefits. The company should ensure that it is aware of the likely costs before embarking on the process.

Management time:

Both the flotation process itself and the continuing obligations – particularly the vital investor relations activities (outlined in Section 3, Life as a Public Company) – use up significant amounts of management time which might otherwise be directed to running the business.

Directors' responsibilities and restrictions:

The directors of a private company may find that they simply do not like the implications of running a listed business. Greater disclosure of salaries, restrictions on share dealing and price-sensitive information, and the need to invest time and money in investor relations are all additional burdens which are unlikely to have arisen in a private company.

'First of all, our London listing means we enjoy a much higher profile than a private company – leading to greater awareness of us both among the public at large, and also among our own customers and suppliers. A listing also gives us a market in our shares, meaning we can use them to motivate our staff. And we have the opportunity to grow our business quickly, by using shares rather than borrowing to raise finance.'

Managing director, engineering company

'About 80 per cent of the companies who come to us considering a flotation decide against it first time around. But a lot of them return to the idea later when they're better prepared.'

Corporate adviser, accountancy firm

'When you are considering a listing, you should make the decision backwards. You should look at where you will be after the flotation, and compare it with where you are now. You are going to spend hundreds of thousands and possibly millions of pounds in fees, and if you are not sure what benefits you are buying for that money, then there is definitely something wrong.'

Chief executive, manufacturing company

To be able to list on the main market, your business must satisfy specific sets of criteria.

The UKLA's Listing Rules set the specific regulatory requirements which you have to meet to be allowed to list on a market. In addition to meeting the UKLA's requirements for granting officially listed status, you will need to apply to the London Stock Exchange to be admitted to trading on the main market. The Exchange has a set of straight-forward admission and disclosure standards that will help you to gain admission to the main market.

An additional consideration is the investment community's view of your company as an attractive business with good commercial prospects. Unless this view is favourable, your flotation – and, more specifically, any capital-raising which you are attempting at the same time – may run into trouble, and the prospects for an active trading market on the Exchange in the longer term will be uncertain, to say the least.

Not surprisingly, these sets of criteria overlap to a substantial extent, since investors are unlikely to entrust their money to a

company lacking the formal controls and track record required by the UKLA. But it is useful to draw a distinction between them, as it helps divide the things you must do from those you should do.

Regulatory requirements

Your advisers will guide you through the fine print of the UKLA's requirements, and will spare no effort to ensure that you meet them in full. Though these rules generally apply, there are also some exceptions. For example, a technology company at the 'pre-profit' research and development stage would not necessarily be prevented from listing – and many such companies have done so. Again, your advisers will be able to guide you through the way the rules are applied, and any specific rules which might apply to your company.

The precise requirements are

Admission & Disclosure Standards

The Exchange's Admission and Disclosure Standards are available on our corporate website www.londonstockexchange.com. The UKLA Listing rules are available from the FSA by calling 020 7676 3298.

set out in the UKLA's Listing Rules, so there is no need to spell them out here in detail. However, a brief overview may be handy. Here are the principal requirements which your company and its directors must usually meet:

Incorporation:

The company must be incorporated under the relevant laws, which for UK companies means being a public limited company (plc).

Accounts:

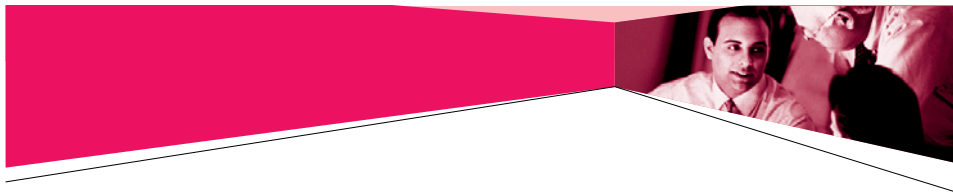
The company must normally have published or filed audited accounts covering a three-year period, such a period ending no more than six months before the planned flotation.

Track record:

The company should have an independent trading and revenue-earning record covering the same period. Also, if the company has made a number of significant acquisitions in the three years running up to the flotation, then it must show that these have a suitable track record as well.

Directors:

The company's directors and senior management must show they have appropriate collective experience and expertise to run all areas of the business, and must be free of conflicts of interest



which might hamper their ability to do this.

Working capital:

The company must be able to show it has enough working capital for its current needs and for at least the next 12 months.

Independent operations:

The company must be able to carry on its business independently and at arm's length from any shareholders with a controlling interest – which generally means anyone with control of more than 30 per cent of the shares, or who can influence the appointment of directors.

Shares in public hands:

Once the company is listed, at least 25 per cent of its shares should be in public hands.

Market capitalisation:

A company listing its shares on the market must have a total market capitalisation of not less than £700,000, and would normally be expected to be much larger.

Market requirements

Clearly, any company must satisfy the UKLA's Listing Rules before it can apply to be admitted to be traded on the Exchange, and your advisers are there to ensure you submit the right information at the right time. But you should remember

that by floating your business, you are putting a long-term value on it and selling it to outside shareholders. So, irrespective of your ability to meet the UKLA's requirements, if the investment community does not value your business as highly as you do then the flotation may not be a success.

As you would expect, many of the UKLA's requirements coincide with the attributes which investors are looking for in a company. Things such as a demonstrable trading record and appropriately-experienced directors clearly help to satisfy both the regulators and the potential shareholders. However, rather than seeing your company's ability to meet the regulatory requirements as being any measure of its value, it is crucial that you try to step back and look at your business long, hard and dispassionately, as an outside investor would. Ultimately, the ability to meet the market's commercial expectations is all-important.

To be suitable and ready to float and attractive to investors, your business should possess the following attributes, many of which are inter-related. In individual cases, other factors may be relevant – but this list will

'When I look at the management of a company, I am looking for track record and relevant skills. I also want to see an ability to explain the business and where the growth is coming from. The best attitude is cautious enthusiasm – if they are overstating their aims, it doesn't help.'

Corporate adviser, stockbroking firm

'By and large, I don't think businesses present themselves as well as they could do. They simply have to stand aside from their business, try to detach themselves from it and appreciate that an investor is starting with a clean sheet of paper. All too often, directors speak from their own perspective inside the company. They should be more aware of the need to help other people understand their business.'

Fund manager, institutional investor

'Institutions are looking for fast, controlled growth, and companies which deliver what they say they'll deliver. Above all, the board must be seen to be in control, to have the ability to drive the business forward, and the vision to expand organically and make astute acquisitions. You need board members who can present well, or you might never get your message across.'

Corporate adviser, stockbroking company

provide you with a good general starting-point:

Track record as a sound, well-managed business:

Investors are generally comforted by the perception that a business has a reliable and relatively broad base of products and customers, and a relatively consistent record of revenues and profits. This is not an absolute requirement, since some companies in sectors such as IT and biotechnology now come to market at the pre-profit stage to enable them to fund the necessary R&D. However, as a general rule of thumb, erratic or declining financial performance is likely to set the alarm bells ringing for investors.

By the same token, investors may feel that a business which is over-reliant on a small market niche, or a single customer or contract, may be disproportionately vulnerable to minor changes in market sentiment or in its customer relationships. Similarly, a business which has grown rapidly on the back of a particular product with a potentially limited market cycle may be seen as overly dependent on what is 'fashionable' at the time, thus throwing its long-term prospects into doubt. Essentially, the market is likely to find a wide range of

Admission for innovative companies

techMARK is open to all innovative technology companies who issue stocks, irrespective of their size, industrial classification or location. The securities must be officially listed by the UKLA and admitted to trading on the Exchange's main market in accordance with the relevant criteria.

sustainable but smaller products and clients preferable to one big product and client.

Viable and realistic business plan:

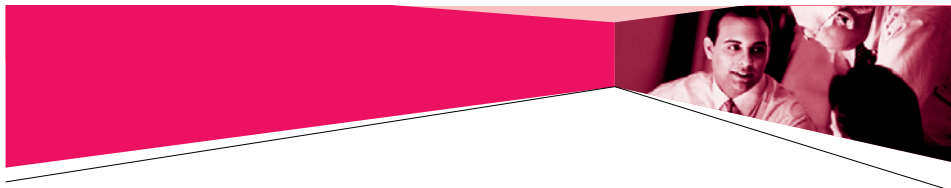
No one will invest in a business which cannot set out where it thinks its revenues will come from in the future. The business plan, which forms one of the building blocks for the prospectus, should not be over-optimistic, and must be backed up by sound and justifiable projections of sales and costs, with enough working capital to meet the projected requirements. However, a viable business plan is really something you should have anyway, and is a prerequisite for gaining the source of external finance you are seeking – be it share capital, venture capital or bank finance.

Management quality and continuity:

As potential investors look over your company, the range and depth of its management experience will be a key focus of their attention. They will want to check that the board and senior management include people who have had relatively long experience – preferably several years – in the business. Recent major changes at board level may cause doubts about the outlook. At the same time, the company should look to identify and plug any gaps in the full breadth of expertise needed to fulfil its business plan. This is where non-executive directors can be very useful. Investors will also look for a management team which shows it is united behind the company's plans, personally committed to its future, and fully agreed on its objectives.

Corporate governance:

Although compliance with the corporate governance requirements as set out in the Combined Code is voluntary, investors will expect to see the development of appropriate corporate and management structures. These will help to reduce the company's reliance on individuals, thus giving greater security to investors. While some changes might be inappropriate for a very small



Corporate governance

'Corporate governance' refers to the way a company conducts itself and structures its top management. The main current benchmark for 'best practice' is the *Combined Code* drafted by the Hampel Committee, which took account of the earlier *Cadbury* and *Greenbury Reports*. Copies of the *Combined Code* and the *Hampel Report* are available from Gee Publishing on 08457 573113.

business, potentially relevant steps may include splitting the roles of chairman and chief executive, the appointment of non-executive directors to the board, and appointing a qualified finance director. Investors may also look for signs of long-term commitment to the business from key staff at and below board level, through contractual arrangements or share option schemes.

Transparency of ownership and accounting:

Potential investors could be put off by the presence of a controlling shareholder, since they may fear that their influence on the business' direction would be more limited than if no single dominant shareholder was in place. They will also want to see evidence that the company's financial controls and accounting systems are of a high standard.

Timing and market sentiment:

Factors beyond the control of the company or its management, such as changes in the economic environment or shifts in market sentiment, may affect the business' valuation by the market and even its ability to float. Management should also be aware that some business sectors are more highly-rated on the stock market than others – essentially meaning that a business coming to market in a particular industrial category will possibly be able to raise more money. Some businesses even choose to reshape themselves for flotation, by shifting the bulk of their operations towards more highly-rated areas.

'Timing is important. The decision to float was taken at our financial year end. So we kept the books open for two months to catch all the liabilities, and then started the flotation process after the audit was completed at the end of that two-month period. We floated four months after that.'

Chief executive, industrial company

'You've got to get your business looking right for the market. For example, there are different multiples for different sectors, and even for different businesses within those sectors. You will want to be in a sector alongside your own peers.'

Corporate adviser, accountancy firm

'The chairman and chief executive of a private company are often the same person, so for the float they need to get a non-executive chairman from outside, and put him with a well-integrated management team which knows the business inside out.'

Smaller companies fund manager

Are your company and its management ready?

Given the need to sell your business to stock market investors, it may be a good idea to compile a checklist of issues which your business must address before it can consider floating.

All directors should be able to follow a common line in response to questions on any of these areas. If directors cannot answer searching questions on the company's affairs in a coherent and well thought-out manner, then potential investors will not get the best possible impression of its prospects as a listed company.

Management should examine a wide range of factors in order to gauge the business' suitability for the market. These can be divided broadly between issues which management should be able to resolve themselves, generally relating to the directors' personal wishes and the position of the business in its particular sector; and more stock market-related issues into which the company's advisers will probably have greater insight, and which management cannot really address alone. Obviously, there are some areas of overlap – such as the mix of skills on the board – but generally it is useful to split

the factors into these two areas.

The issues on which the management must make up its own mind include the following:

- ◆ Where do the directors want to be, both personally and professionally, in, say, five years' time?
- ◆ What is the management's position on market strategy and planning?
- ◆ Are there any skill gaps at board level that must be plugged?
- ◆ How will that be achieved?
- ◆ Are the directors prepared individually for greater disclosure, openness and accountability after the listing?
- ◆ Have ownership and tax issues been thrashed out at an early stage?
- ◆ Are you convinced of the loyalty and commitment of key employees? How is that being ensured?

The issues on which your advisers – especially your sponsors and brokers – are likely to have considerable influence include the following:

- ◆ Is flotation the most appropriate option for the management team to achieve its objectives?

- ◆ The strength of the business and its trading record – is it saleable to the market?
- ◆ Should the business be reshaped to put it into a more highly-rated sector and increase shareholder value?
- ◆ What strategic initiatives (eg acquisitions) need to be completed before going for flotation?
- ◆ Are the operational, financial and management information systems robust enough for a listed company?
- ◆ Have you taken account of 'best practice' on corporate governance, such as that set out in the *Combined Code*?
- ◆ Is the timing right for your flotation, both in terms of the business and the market conditions, or would it be better to wait?
- ◆ Do you understand what investors expect and require from you?

Investor relations

According to many advisers, the greatest difficulty which smaller and medium-sized companies face when they come to market is understanding precisely what the market wants from them. Investor relations is not a peripheral or optional activity. It is central to maintaining a



listed company's contact with the stock market, and to stimulating liquidity in its shares. So the business should get its facts and plans straight in advance, because any weaknesses will inevitably be exposed under the rigours of the flotation process. And management must be prepared to spend time and resources on investor relations if the business is to gain the maximum benefit from its listing.

Corporate governance

A further point to remember is that it may be worth considering going beyond the minimum requirements in areas such as accounting controls and corporate governance, and instead to aim for 'best practice' as standard. Again, this policy can be instituted well before the flotation takes place, and may help convince advisers and investors of the value and solidity of your business. Your advisers will be able to give you guidance on what is now regarded as best practice in terms of disclosure and governance.

'The board should be made up of the key decision-makers, and it's always nice to have a non-executive director such as an industry guru. The non-executive may not be on the board at the time of the flotation, but it's good to start looking round for one as early as possible. What you want is someone who has done it all before and will sharpen up your act.'

Corporate adviser, accountancy firm

'The main reason to take action before going to market is to avoid finding yourself in a pickle once you have listed.'

Chief executive, manufacturing company

'A lot of companies make acquisitions to develop critical mass pre-listing. The problem is that we don't want to see the management distracted by a major acquisition just as they're going into a flotation.'

Smaller companies fund manager



Preparing the way for your flotation

If careful consideration of all the pros and cons shows you that a listing will benefit your company, that it is suited to joining the main market, and that the timing in terms of the business cycle appears to be favourable, then it will be time to push ahead with preparing the ground. All the necessary steps will be covered in greater depth later in this guide, but these are the main issues you will need to think about:

Appointment of advisers

The first step, once you have decided on a flotation, should be to identify and appoint the sponsor for your listing. They will coordinate your company's entry to the market. You will also need a corporate broker, which may or may not be the same firm as that sponsoring your issue. Further advisers needed for the flotation include reporting accountants, solicitors and tax specialists (usually accountants or lawyers), and you will also probably decide to use public/investor relations advisers. For more information on advisers, see page 25.

Deciding on the method of listing

One of the first things you will decide with your advisers is the method of going public.

These can range in cost and complexity from a less expensive introduction to the market, raising no new money, to a public offer, where institutions and private individuals are invited to subscribe. A half-way house may be a placing, in which shares are offered for sale on a selective basis, primarily to institutional investors. Your sponsor will be able to advise you on which route best suits your business. For more information on methods of listing, see page 22.

Executing necessary changes in the board and operations

If you and your advisers have identified changes which should be made in the board of directors or the shape of the business, these should be enacted as early as possible. Investors are keen that a company coming to market should go through a period of stability prior to the flotation, allowing the management to focus its attention on the listing. So, once the decision is made, any acquisitions, disposals, and recruitment of new directors or senior management necessary to smooth the way for the flotation should be pursued as a matter of priority.

Taxation

In a flotation, the tax position

of the individual directors and of the business as a whole can be complex, and should be clarified as early as possible. Again, your advisers will be able to guide you through this complicated area. Existing shareholders may be liable for capital gains tax if they dispose of shares, and the sale of a family-owned business may affect inheritance tax. You may decide to use your other advisers for tax advice, or employ specific tax specialists.

Beginning the valuation process

The market value of your business is clearly central to the flotation. If funds are to be raised, it will affect the proportion of the company's capital which needs to be sold. Also, the value of the business might be affected by any corporate restructuring and board appointments made in the run-up to the float. The management and its advisers should start doing their calculations at the beginning of the process, to establish a realistic value which the market might put on the company. Management should be aware, however, that the final valuation achieved on flotation will depend on market conditions at the time.

2 Flotation Process

2 FLOTATION PROCESS



What becoming a listed company means

The role of the Exchange
Before your company comes to the main market, it is important that you appreciate the different roles which the Exchange and the Financial Services Authority play in the listing and trading of shares in London.

In its role as the UKLA, the Financial Services Authority has a legal obligation to oversee the listing process, and to ensure that its rules are met. This duty involves the UKLA in reviewing and approving the prospectus or listing particulars. This document – which will be passed to the UKLA by your sponsors – primarily contains information on the company and its business, and must satisfy the UKLA's Listing Rules to ensure that only companies meeting the conditions for listing come to market.

The UKLA engages in a dialogue with your company's advisers until the regulatory requirements are met. You may find that you have some direct contact with the UKLA during this time, but the main point of contact will usually be your sponsor or corporate broker, who will refer queries back to the relevant company directors and other advisers. In parallel to the UKLA's listing process, you must apply to the Exchange to have

your company's securities admitted to trading on its markets. The Exchange has its own set of admission and disclosure standards which are designed to sit alongside the UKLA's Listing Rules to make access to the Exchange as straightforward as possible.

The Exchange works to ensure your company receives the maximum benefit from being traded on its markets. If you are considering applying to be traded on the Exchange's main market you should contact the Exchange as early as possible so that we can assist you through the admission process. Admission to listing becomes effective only when all the relevant documents have been approved by the UKLA, and the decision to list the securities and admit them to trading has been announced jointly by the Exchange and the UKLA.

Once your company is listed, then you become subject to the continuing obligations which are placed on all listed companies, and to which privately-owned businesses are not subject. These obligations include a range of requirements, such as ensuring that information which might affect the share price is made available to all

FLOTATION PROCESS



investors at the same time, and that financial results are released on a timely basis in an acceptable format.

The disciplines inherent in being a public company

The need to maintain a level playing field in the trading of shares, and to ensure that all investors are able to deal on the basis of the same information, means that the directors of any company coming to the stock market will immediately experience a step-change in their responsibilities and obligations. These requirements affect the conduct both of the company in general and of the individual directors, who must be scrupulously careful that they obey the regulations in areas such as their personal share trading and the release of information. In the worst-case scenario, you risk breaking the law. The fact that these rules must be followed with absolute attention to detail is one of the main reasons why the directors of a private company must have a clear understanding of what is involved before coming to market. As a director, you should also be aware that there are further disciplines – particularly in areas such as corporate governance and dividend policy – which are not absolute requirements,

but which may have a significant effect on investor confidence and support, and ultimately on the share price.

Taken as a whole, the disciplines inherent in coming to market, and subsequently in being listed, may entail a transformation in the way your business is run. Tighter management control and accountability must be matched by greater openness, both internally among the directors and also in the company's interactions with outside investors. Further details on the disciplines and restrictions on a listed company can be found in Section 3 of this guide: Life as a Public Company.

Different methods of flotation

Depending on the nature of your business and its capital requirements, you may choose one of three different ways in which to come to market.

Public offer:

In a public offer, your sponsor will offer your company's shares to private and/or institutional investors. The sponsor will also usually arrange for the offer to be 'underwritten', meaning that any shares not bought will be purchased by institutions who have agreed to do so for a

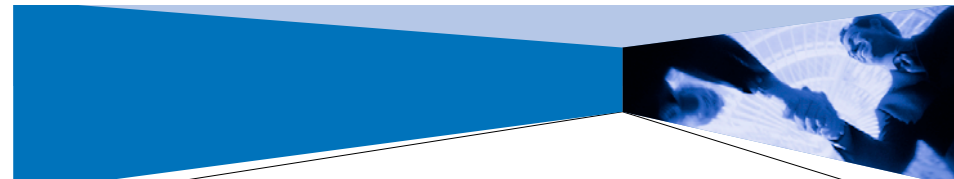
fee. A public offer is generally the most expensive route to market, and is often used by larger companies. However, it also brings in private investors who are important in increasing the liquidity of a company's shares. It is also the method of choice for a business looking to raise substantial amounts of capital.

Placing:

A placing usually involves offering the shares to a selected base of institutional investors. This allows the company to raise capital but with lower costs and greater freedom in terms of how it is done. It also potentially gives a company more discretion to choose its investors. However, the downside is that it can result in a narrower shareholder base than a public offer, which can give rise to less liquidity in the shares.

Introduction:

An introduction is where a company joins the market without raising capital and is therefore often the least expensive and most straightforward way of joining the market. Generally, a company can use this method if over 25 per cent of its shares are in public hands, and there is already a fair spread of shareholders. It involves no underwriting fees and little



requirement for advertising the flotation, which keeps costs to a minimum. However, the downside of an introduction is that the opportunities for boosting the company's profile and visibility are more limited than with other methods of flotation.

Public trading of shares

There are various different ways in which shares can be traded on the Exchange's markets. If you are a small or medium-sized company, once you are listed your shares will be quoted on one of the Exchange's automatic quotation systems, SEAQ or SEATS PLUS. The buy and sell prices for your shares will be set by competing 'market makers', who are effectively wholesalers offering to trade in your shares at their stated price. Stockbroking firms, trading on their own account or on behalf of investors, buy and sell the shares when they feel the price is right. The market makers will change their quote for your shares depending on the strength of demand for them, and in reaction to news about your company or its trading environment.

For bigger companies, including those in the FTSE 100 index, the Exchange runs a separate trading system

called SETS. This is an 'order-driven' system, based on an electronic order-book, which pairs up matching 'buy' and 'sell' orders for the same shares and executes the resulting trade automatically.

Liquidity and share price volatility

The term 'liquidity' is much used in the share markets, and refers to the amount of trading in a company's shares, which is a fundamental factor in the level of its share price.

Generally, demand for a company's shares is stimulated by a good financial performance, since this is likely to result in a rising dividend return for shareholders. However, there are several other factors which can influence the share price. Many companies look to cultivate loyalty and long-term support among private investors, who may well be customers for the company's products as well. And the proportion of a company's shares in 'free float' – held by outside investors of all types – can also affect demand for the shares, and their price. The more shares in public hands, the greater the amount available for trading.

At the same time, other factors beyond a company's control can influence both the level of demand and the

“We raised £2.5 million in total when we floated – £2 million went to the existing owners and the rest came into the business. We didn't need the money for operations because we are cash-generative, but we used the balance to fund the flotation and raise the company's profile.”

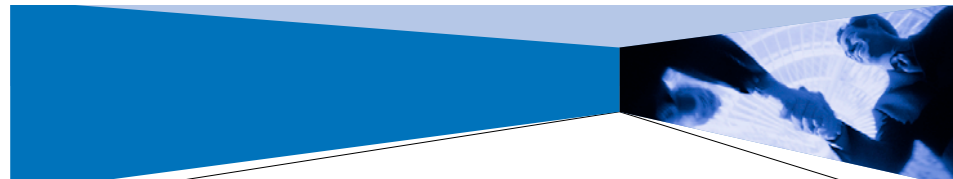
Managing director, distribution company

“Once you become listed, don't become too hung up on the volatility of your share price. Also, when you have a new product, you may suddenly feel very excited and optimistic – and then it's very disappointing when you find out how hard it is to get the institutions interested.”

Corporate adviser, stockbroking firm

“The upsetting bit comes when you report a 25 per cent rise in your interim profits and your share price doesn't move at all. It isn't the Exchange's fault, but clearly a lot of the institutional investors are currently putting their weight behind the really big companies in areas such as telecoms and pharmaceuticals.”

Chairman, smaller quoted company



share price, such as a significant piece of economic news with implications for the business, or speculation over a potential corporate action. If a company's share price has moved dramatically and this has happened for no apparent reason, then the UKLA will ask the company and its advisers if they know of any reason for this, and may require the board to make an announcement if they have anything relevant to say. As this scenario suggests, listed companies – particularly at the smaller end of the spectrum – must also be prepared to experience periods of volatility in the price of their shares. Since the liquidity in smaller company shares tends to be lower than in bigger stocks, the price can be moved rapidly by relatively small volumes of trading.

Management may also feel that the share price is not reflecting the growing value of the business. This can be annoying, but directors of listed companies stress that it is important not to become fixated on the share price, and that – like investors – the directors should take a long-term view.

However, whatever the influences on the share price, a listed company cannot expect to sit back and let the market beat a path to its

door. One of the greatest surprises for some companies coming to market is the active role they need to play in terms of investor relations, helping to generate interest in the company and its products. You should regard time and money spent in developing contacts and awareness among the investment community as being a sound investment for the future – and you must be prepared to make time for it alongside the day-to-day demands of running the business.

Costs of a listing

Coming to the stock market is a major investment for any business. A listing on the main market is likely to cost your company at least £500,000 in professional fees. This figure can rise significantly for a sizeable listing, especially when factors such as underwriting fees are taken into account. On a more positive note, you may well be able to fix some of your costs at the start of the process, such as for accounting and legal advice, helping you to get a clearer idea of your outgoings in advance.

At the same time, the UKLA and the Exchange also charge fees to listed companies. Both fees are among the most competitive charged

worldwide and are set out in price lists available from the UKLA and the Exchange.

Once listed, companies have an obligation to disclose price sensitive information to the market through a Regulatory Information Service (RIS). The cost of this service is paid directly by the company to their preferred RIS.

While the total costs vary widely depending on individual circumstances, as a rule of thumb they tend to come to between four and eight per cent of the total proceeds of the sale, although this proportion may be higher for relatively small share offers as some of the fees, for example for accountants and solicitors, are a fixed cost.

It is also important to note that costs can be paid out of the proceeds of the sale.

UKLA & Exchange fees

These fall into two categories – admission fees when the company lists/increases its share capital, and annual fees on an ongoing basis. Each type is payable to the UKLA to cover the UK Listing Authority, and to the Exchange to cover its activities in providing the trading market.

Choosing your advisers - and what they do

Choosing good quality corporate advisers is one of the first and most important things that you must do in preparation for a flotation – and is also one of the most difficult.

The sheer range of different aspects on which you need advice means that you require a whole team of professional advisers, each looking after their own specific area of specialisation. Some areas of responsibility, such as the roles of sponsor and corporate broker, can potentially be combined by a single firm. But many directors feel it is actually in a company's interest to have separate advisers for each area, since it may lessen the potential for conflicts of interests in the event of any problems or unforeseen developments.

The natural starting-point in your search for suitable professional advisers to guide you through the listing process is to talk to your existing advisers, usually accountants and solicitors. You should really start this process at least a year before you intend to join the market, although you may ultimately find that the process takes less time than you expect. Your existing solicitors and accountants may already possess the necessary

expertise, experience and resources to act for you on the flotation. If not, they will certainly be able to recommend and introduce you to suitable firms of advisers who can provide independent guidance.

Many companies approach the appointment of advisers by holding 'beauty parades' with a series of them, asking each about their expertise and fees, and getting a feeling for what it would be like to work closely with them over an extended period. You will be spending a considerable amount of time (and money) with your chosen advisers, and the relationship may well continue after the flotation, so it is crucial that you can get on with them on a personal level. You should also investigate the potential scope for negotiation on costs and areas of responsibility.

During the flotation process, you will inevitably rely heavily on your advisers for guidance as to what is happening at each stage – and to what will happen next. As the flotation process gets under way, it is all too easy for management to develop the feeling that it is being swept along in a sequence of events it does not really understand, and over which it has little control. This sensation is one which

“The process typically takes about two years and is likely to cost at least £500,000 for a listing on the main market.”

Corporate adviser, accountancy firm

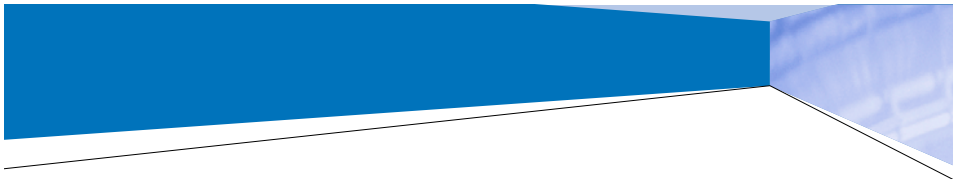
“We needed to choose a corporate broker, so we fixed up meetings with four of them and asked them all the same three questions. How much will it cost us to float? What range of valuations can we expect? And which market should we float on?”

Chief executive, industrial company

“Any private company with any ambition should already have a PR agency. A positive profile before you come to market will go a long way in helping your flotation.”

Smaller companies fund manager





many directors, after the flotation, admit to having felt during it. To avoid this, it is important that you understand what is going on at all times, and to retain some perspective on the overall process. Your advisers will be happy to help you to do this – they will have been through the whole thing many times, and will be happy to put each stage in context for you.

The sponsor

The first concrete step towards your flotation is to identify and appoint a suitable sponsor for the listing. The sponsor takes a central role in the flotation process, advising the company on a wide range of issues, probably including the appointment of other professional advisers. An investment bank, stockbroker or other adviser eg a corporate finance house or accountancy firm, can take on the role of sponsor, provided they are approved by the UKLA to do so. A full list of approved sponsors can be obtained from the UKLA at www.fsa.gov.uk/ukla.

Since acting as a sponsor also requires a high degree of commitment from the firm taking on the role, the appointment process is pretty much a 'two-way street'. You will certainly want to look at the potential sponsor's

expertise, experience and likely fees. But they will also want to have a good look at your business before agreeing to take on your flotation. It is a good idea to prepare a 'snapshot' briefing in advance on your company's business and financial history for each prospective sponsor.

Although the precise valuation of your business will not be decided until the eve of the flotation, many better-informed companies make a discussion about company valuation part of the beauty parades for their sponsor. As a would-be issuer, it is also sensible for you to conduct research into the listed companies in your own sector, to give you some idea of the methods of valuation and the kind of rating you might expect from the market. This will ensure that your management can have a meaningful discussion with the parading investment bank.

A further good idea at this stage is to quiz the investment bank about the likely investor base for your issue. If the investment bank is well-prepared, it should be able to discuss the proportion of the issue that should go to investors specialising in your sector or perhaps to funds with an international flavour, and will have the evidence to back up its opinions. Much of

this advice can apply to the appointment of your broker as well.

If you and the potential sponsor are still interested in one another after the initial meeting, they will then require more detailed financial information, and will probably want to come and look at your operations and premises before accepting your business. Essentially, the sponsor will want to be sure that your business and its management are appropriate for a listing, and that the flotation stands a very good chance of success. So, as well as assessing their abilities and fees, it is your job to convince them of your own company's strength and prospects.

The sponsor's pivotal role, and its responsibilities both to your company and to the UKLA, mean it has to undertake a wide range of duties right through the flotation process. Many of these will overlap with the company's own assessment of its suitability, in areas such as management depth and financial controls. First of all, the sponsor will assess the company's general suitability for a listing, in the light of its organisational structure and capital requirements. It will then advise on the structure and make-up of the board,

the best method of flotation for the company, and the flotation timetable. It will also assist (if required) with the appointment of other advisers, and co-ordinate their activities once they are on board. As the flotation approaches, it will advise on the pricing and underwriting of the shares.

The corporate broker

The corporate broker acts as your main interface with the stock market and potential investors. The firm you appoint will assess the current conditions in the stock market, and provide vital feedback on investors' likely response to the issue. If your sponsor is an integrated firm offering both investment banking and stockbroking services, then you may decide you also want them to take on the role of corporate broker. Again, your sponsor will help and advise on the selection of the right firm, although you may want to see a number of them to compare their fees and approach. One useful guide is to look at the other companies they have acted for, which will give you some idea of their standing and areas of expertise. For example, if your company is in the high-tech sphere, you may want a broker which has a solid track record in stimulating investor interest in

technology businesses.

You may also want to be sure that your chosen broker appears in the league tables of leading research houses for your particular sector.

As well as advising you and your sponsor on market conditions and the likely level of demand, the corporate broker also actively markets the shares to potential investors, and can advise on the best method, size, timing and price. It can put in place market-related arrangements such as underwriting and placing agreements. It will also help you meet the UKLA's Listing Rules, and usually continues to work with your company after the flotation to maintain your shares' liquidity and profile in the after-market.

The reporting accountant

The role of reporting accountant in a flotation is separate from that of the company's existing auditors, but can be (and often is) fulfilled by a separate team in the same firm if you so choose. The sponsors may want to appoint a different firm to ensure the highest possible level of detachment and independence in this key role. Essentially, the reporting accountant is responsible for reviewing the company's

“After meeting several corporate brokers, we chose one because of their good image, good people, reasonable fee structure and their very thorough 'lead by the nose' approach to the whole process. In retrospect, we feel we made the right choice. However, the fees to lawyers and accountants were much higher than we had expected.”

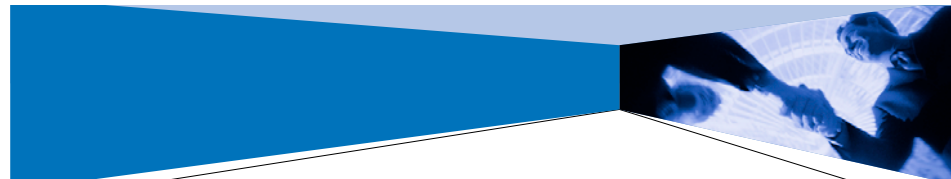
Finance director, support services company

“Your team of advisers must have experience of flotations. However, that does not mean you will have to sack your lawyers or accountants if they are not a major firm. It may be possible to retain your existing smaller firm of accountants as your auditors, and use a major firm of accountants as reporting accountants for the prospectus. Remember many investors take comfort from seeing 'known' names among your advisers.”

Corporate adviser, stockbroking firm

“The quality of research and regular analysts' reports are vital in supporting your ongoing quotation and should be considered during the broker beauty parades.”

Chief executive, engineering company



financial record and internal systems for potential investors, and thus has an influence on their decision as to whether to buy the shares.

As you go through the flotation process, you will hear a lot about 'long form' and 'short form' reports. The difference is quite simple. The 'long form' report, as the name suggests, is a detailed financial and management history of the business. It is not published, but does provide the management and sponsors with the information needed to draft the prospectus. It also serves as the basis for the reporting accountants' 'short form' report, which is published as part of the prospectus itself. The reporting accountants will also usually prepare a report for the sponsor on the company's projected working capital position over the 12 to 18 months following flotation. They may also advise on the tax implications of the flotation, or you may have decided to appoint separate tax specialists to do this.

Lawyers

Most flotations involve two separate sets of lawyers – one to advise the company and its existing shareholders, and the other to advise the sponsor. The responsibilities of the company's lawyers, with whom you will of course

have the most contact, include overseeing the changes to the company's articles of association and directors' contracts, and possibly re-registering the company as a plc. They also prepare the painstaking 'verification' questions, which are used to confirm that every single statement in the prospectus can be justified as fact. The rigours of this process mean you will get to know your lawyers very well.

Your lawyers will also work alongside the sponsor's lawyers on the necessary agreements between your company, the sponsor and the existing shareholders, covering aspects like underwriting and tax. You might also want them to draw up share option schemes for staff, to be introduced with the flotation.

Other advisers

Depending on the method of your flotation and the specific circumstances of your company, you might also decide to use a number of other advisers in particular areas. The most likely is a firm of financial public relations consultants, to maximise the degree of positive awareness of your company, and its products or services, among both the general public and the professional investment community

in the run-up to the flotation. Companies coming to market often underestimate the importance of public profile and press contacts. Your financial PR consultants should also help ensure that any public statements and press releases are permissible under the relevant disclosure regulations. You will also find that by helping to generate ongoing press interest and publicity, your financial PR consultants can play a key role in sustaining awareness and liquidity after the flotation. You may consider media training for those key directors who will be under the spotlight.

You may also require a number of other advisers. These include: registrars to manage your company's share register; chartered surveyors or valuers to assess property values; security printers for safe, accurate and speedy production of documentation; actuaries to assess the position of company pension schemes; receiving bankers to handle share applications (only in a public offer); and insurance brokers to check that all risks are adequately covered.

Countdown to flotation

It is difficult to be precise on the length of time which a company will take to come to market, since the length of the process is influenced by so many variables – including the size, sector and structure of the company, the method of flotation being used, and the degree and complexity of 'due diligence' which has to be conducted by professional advisers.

While it can often take up to two years to prepare a company thoroughly for flotation, and most advisers suggest at least a year from decision to execution, the timetable for the flotation process itself is much shorter. The period from the preparation of the accountants' report on the company to the start of dealing on the main market is often around 24 weeks, although as little as three months is not uncommon. The precise stages making up this period of activity also vary, depending on the method of flotation. A company undergoing an introduction will have to follow through the full due diligence and disclosure process, including the preparation of listing particulars. It probably will not need to conduct investor roadshows to generate interest.

In contrast, a flotation involving an offer for subscription to the public is a much bigger project. The company will have to follow through the full due diligence and disclosure process including the preparation of a prospectus. In addition, it will probably require participation in various marketing activities, including roadshows, alongside the regulatory and disclosure duties. This sounds more expensive – but it is interesting to note that, as a general rule, the total costs of coming to market as a percentage of the funds raised tend to fall as the actual size of the offer increases.

Documents

Whatever method of listing your company is going for, you and your advisers will have to prepare a prospectus or listing particulars, as appropriate. This document is central to your flotation, and has two main functions. Firstly, it sets out all the information which has to be made public to investors under the UKLA's Listing Rules. And secondly, it plays a crucial role for the company itself, amounting to a coherent description of the business, its areas of activity and its prospects. The quality of the document can have a fundamental impact on the success of your flotation, and

“The lawyers can be very demanding in terms of what the company can say and what forecasts it can make. That's one reason why we prefer it if a company has had venture capitalists involved. It means the management is more familiar with how lawyers and accountants react to things, and what they expect from the directors.”

Corporate adviser, stockbroking firm

“We invite companies to put together a trial prospectus, and then present it to a few tame institutions. That way, we can see how it goes down, and test the likely response. It is a dose of reality for the company, and if it goes well it gives them a lot of confidence at an early stage.”

Corporate adviser, stockbroking firm

“Our preferred lead-in time before a flotation would generally be at least a year, and probably more like two. That gives us time to make sure the board is properly put together.”

Corporate adviser, stockbroking firm



pay close attention to both its style and content.

According to the UKLA's Listing Rules, the absolute minimum period between the submission of your documents and approval for your flotation is 20 working days. After that, if your company is coming to market via a placing or public offer, then it may decide to issue a 'pathfinder' prospectus (also known as a 'red herring'), which contains almost everything a full prospectus would except the price. The pathfinder can be used to market the issue to selected potential investors, on a restricted basis. For bigger issues, a 'book-building' process may be conducted to identify potential institutional investors and the price at which they are prepared to buy. The full prospectus is then issued, complete with the price and a notice of any changes from the contents of the pathfinder.

It is important for your company to be properly advised during this whole process as to what information can be released to whom, and at what time.

For example, employees count as members of the public during the offer, so it may not be legally possible to send them documents restricted to sophisticated professional investors. However, smaller businesses often come to market via an institutional placing on behalf of existing shareholders or venture capitalists, and the rules on selling to the public may not apply.

The process of going to market is painstaking and time-consuming. Many companies effectively release a small team of directors – perhaps two or three – from day-to-day management responsibilities for the duration of the process, and allow them to commit their time and energies to driving the flotation forward. This may be less disruptive than having all the directors continually interrupted during the course of their normal work, although a small company may not have sufficient management resources to allocate directors in this way. However, whatever approach you take, no director will be immune from the process, or

from the need to provide documents and information.

The flotation timetable

This section should be read in conjunction with the accompanying timetable on page 38.

The run-up to the flotation is generally described in terms of a timetable counting down to 'admission'. Admission follows 'impact day'. Impact day is when the full prospectus will be issued and advertised to investors, and the flotation officially announced. For a main market listing, the 'listing process' is generally regarded as starting between 12 and 24 weeks before admission, depending on the size, complexity and method of flotation. The period up to 24 weeks before impact day is regarded as 'pre-flotation preparation' – during which the company should prepare itself for life as a public company and discuss the planned float with potential advisers. The timetable starts with the appointment of the sponsor.

12 to 24 weeks before admission

This period essentially

involves getting all the necessary elements in place for a successful flotation. The steps completed during this period would usually include:

Appointment of advisers: This would generally begin with the 'beauty parades' and appointments of the sponsor and corporate broker, and (if you are not using your existing advisers) lawyers and reporting accountants. A public relations consultancy would usually be brought in at this stage as well.

Sponsor's visit and meeting: Your sponsor will generally come to your business and discuss the flotation process in detail with the entire board.

Detailed timetable and instructions: Letters of engagement and detailed instructions will be agreed with your advisers. They will issue administrative documents about the flotation and give initial views of its market potential. A realistic timetable will be agreed and your advisers will produce a detailed list of the documents required before the flotation can go ahead.

Advisers' planning meeting: All the advisers involved will come together with the directors to discuss the flotation and their respective roles in it. The timetable will be studied and finalised. The

precise structure of the flotation, and the proportion of the company's shares to go into public hands, will be discussed at this stage. But there may well be no final decision until later in the process, when the market's likely response is clearer.

Commence accountants' reports: The reporting accountants begin to conduct 'due diligence' on the company, and to pull together the information for short and/or long-form reports, as necessary.

Preliminary consultations with the Exchange and the UKLA: The company and (more particularly) your advisers will consult the Exchange and the UKLA at an early stage about the planned flotation, giving an idea of the timetable and preparing the way for the necessary submissions and approvals.

Plan the marketing programme: The company, sponsor, brokers and (if appointed) PR advisers will discuss plans for the marketing of the issue to potential investors. The scale and nature of these plans will depend largely on the form the flotation is taking, and especially whether it involves a public offer. The lead role in

“There were many side benefits of the listing process. For example, preparing the prospectus helped the new directors understand the business, because it helped to refine the story and the strategy, and to highlight areas where improvements were needed.”

Finance director, support services company

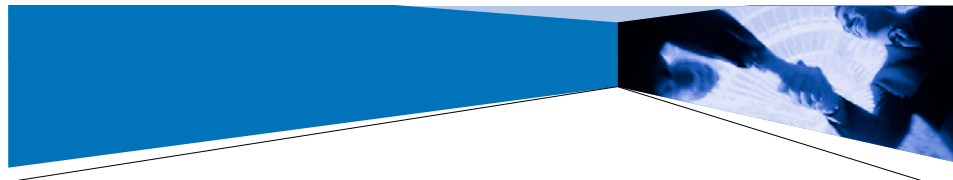
“The time taken depends on how organised the company is. If they come to us 12 months ahead and are well-prepared, then it's no problem. If venture capitalists are already involved, then three months is generally enough. But with something like a high-tech company with little organisational structure and a value which depends on its intellectual property, then that would be difficult.”

Corporate adviser, stockbroking firm

“The truth is that from 20 weeks before the float, no real work is done on the business by the top management. The brokers like to hold meetings at 7am, the accountants at 10am, the PR people want to meet for lunch, and the lawyers like to see you at 7pm. That keeps the afternoon free for seeing your sponsor. And at weekends you're on the phone.”

Corporate adviser, accountancy firm

	Exchange	UKLA	Company	Corporate Broker	Sponsor	Accountant	Lawyers	PR
12-24 weeks before admission								
Appoint advisers			✓					
Detailed instructions to all advisers			✓	✓	✓	✓	✓	✓
Detailed timetable agreed	✓	✓		✓	✓	✓	✓	✓



marketing is generally taken by the brokers, since they are in constant direct contact with the market itself and have the clearest feedback on the response to the issue.

6 to 12 weeks before admission

The pace and intensity of activity is picking up, and you will find that much of your company's management resources are now focused on the flotation. Different advisers are involved in various aspects of the float, so you may find yourself with a queue of meetings throughout the day involving, in turn, your sponsors, brokers, lawyers, accountants and PR advisers. The common thread in these meetings may be you, which can make them wearing as well as extremely time-consuming. Due diligence will be well under way, and you (like many management

teams) may be surprised by the depth and detail of information required. However, this is crucial for investors to make a reliable and informed decision on your business.

The steps usually completed during this phase include:

Review of problem areas: Any remaining factors which you or your advisers think could become a sticking-point for the flotation should be raised and addressed as soon as possible.

Documents drafted: These may include the accountant's long-form and short-form report, together with the first draft of the prospectus. All drafts will be the subject of detailed meetings with advisers to pore over the contents and get them as near as possible to their final state.

The requisite draft documents

are submitted to the UKLA. The UKLA raises questions about the contents of the documents, which are then returned to the advisers, who may address the query to the relevant director. Since the overall aim is to ensure that the documents comply with the UKLA's Listing Rules, their comments can be quite detailed, clarifying things like the basis of any estimates of market share or growth.

One issue which can arise with your advisers is that messages may not always get through clearly to and from the UKLA. For example, there may be a dialogue between the UKLA and your accountants, involving your broker (who may not be an accountant) acting as a go-between – with the result that something might well get lost in translation. Problems like this can slow the process and make it seem unduly picky and bureaucratic. The solution

is that you ensure that each of your advisers is available to talk to the UKLA at a sufficiently early stage to make sure changes and comments get through in the right way and to the right people on both sides.

At the same time as submitting draft documents to the UKLA you will need to arrange an initial meeting with the Exchange. The main focus of the meeting will be a discussion about your company's business and an assessment of ways in which the Exchange can assist you to develop an active trading market following admission.

Start of legal verification: As the documents go through their iterative process with the UKLA, the company's lawyers will begin the 'verification' process – a painstaking task involving the confirmation of every statement or claim in each document. This can involve the directors digging back into their personal and professional records. This is however, largely for the protection of the directors who ultimately take responsibility for the documents.

Initial review of pricing issues: Pricing is one of the most delicate decisions in the entire process, and may be affected by events and

conditions outside your company's control. The economic background, current market conditions and the market's rating of your sector of commercial activity are highly relevant, alongside your company's specific track record and prospects. Your sponsor and broker will want a realistic price which the market will find attractive, while you want to optimise the money raised. If underwriters and sub-underwriters are involved, then their views must be taken into account as well.

The initial pricing meetings, generally involving your sponsors and brokers, will look at all these issues. You can get an early indication at this stage of the likely pricing range, but the final decision is left as late as possible – largely because market conditions can change overnight. In the worst-case scenario, an issue might even have to be 'pulled' in the event of a market collapse, a scenario which leaves you with advisers' fees to pay and no listing to show for it.

Detailed asset valuations: As part of the due diligence process, precise valuations are produced of the company's assets ranging from pension funds to property holdings. This may involve advisers such as actuaries and surveyors, and your accountants will be able

“We felt ourselves to be under great pressure during the process. This was really due to our feeling that we weren't really in control, since our advisers were the ones who had been through it all before and understood what was happening.”

Chief executive, technology company

‘During verification, the lawyers go through the prospectus line by line, and want proof of everything. So the managing director is 54? Prove it. So he has worked for BP and ICI? Prove it.’

Corporate adviser, accountancy firm

‘The issue price is often not thought through properly. Unless you are looking to sell your shares on day one, it really isn't that important – so it's better to set it at a lower level.’

Corporate adviser, stockbroking firm

	Exchange	UKLA	Company	Corporate Broker	Sponsor	Accountant	Lawyers	PR
6-12 weeks before admission								
Review of problem areas			✓			✓		✓
Draft prospectus produced			✓			✓		✓
Other documents in first draft						✓		✓
Initial review of pricing issues			✓		✓	✓		
First drafting meetings			✓			✓	✓	✓
Draft documents submitted to the UKLA		✓				✓		
Initial meeting with the Exchange	✓		✓			✓		
Review PR presentations			✓		✓	✓		✓
Analysts' presentation			✓		✓	✓		✓



	Exchange	UKLA	Company	Corporate Broker	Sponsor	Accountant	Lawyers	PR
1-6 weeks before admission								
Drafting meetings			✓		✓	✓	✓	✓
Due diligence on prospectus			✓		✓	✓	✓	✓
PR meetings and roadshow			✓	✓	✓			✓
Formally submit and agree all documents with the UKLA		✓			✓			
Bulk print pathfinder prospectus if required					✓			✓
1 week before admission								
All documents completed and approved by the UKLA		✓	✓		✓	✓	✓	✓
Pricing and allocation meeting			✓	✓	✓	✓	✓	✓
Register prospectus		✓			✓	✓	✓	✓
Sign subscription agreement			✓		✓			
Bulk print final prospectus					✓			
Admission week								
Submit 48 hour documents		✓	✓		✓	✓		
Formal application for listing and admission to trading		✓	✓		✓	✓		
Pay UKLA and Exchange fees			✓		✓	✓		
Listing and admission to trading granted		✓	✓					
Trading commences		✓						

to advise you on whom to use.

Review PR presentations:

The form and design of the promotional activity surrounding the listing is discussed at this stage, with likely input from your PR and legal advisers alongside your brokers and sponsor. In an introduction to the market, involving no sale of shares, any public marketing efforts would clearly be minimal. However, at the other end of the scale, a public offer involves substantial promotion of the company and its planned flotation in order to attract as wide a range of investors as possible. Even here though, practice is always changing. For

example, companies now rarely (as they used to) publish the entire prospectus in the national press, opting instead for a summary version. It is important that all PR material is reviewed carefully and professionally from a legal as well as a marketing standpoint.

1 to 6 weeks before admission

This period sees the vindication of all your previous hard work, as you get everything in place for the flotation itself.

Drafting meetings on prospectus:

Following the process of feedback from the UKLA and responses from your advisers, the prospectus is now nearing its final form. There will be repeated meetings to ensure that all historical statements and details on the issue are demonstrably correct. If you have decided to issue a 'pathfinder' prospectus, without any pricing details, then it will be published at this stage.

Review of cash flow and forecasts:

You may decide to include a forecast of cash flow and profits in your prospectus.

If you do this, you and your advisers must make sure that the assumptions on which they are based are clear, readily understandable and realistic. Your reporting accountants and sponsors are required to report publicly on the forecasts, confirming that they believe them to be fair and reasonable.

Legal verification:

During this period, the lawyers complete the painstaking 'verification' process of all statements in the listing documents.

PR and investor relations meetings:

All promotional and investor relations material will be completed and approved by the board and advisers. The brokers will also report on the latest state of play in terms of the flotation's marketability to investors. Their views will feed into the pricing discussions.

Appointment of registrars:

Registrars to maintain your share register are appointed at this stage. There may also be a need to complete other formalities, such as re-registering the business as a public limited company, and ensuring the Memorandum and Articles of Association will allow dematerialised settlement of shares in CREST.

Investment presentations:

Your brokers move into a highly active marketing effort, including a series of presentations, to convince investors that they should buy your company's shares. Aside from the completion and pricing meetings, this is generally the directors' main task during the weeks leading up to admission.

1 week before admission week

This is the final week leading up to impact day. During it, you and your advisers will complete and sign off each of the diverse tasks pursued during the previous weeks and months.

Completion and pricing meeting:

At the completion meeting, all relevant documents and paperwork are reviewed in their final form by both the directors and their advisers. This opens the way for the registration of the prospectus and accompanying documents with the UKLA. Once all the documents have been reviewed in this way, the focus of attention for the board, sponsor and broker switches to the pricing of the shares. This decision often represents a fine balance between ensuring the issue 'gets away' successfully and bringing in as much capital as

'Before you go to the market, you really must do your homework, and plan everything very thoroughly. You need a squeaky-clean business – the lawyers will go through it with a fine toothed comb, and if there's anything untoward, they'll find it.'

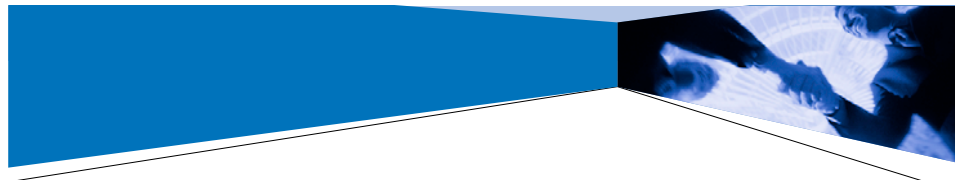
Chief executive, software company

'Due diligence is inevitably stressful and time consuming, or else the advisers aren't doing their job properly.'

Corporate adviser, stockbroking firm

'When you first meet institutional investors, getting good responses from them can be quite exhilarating. But it's still very hard to tell how the presentation has gone down. The sponsor will groom the directors in doing this, but what you must do is practise your presentation in advance, keep it to about 45 minutes, and get your 'unique selling points' in early. You don't need to tell them everything – that's up to the prospectus.'

Corporate adviser, stockbroking firm



is practicably possible. Generally, the price is the last thing to go into a prospectus before completion.

UKLA approval of documents:

The prospectus must be submitted to and approved by the UKLA. The UKLA also requires any supporting documents including the underwriting or placing agreement, directors' service contracts, audited accounts and all reports referred to in the prospectus to be delivered on the date of approval. It is important to note that the UKLA only approves the prospectus on the day it is dated and published.

Impact day:

This is the day on which the availability of the prospectus is advertised, and the flotation is officially announced, along with the pricing of the shares.

Publication of prospectus:

Applications for the shares, and the prospectus on which they can base their investment decision, are issued to potential investors. The directors and advisers will be involved in briefings for the press and for investment analysts to maximise coverage and awareness of the flotation.

Applications for listing and trading:

At least 48 hours before admission, the formal application for a listing is submitted to the UKLA. At the same time a formal application for admission to trading is submitted to the Exchange.



Admission week

Two things happen at this stage:

- ◆ Applications and cash from prospective investors are received. If more shares are requested than are available, the issue is said to have been over-subscribed, and a basis of allocation will have to be applied. If the issue is under-subscribed, then the underwriters will have to pick up the unallocated shares at the agreed price.

- ◆ The share application lists are closed.

Admission:

This is the point at which your shares are admitted, and you start to see your shares traded publicly on the main market.

- ◆ The basis of the share allotment is agreed between the board and advisers, and is announced to investors.

- ◆ The listing is officially granted by the UKLA in conjunction with admission to trading being granted by the Exchange.

- ◆ Your listing becomes effective and dealing in your shares begins. If the market price rises above the issue price, then the shares are trading at a premium. If the price falls below the issue price, then they are trading at a discount.

Advisers and companies usually hope for a small premium – suggesting that the price was attractive but not a 'give-away'. However, the difference between a discount and premium could well come down to market conditions on the particular day, rather than signalling anything about the company itself.

“Completion day is the most stressful, when all the paperwork is being signed off, and all the company wants to know is whether you have placed the issue. They tend to be more relaxed by the first day of dealings, so we lay on a champagne breakfast for that.”

Corporate adviser, stockbroking firm

“Going through a flotation is like being a top salesman with only one big deal – and everything is riding on it.”

Chief executive, software developer

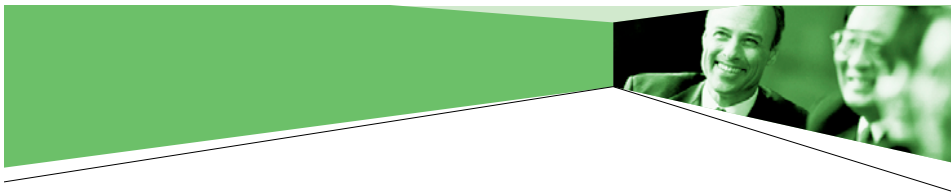
Countdown to flotation timetable

	Exchange	UKLA	Company	Corporate Broker	Sponsor	Accountant	Lawyers	PR
12-24 weeks before admission								
Appoint advisers			✓					
Detailed instructions to all advisers			✓	✓	✓	✓	✓	✓
Detailed timetable list agreed	✓	✓		✓	✓	✓	✓	
6-12 weeks before admission								
Review of problem areas			✓		✓		✓	
Draft prospectus produced			✓		✓		✓	
Other documents in first draft					✓		✓	
Initial review of pricing issues			✓	✓	✓			
First drafting meetings			✓		✓	✓	✓	
Draft documents submitted to the UKLA		✓			✓			
Initial meeting with the Exchange	✓		✓		✓			
Review PR presentations			✓	✓	✓		✓	✓
Analyst presentation			✓	✓	✓		✓	✓
1-6 weeks before admission								
Drafting meetings			✓		✓	✓	✓	
Due diligence on prospectus			✓		✓	✓	✓	
PR meetings and roadshow			✓	✓	✓			✓
Formally submit and agree all documents and derogations with the UKLA		✓			✓			
Bulk print pathfinder prospectus if required					✓		✓	
1 week before admission								
All documents completed and approved by the UKLA		✓	✓		✓	✓	✓	
Pricing and allocation meeting			✓	✓	✓		✓	
Register prospectus		✓			✓		✓	
Sign subscription agreement			✓		✓			
Bulk print final prospectus					✓			
Admission week								
Submit 48 hour documents	✓	✓		✓	✓			
Formal application for listing and admission to trading	✓	✓		✓	✓			
Pay UKLA and Exchange fees			✓	✓	✓			
Listing and admission to trading granted	✓	✓						
Trading commences	✓							

3 Life as a Public Company



3 LIFE AS A PUBLIC COMPANY



Life as a Public Company

Your flotation should be seen as a means to an end, and not an end in itself. Indeed, the day of flotation is not the end of the process but just a new beginning in the life of a listed plc and its employees. For many directors this is one of the highlights of their career.

As a director of a newly-listed company, you will feel that you have, in a very real and demonstrable sense, arrived. As a publicly quoted company, the directors, employees and shareholders can check its share price on one of the various share information services, and they can actually watch trading as it happens.

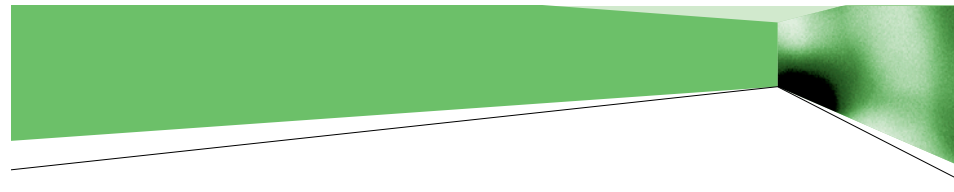
Most people who have been involved in the flotation are likely to be both elated and very tired, and may be looking to take a well-earned rest.

P/E ratio

The 'price/earnings ratio' is a measurement of a company's rating by the stock market. It is calculated by dividing the share price by the annual earnings per share. A high PE ratio means the company is highly-rated, since its share price is relatively high compared to its earnings – suggesting that investors think its prospects are good.

However, this is the beginning of life as a public company, and that new status means there is a lot to get used to. The first priority, apart from a good sleep, is to get back into your day-to-day management of the business – a role which the directors may well have put on the back-burner during the frenetic activity of the flotation process.

Day-to-day management will not be the same as it was before. As your advisers will have made you well aware, you cannot now run the company in precisely the way you did before floating, since by joining the market you have submitted yourself and your business to a range of disciplines and requirements. These can be broadly divided between the legal/regulatory requirements, which are all listed companies must meet; and market-driven disciplines and activities, which are not compulsory, but which are advisable and even necessary if you are to make the most of your listing and gain the maximum benefit from it. Being listed also involves some ongoing costs, as you will have to pay fees on a continuing basis both to your professional advisers, the Exchange, the UKLA and a Regulatory Information Service (RIS).



Continuing obligations

The continuing obligations of the UKLA require all listed companies to fulfil two aims: to ensure the timely disclosure of all relevant information and equal treatment of all shareholders.

While these aims are clear cut, as a director of a newly-listed company you may find it less easy to define precisely which actions and information fall into these obligations – especially if you are trying to do things such as decide what information may be deemed price-sensitive. As a rule of thumb, you should err on the side of caution and seek advice from your professional advisers whenever there is uncertainty, especially from your brokers and lawyers.

There are several facets of the continuing obligations to which you should pay close attention. These are set out in full in the UKLA's Listing Rules.

Price-sensitive information

A company has an obligation to notify the market of any information which would be likely to lead to substantial movement in the price of its shares. For example, new developments in its activity which are not public knowledge; any changes in the company's financial condition, the performance of its business or in its expectation of its performance.

Here is a brief overview of the main requirements:

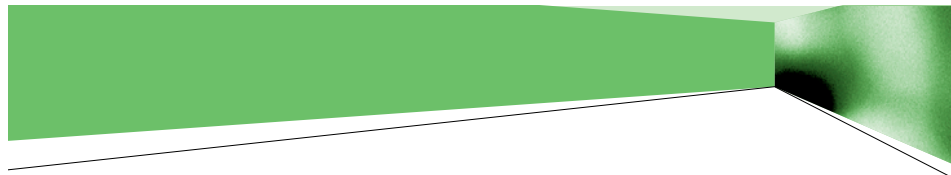
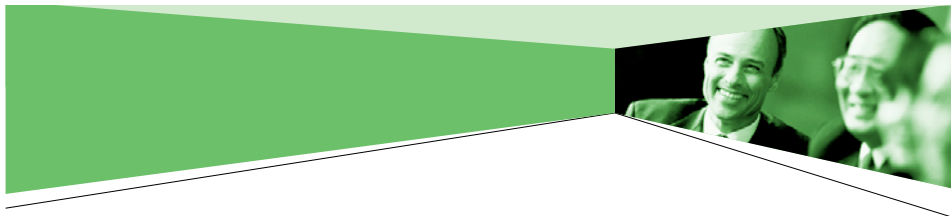
Disclosure of price-sensitive information

It is in everyone's best interests that there is a flow of timely and accurate information between listed companies and the stock market. It means that investors of all types are able to trade on the basis of current and reliable information, and helps protect companies from the unpredictable, unexplained and potentially volatile share price movements which can result from rumour and speculation. Clearly, different types of investor will receive and act on the information at different speeds, but the fairest approach is to ensure everything is released to the market as a whole at the same time. Public announcements via an RIS are required on a range of occasions, including major developments in your company's activities, dividend decisions, half and full-year profits figures, and any changes at board level.

For all listed companies, the fundamental rule is that they must notify the market as soon as possible of any price-sensitive information, which might be a significant change in the company's financial position or outlook, or a major

new development. An announcement must also be made if you have reason to believe that a leak may have occurred about any ongoing negotiations of a price-sensitive nature. Any board decisions which might influence the share price must be announced before the start of trading next day. Information relayed at a shareholders' meeting which could be price-sensitive must be announced no later than the time the information is delivered at the meeting.

Many unexpected circumstances can arise which trigger an announcement – and sometimes you may have to move very fast indeed. If a company's share price does move sharply for no apparent reason, then that company and its brokers are likely to receive a call from the UKLA to establish whether a leak of price-sensitive information may have occurred. If this may be the case, and there appears to be a risk of a disorderly market, then the company will be required to make an announcement to the market. Similarly, you could find yourself awoken in the small hours of the morning by a call from your advisers, telling you that the press is carrying a speculative story about your company. Much of the article may be



wide of the mark – but it could contain just enough truth about your commercially sensitive negotiations to force you to make a rapid announcement.

If you ever happen to become involved in merger or takeover talks, then special rules come into play on the secrecy, timing and content of your announcements. These are set out in the *City Code on Takeovers and Mergers*, which your advisers will know virtually by heart. As ever, it is crucial that you consult your advisers on anything you are not sure about.

Directors' responsibilities

As a director of a newly-listed company, you have already accepted legal responsibility for the information your company supplied to the market during the flotation process. You and your fellow directors also have individual and collective responsibility for your company's continuing compliance with the UKLA's Listing Rules and the Exchange's Admission and Disclosure Standards. In addition to these weighty responsibilities, directors are subject to a whole raft of further requirements and duties which they have to get used to, such as greater dis-

closure of many aspects of directors' activities, and restrictions on share dealing. These are additional burdens which are virtually unheard of in a private company. Any changes at board level must be announced immediately once a decision has been made, even if the precise timing of the change has not yet been set. You should also take account of the corporate governance guidelines appended to the UKLA's Listing Rules, which can have an effect on directors' behaviour and how they are remunerated.

Dealing restrictions and the Model Code

All directors of a listed company, and even some employees in contact with price-sensitive information, have to comply with a range of restrictions on their share-dealing activities. These are grouped together in the Model Code, which is designed to prevent people with unpublished price-sensitive information, or who may be perceived as having access to such information, from dealing on the basis of it, and thereby gaining an advantage over other shareholders who do not have such information. Directors also have to inform the company, which in turn must make an

'It seems like a simple thing, but you should make sure that your announcements are properly written. If they are not, it makes a terrible impression.'
 Smaller companies fund manager

'After the listing, it is useful to arrange for your sponsors to come to a board meeting shortly after the flotation to check that you are not encountering any problems with the market requirements – or making any fundamental errors.'
 Corporate adviser, stockbroking firm

'As a listed company, you find that meeting the continuing obligations becomes second nature – it just seems to happen alongside running the rest of the business. Once you're accustomed to them they are no real bother, and generally speaking we don't perceive ourselves as having any extra costs because of them.'
 Chief executive, property company

announcement to the market, of details of all the dealings they conduct in their company's shares. The Model Code is set out in full in the UKLA's Listing Rules.

The range of restrictions imposed by the Model Code include a ban on dealing in your company's shares when you are (or could be) in possession of price-sensitive information, or within a minimum period – normally two months – before the announcement of regular information such as annual results. Also, directors must first get approval for their share dealings from the company chairman or from a designated director specifically appointed to monitor and approve their fellow directors' share dealings under the Model Code. Overall, the Model Code sets a minimum standard of good practice for your company's agreed procedures – and many listed companies go well beyond it in setting their own guidelines.



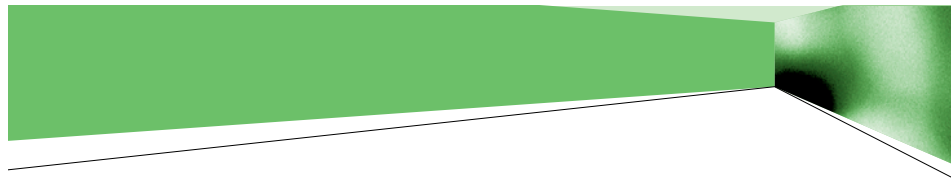
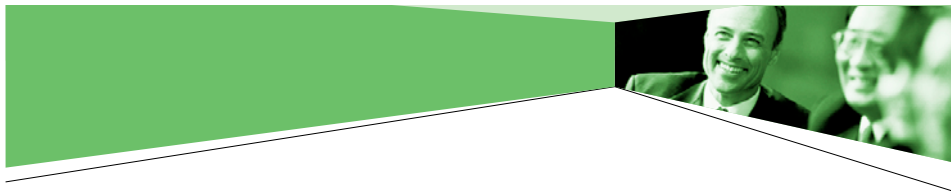
Shareholders

In terms of the requirements placed on a company, the management must bear in mind a range of factors including the proportion of share capital in public hands, which should normally stay at above 25 per cent of the total. Substantial shareholders in a listed company must also disclose any significant changes in the proportion of shares they hold. They must make this disclosure to the company, which in turn must disclose the information to the market via an RIS.

Report and accounts

All listed companies must publish their annual report and accounts, including an audited financial statement, no later

than six months after the end of the financial year – and any company failing to do so will face having the listing of its shares suspended. The company also has to prepare unaudited half-yearly figures within four months of the end of its half-year. Again, the penalty for failure is suspension of the shares. These results must be sent to the UKLA and published to the market via an RIS. It is becoming common practice among many listed companies to publish summary financial statements (a shortened version of the annual report and accounts) particularly for private investors.



Transaction and document disclosure

Many types of transaction must be disclosed to the market, and for some – such as a major acquisition or disposal – shareholder approval is required in advance for the deal to go ahead. As a rule of thumb, the larger or more significant a transaction is, the greater the requirements imposed on the company, ranging from a straightforward company announcement for a relatively modest deal, up to the publication of a circular, shareholders' approval and even suspension of the shares for the biggest transactions. Transactions covered by these requirements will involve considerable discussion with advisers and the UKLA. Types of transaction generally excluded from these requirements include those that are in the ordinary course of business such as the buying and selling of stock and raw materials.

Ongoing costs

Inevitably, there are costs associated with meeting the continuing obligations of a listed company.

Financial, legal and accounting advisers are a must, while

you will also probably need further advisers in areas such as public and investor relations. Increasingly, specialist environmental advisers and employee benefits consultants may also be worth paying for, as these areas become more important and prominent. If your flotation goes well, it is highly likely that you will retain the same advisers who guided you through it.

It is difficult to give even a rough figure for what your ongoing advice will cost you, since it depends on so many variables, including the size and nature of your business, and the use you decide to make of your advisers. You will also have to pay annual fees to the Exchange, for maintaining the market in your shares and to the UKLA. Prices are available separately from the Exchange and the UKLA. In addition, there will also be the costs of an RIS for the disclosure of information to the market, as required by the UKLA's Listing Rules.

“The annual report is very useful as a sales document to be used by your sales force. It lets you mention every part of the business and what is happening in it, so the salesperson feels a sense of belonging and ownership. Also, every year we bring together our top 50 people, and point out to them the bits of the annual report which we think they should be aware of, such as the part on directors' responsibilities. It's one thing to send your people a big box of annual reports, but if you get them to pick it up and actually read it then they will really understand it and use it.”

Chief executive, industrial company

‘Being quoted has brought us several advantages. Initially, there was the clear benefit of giving the company's existing shareholders the opportunity to sell their shares if they wanted to. Secondly, it has certainly raised our profile – it's hard to prove what tender lists we wouldn't have been included on without being quoted on the stock market, but I'm sure it would have been quite a few. And the third and most important thing is that we have been able to raise money through the stock market for growth and acquisitions. For a business of our size, the advantages of being quoted may not be as great at the moment as they usually are, but there are certainly no disadvantages. These things do tend to go in cycles – and we're here for the long term.’

Managing director, house-building company

Making the most of your listing

Like any relationship – commercial or personal – being listed on the stock market is not something which will reap benefits without substantial commitment and effort. A company which assumes that its listing will automatically attract investors, and stimulate high levels of interest and liquidity in its shares, is in for a rude awakening.

Any listed company has to talk to the market, promote itself to the investment community, and listen closely to what the market is telling it. Those messages come across in a variety of ways, both direct and indirect, ranging from changes in the share price and trading patterns to direct communication from investors of all sizes.

There are three things investors are interested in that are worth mentioning here. The first is knowing that a business is well-run, and

has an organisational structure which promotes the cross-fertilisation of ideas. A company – and its executives – must not be seen to be indulging in self-interested politicking or navel-gazing as events unfold around them. The second is good commercial strategy and transparency, involving a demonstration that the business is sure-footed, focused, knows what it is about, and has sound objectives going forward. The third area of interest is the bottom line for investors: the delivery of growing profits and dividends, at least in line with their expectations, and hopefully in excess of them.

Achieving all this is not easy, and requires the commitment of considerable management time and effort. Before coming to the market, you may have seen your flotation as some kind of conclusion to a logical process. But to a large extent, the challenge does not end when you join the market; rather it begins. The challenge pervades all areas of your business, but there are several areas where

you can usefully concentrate your energies to the maximum effect.

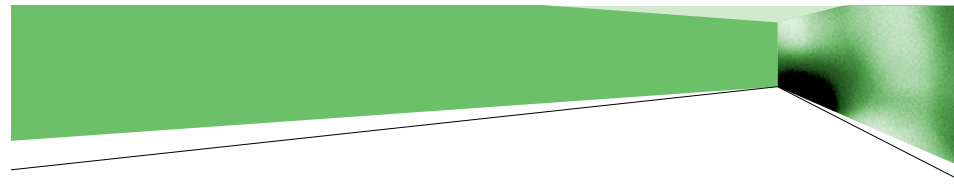
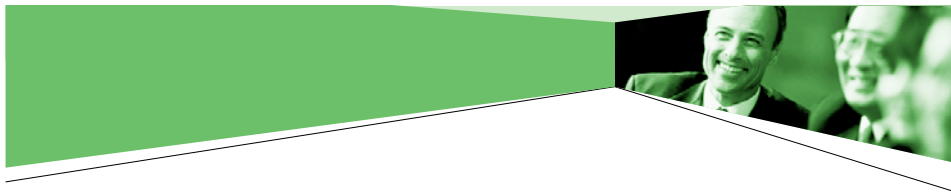
Best practice: the benefits of going beyond compliance

The legal and regulatory obligations in areas such as disclosure and corporate governance only provide listed companies with the barest minimum framework in terms of communication, information provision and organisational guidance – and it is crucial that you build on them as actively as possible, if you are to make your listing a long-term success. Once you are listed, your relations with investors, analysts and the press are no longer peripheral to your company, but should be regarded as core business relationships on a par with any other.

Like anyone else, these decision-makers and opinion-formers are influenced by what they see and hear from and about your business. They like to see a coherent strategy, and to hear it well-expressed. They like to see a company taking advantage of wider commercial experience, for example, in the appointment of suitable non-executive directors from outside. And they often want to see a business going beyond the legal requirements in corporate gover-

Liquidity

Liquidity is a measure of tradeability of a company's shares. Smaller companies' shares tend to be less liquid than those of larger companies, as, for example, there may be fewer shares available for trading or they are more tightly held.



nance, potentially involving actions such as splitting the roles of chairman and chief executive – see page 49 on corporate governance. As a listed company, you are in a goldfish bowl, and every decision or action should be taken with that fact in mind.

In recent years, given the growing prominence of environmental and ethical concerns, the concept of best practice has extended rapidly into these formerly obscure areas. Environmental audits and statements are relevant for some listed companies, and the number of ethical investment funds being launched gives this pressure added commercial edge, since it can feed into liquidity and demand for your shares. As a result, companies need to keep a tight rein on aspects such as potentially polluting emissions from their operations, and must also pay serious regard to the employment record and policies of their business, not only within their own operations but also in their suppliers' businesses. An ethical or environmental scandal involving a listed company is now potential front-page material for the press, and in the worst-case scenario can result in falling sales or even consumer boycotts.

Inevitably, activities such as

investing in your profile and adhering to (and even exceeding) best practice cost money. This may be especially galling since it comes on top of the regular costs which mere compliance involves. However, failure to invest in the awareness and image of your business may well turn out to be a false economy in the long run, as problems arise and your failure to cultivate shareholder and public opinion comes back to haunt you.

Investor and media relations

It is vital that you maintain your company's profile, and stimulate interest in its shares on a continuing basis. Many listed companies, even relatively small ones, employ specialist financial public relations and investor relations advisers on a retainer basis to keep the business on the financial pages and in the minds of investors. These professionals generally work separately from the 'product' PR operation, which may be kept in-house. The fact that these two roles are often split reflects the different skills and contacts which they involve.

However, you cannot leave press or investor relations to your advisers. Top executives will commonly devote at least a couple of days a month to

“Profile is clearly one advantage of a listing. Over and above that, there is access to capital for growth. At the same time, having a public market for the company's shares can be a very motivating factor for both management and employees, who benefit from share option schemes.”

Corporate adviser, accountancy firm

“Yes, it is a good idea to go beyond compliance, and adhere to best practice. Just being compliant is not sufficient. If you do decide not to comply with best practice in some way, such as not splitting the chairman and chief executive roles, then you must make sure you can explain exactly why you are doing it.”

Chief executive, industrial company

“There are lots of surveys done about why companies go to market, and the bottom line is that they usually do it as a source of money – whether for existing shareholders, for development of the business or to pay for acquisitions. Frankly, it doesn't really matter what the purpose is, since the main thing is access to capital. And it's seen as an attractive and high-profile way of raising money, compared to alternatives such as venture capital.”

Corporate adviser, accountancy firm

developing and nurturing such contacts, in lunches, briefings and presentations to opinion-formers and investors. This commitment will increase sharply around regular announcements such as company results, at the launch of a new product or strategy, or at times when the business and its profile have been hit by adverse events. This must be regarded as time well spent, and as an investment in the future. As a publicly-quoted company, it is a core element of running your business properly and responsibly.

Sadly, research has shown that the standards and quality of dialogue and relationships between smaller companies and the investment community are often patchy, and marred by a lack of mutual understanding and transparency. This is partly due to the increasing consolidation of the investment industry, and the accompanying tendency to concentrate on larger stocks. However, there is a lot that companies can do to counteract these effects, and the current thinking on how smaller companies should engage with the market – and keep investors interested and up to date with what they are doing – is advancing all the time.

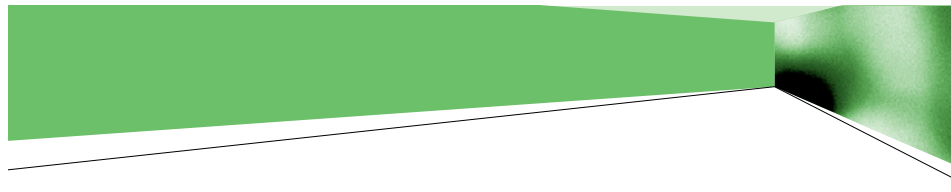
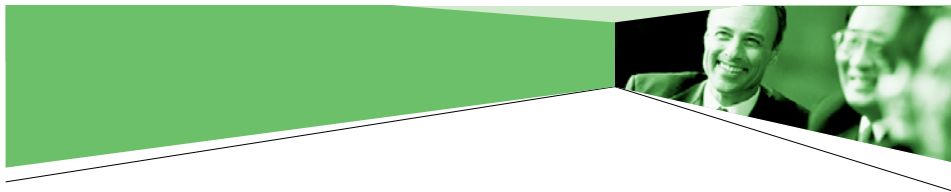


The more forward-thinking companies have now introduced formal procedures under which they provide high-quality, meaningful and timely information to improve the market's understanding of their companies. These may involve instituting internal performance indicators, a regular 'Statement of Prospects', and quarterly trading reports. Companies should also consider producing an 'Investor Communication Statement', setting out the procedures which they apply to their investor communications. The DTI produced a very useful report 'Creating Quality Dialogue between SQCs and Fund Managers', available from www.innovation.gov.uk/finance.

Monitoring growth and informing investors

As the move towards more formal monitoring and communications processes

indicates, it is not enough simply to talk to investors. You must also have something interesting and meaningful to say, or they may stop listening. With this in mind, it is crucial that you keep a close eye on the performance and growth of your business – and are able both to respond strategically to what is happening, and also to communicate the resulting changes to potential and actual shareholders. By communicating your growth strategies, and showing that you know what challenges you face and have worked out how to meet them, you will inevitably improve the market's perception and understanding of your company. This openness and honesty will also serve you well if and when problems arise, since investors will be more receptive to what you tell them, and are more likely to believe you.



Monitoring shareholdings and investment patterns

Once you are listed, your share register is a mine of useful information, and can be used pro-actively as a tool to promote your business and broaden your shareholder (and even customer) base. By examining the split between different types of investor, such as institutions and private individuals, and even – on the institutional front – between individual investors themselves, you can identify which investors need addressing, and formulate a specific and targeted investor relations strategy. There is also often a cross-over between customers and shareholders, who are often the same people. Many companies offer shareholder incentives to smaller investors, or even contact them directly to welcome them. As well as encouraging custom, this helps establish loyalty which can be very useful in difficult times.

On a more defensive note, the share register also gives you early warning of any stake-building by a potential predator. An unusual or unexplained holding may have a perfectly innocent explanation, but should be investigated to find out if there is a more threatening purpose.

Corporate governance

Throughout the 1990s, a series of high-powered committees – notably Cadbury, Greenbury and Hampel – drew up sets of guidelines on best practice in the way companies manage themselves. These corporate governance issues are not included in the UKLA's Listing Rules. However, current best practice guidelines (the *Combined Code*) are appended to the Listing Rules, and disclosure is required in a company's report and accounts outlining to what extent they comply with the *Combined Code*. Such is the importance commonly attached to them that companies are well-advised to take them into account.

Among the more prominent issues raised in the guidelines are the separation of the roles of chairman and chief executive, the need for independent non-executive directors and effective internal controls, the types of share incentive offered, and the role and structure of remuneration committees. Organisational structure and executive pay are very topical issues both with investors and the general public, and the media clamour over 'fat cats' and a failure to link pay and performance has become

'At the time of our first results as a listed company, we did a roadshow involving one-to-one meetings with institutional investors in London and Scotland, organised by our City PR firm. They also used their press contacts to generate a lot of media coverage. With subsequent annual results announcements, we have done presentations to 35 analysts at once, followed by an open day for all investors. It takes up a lot of our time, but it's worth it.'

Chief executive, support services company

'I had always believed that if the company performs, then the share price will look after itself. But for a company of our size, that does not seem to apply nowadays. I am now talking to financial PR companies about what we should be doing in terms of investor relations.'

Chief executive, hospitality services company

'Our chief executive and myself both spend one or two days a month dealing with investor relations – and we regard it as time well spent.'

Finance director, software company

'With institutional investors, the key is to be available to them all the time, and to badger them to see you. They have the power of ownership, so it's really their responsibility to see you.'

Chief executive, manufacturing company

a focus of concern at Government level. Investors do look at such issues, and a company's commitment to meeting and exceeding 'best practice' can be seen not only as a sign of good faith, but also as a reflection of the degree of openness and forward thinking inherent in the senior management. This greater credibility, in turn, can manifest itself in levels of investor interest, trading and – ultimately – the share price.

The role of non-executive directors

The appointment of non-executive directors to the board or as a chairman is widely seen as a litmus test of a company's attitude towards maintaining high standards in its corporate governance. As voices of experience and (relative) independence on the board, they fulfil two principal roles – first as strategic business advisers with extensive knowledge and contacts, and second as arbiters of best practice across all areas of the business. They are especially useful in areas such as executive pay and business ethics, although it is all too easy for them to become tarred with the same brush as the 'fat cats' when a controversy arises. In several boardroom confrontations, relations between the

executive directors have reached such a state of deadlock that the ultimate decision has had to be left to the non-executives as the only way out. They can be very useful in such a situation – although it is to be hoped you never have to resort to this use for them.

Dividend policy

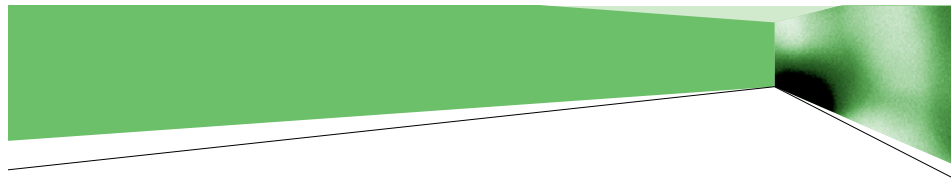
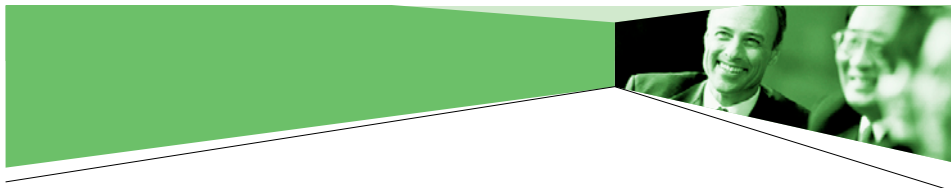
The level of dividend which you opt to pay your shareholders is a key measure and determinant of the price of your shares. It is also a decision which involves a fine balancing act between the interests of the company, which may want to hold back the cash for investment or expansion, and the shareholders looking for a good return on their investment. The balance is further complicated by the fact that holding back on investment may impair the company's long-term prospects, and reduce the prospects of capital gains for those same shareholders.

As in other areas, the real key may be to take pains to explain to your investors not only what level the dividend is to be paid at, but why that level is in the best interests of the company. At least this will allow shareholders to make a decision based on the long-term commercial logic rather than the immediate payout.

Active management and use of your listing

Your listing is not a static thing. By floating on the stock market, even if you have raised no capital while doing so, you have opened a new long-term funding route for your company. As directors of listed companies often point out, banks will ultimately demand their money back, but shareholders' money is not normally required to be paid back. The capital you raise through the market can be used for the full range of corporate requirements – including paying off outstanding debt, growing the business organically, and making acquisitions.

Many substantial listed companies openly say that they would not be where they are today without access to the stock market to fund their acquisition trail. And even more of them say that the prestige of being listed has transformed their relationships with a whole range of business partners, both suppliers and customers, irrespective of the funding aspects. Other companies will see you as more solid and financially transparent, and may be happier to strike long-term contracts with you. So it is important that you work to exploit the edge which your listing gives you in business-



to-business marketing terms, both with existing contacts and new ones. This edge can be especially pronounced if you have competitors which are still privately-owned.

A further major opportunity presented by your listing is to reward and retain outstanding staff by offering share option schemes. The public quotation gives such schemes a demonstrable value, and makes them feel much more 'real' to the employee shareholders, who also gain a long-term interest in the success of the business. It is highly likely that your advisers will have helped you institute such schemes in readiness for the flotation, but if not then you should consider bringing them in at an early stage.

Once you are on the market, the most common way of raising extra funds is via a placing. Alternatively, rights issues allow existing shareholders to pick up additional

shares so their holding is not diluted. These will generally be underwritten (for a fee) to protect the issuer against any sudden adverse move in market.

As the director of a newly-listed company, you will have joined a select group of men and women – and will also have crossed a major threshold in any business career. Congratulations will certainly be in order. However, much will still lie ahead. Your listing will raise the profile of your business, and should establish its credibility more firmly in the eyes of competitors and partners. And, as you move forward, it can be a platform for strong, controlled growth which will transform your company.

However, this process cannot be left to take care of itself. The best captains of industry never waste the chance to learn more about their craft. In running a listed company, as in anything else, there is no substitute for experience, and on every working day you will learn more about the processes and pressures involved in being on the stock market.

“The whole point of investing in smaller companies is to try and outperform blue chips. Also, the smaller companies which have made it to the market should be the best in their sector. We mainly look at earnings growth and capital growth, although a reasonable growth in dividends is also quite important – so long as it's managed properly.”

Smaller companies fund manager

“I would recommend to any director that they should become a non-executive in another business. It means you get a clear view of other people's mistakes – which you might then realise you are also making yourself, in your own company. It's tremendously useful, and all executives should put aside some time to do it.”

Chief executive, industrial company

“Our strategy is to continue growing the company through licensing, collaborations and acquisitions. And capitalising on our listing by using shares to do that is certainly part of our long-term plan.”

Investor relations vice-president, biotechnology company

Rights issue

In a 'rights issue', a company which is already listed invites its existing shareholders to purchase additional new shares in the company for a set price. Shareholders can either 'take up' their rights, thus maintaining their percentage holding in the company, or they can 'pass' them, meaning the proportion they hold will fall.

And finally...

Your advisers, who have been through it all before, are there to help you. So is the Exchange. And a constant flow of guidance and information is readily available for those willing to look. We recommend that you tap into these information sources, and exploit them to the full. Remember also that you can contact the Exchange's business development and admissions teams – a list of useful contacts is included on page 55.

This publication has taken you from the first concepts of flotation to the final product. It will have been a long road, but – we are sure – a worthwhile one. For your business, the best is yet to come.



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I Part

Organization

§ 1 Areas of Business

- (1) The Frankfurt Stock Exchange serves as a forum for effecting transactions in securities, money market instruments and derivatives within the meaning of § 2 paragraphs (1), (1a) and (2) – save as those within the meaning of § 2 paragraph (2) number 1 letter d - of the Securities Trading Act (Wertpapierhandelsgesetz, WpHG), all kinds of means of payment and units of account through enterprises admitted for the determination of the Exchange price (Skontroführer – Exchange Brokers with Price Determination Responsibility, hereinafter "Exchange Brokers") in the electronic trading system of the Exchange.
- (2) Unless prohibited by law, the Board of Management may permit the use of Exchange facilities for business activities other than that specified in paragraph (1). Such permissible use shall be communicated to the trading participants in a suitable manner.

§ 2 Administrating and Operating Institution of the Exchange

The administrating and operating institution of the Exchange (Träger) is Deutsche Börse Aktiengesellschaft, Frankfurt am Main. The administrating and operating institution shall, at the request of the Board of Management (Geschäftsführung) or the Exchange Council (Börsenrat), make available the necessary staff, the financial resources, and the facilities and premises.

§ 3 Exchange Supervisory Authority

The competent highest state authority of the State of Hesse shall be responsible for supervising the operations of the Frankfurt Stock Exchange (Exchange Supervisory Authority, Börsenaufsichtsbehörde).

II Part

Exchange Council

§ 4 Responsibilities of the Exchange Council

- (1) The Exchange Council has the following responsibilities:
1. Adoption of the Exchange Rules and the Fee Regulations,
 2. Adoption of Conditions for Transactions on the Exchange,
 3. Adoption of Examination Regulations concerning the professional qualification to act as Exchange traders,
 4. Adoption of Rules of Procedure for the Board of Management,
 5. Adoption of Remuneration Regulations for the Exchange Brokers,

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6. Appointment and dismissal of the members of the Board of Management, in agreement with the Exchange Supervisory Authority,
 7. Supervision of the Board of Management,
 8. Appointment, reappointment and removal of the head of the Trading Surveillance Office (Handelsüberwachungsstelle) and his or her deputy, upon the nomination of the Board of Management and in agreement with the Exchange Supervisory Authority,
 9. Election of the members of the Board of Admissions.
 10. Approval of the introduction of technical systems which facilitate the trading or settlement of Exchange transactions and the use of Exchange facilities pursuant to § 1 paragraph (2). Comment on cooperation and merger agreements of the administrating and operating institution of the Exchange concerning the operation of the Exchange and on the outsourcing of functions and activities to other enterprises.
- (2) For matters of principal the Board of Management requires the consent of the Exchange Council. This applies, in particular, to:
- a) Decisions, which have a relevant impact on the course of trading, such as
 - a regular official trading period
 - the introduction of new products
 - b) Decisions about the assumption of new relevant fields of activity or their task;
 - c) Entering into widely co-operations with other stock exchanges and organizations, which may have effects on the margin of decision-making of Frankfurt Stock Exchange.

§ 5 Composition of the Exchange Council

- (1) The Exchange Council consists of 24 members.
- (2) Eleven members must come from the group of credit institutions, of which
- 1 member from the private bankers,
 - 1 member from the cooperative credit institutions,
 - 2 members from the public law credit institutions,
 - 2 members from the foreign-owned credit institutions,
 - 5 members from the remaining private credit institutions.
- (3) Additional members of the Exchange Council shall be:
- 1 member from the investment companies not affiliated with a credit institution,
 - 2 members from the insurance companies whose securities are admitted to trading on the Exchange,

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- 1 member from the issuers whose securities are admitted to trading on the Exchange and who have less than 2,000 employees according to the figures contained in the most recently approved annual financial statements,
- 3 members from the other issuers whose securities are admitted to trading on the Exchange,
- 2 members from the Exchange Brokers (Skontroführer),
- 2 members from the financial services institutions and other admitted companies not affiliated with a credit institution,
- 2 members from the private investors.

§ 6 Term of Office of the Exchange Council

The term of office of the members to be elected pursuant to the Election Regulations (Wahlverordnung) and the members to be elected by the Exchange Council from among the investors is three years; reelection is permissible.

§ 7 Chairperson of the Exchange Council; Deputy Chairpersons

- (1) In its first meeting following an election, the Exchange Council shall elect a chairperson and up to five deputies from among its members to serve for its three-year term.
- (2) A deputy chairperson must belong to another group within the meaning of § 5 than the chairperson.
- (3) The election of the chairperson and his or her deputies shall be conducted by secret ballot.
- (4) The chairperson shall preside over the proceedings of the Exchange Council or, if the chairperson is unable so to act, one of the deputy chairpersons shall do so. If none of these members is taking part in the proceedings, the member of the Exchange Council eldest in age shall serve as chairperson.
- (5) The Exchange Council may establish committees for the preparation of its resolutions. In forming such committees, the Exchange Council shall ensure that members of the groups (within the meaning of § 5) whose interests may be affected by the resolutions are adequately represented.
- (6) The Exchange Council shall exercise the duties and powers assigned to it only in furtherance of the public interest.

§ 8 Quorum and Resolutions of the Exchange Council

- (1) The Exchange Council shall have a quorum when more than one-half of its members are in attendance. Resolutions shall be passed by a simple majority of the valid votes cast. In case of a tie vote, the chairperson of the meeting shall cast the deciding vote; if the chairperson abstains from voting, the motion shall be deemed rejected. If unable to attend, a member of the Exchange Council may permit another member to submit his or her written vote. Further details shall be specified in the Rules of Procedure of the Exchange Council.

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- (2) When resolutions are passed in writing or by telex, facsimile or telephone, a motion shall be deemed to have been passed if more than one-half of the members of the Exchange Council have responded within a pre-determined period and if the majority of such responding members agreed to the motion. Each member of the Exchange Council may request that the decision be taken by a vote after oral debate. The chairperson shall comply with such a request, for which detailed reasons must be given, by calling a meeting without undue delay.
- (3) At the request of one-quarter of the members votes shall be taken by secret ballot.
- (4) The content and outcome of the decision-making process shall be recorded in writing and signed by the chairperson of the meeting. The rules of procedure of the Exchange Council shall specify details with respect to the adoption of resolutions and the preparation of minutes.

III

Part

Board of Management

§ 9 Exchange Management

- (1) The Board of Management shall be responsible for the management of the Exchange. The members of the Board of Management shall be appointed for no more than five years; reappointment is permissible.
- (2) The Board of Management is responsible for all duties that are not expressly allocated to other governing bodies of the Exchange.
- (3) The Exchange shall be represented in court and out of court by two members of the Board of Management, or, in the event that this is impossible, by one member of the Board of Management together with a department head. The Board of Management may also name other members of its staff as representatives.
- (4) The Board of Management shall exercise the duties and powers assigned to it only in furtherance of the public interest.

§ 10 Responsibilities of the Board of Management

- (1) The Exchange Management shall in particular have the following responsibilities:
 1. to admit enterprises and individuals to trading on, or as visitors to, the Exchange or to exclude them therefrom,
 2. to regulate the organization and business operations of the Exchange and to set the location and time of Exchange trading,
 3. to maintain order at the Exchange and to ensure the orderly use of the other Exchange facilities, particularly the EDP equipment; it shall take appropriate measures to accomplish this,
 4. without diminishing the responsibility of the Trading Surveillance Office, to monitor compliance with the statutes, regulations, conditions and other rules concerning the Exchange,

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5. in consultation with the Committee of Exchange Brokers (Skontroführerausschuss), to allocate the business among the individual Exchange Brokers and to exercise supervision over them,
 6. to decide on the commencement, suspension and discontinuation of the price determination for securities and foreign means of payment as well as on the interruption of Exchange trading or the price determination,
 7. to decide on the manner of price determination within the meaning of § 25 of the Exchange Act, taking into consideration the requirements of trading in securities, the protection of the public and the orderly conduct of trading on the Exchange,
 8. to adopt Arbitration Rules.
- (2) The Board of Management may authorize other persons to fulfill certain responsibilities.
- § 11 Authority of the Board of Management
- (1) The admitted persons and enterprises must comply with the instructions of the Board of Management or its authorized representatives.
 - (2) Members of the Board of Management or its authorized representatives are authorized to have persons who disrupt order or business on the Exchange or who fail to comply with instructions of the Board of Management removed from the Exchange's business premises or, on a case-by-case basis, to exclude such persons from use of Exchange facilities, if and for so long as they affect the proper functioning of Exchange facilities.
 - (3) The Board of Management may avail itself of the services of the administrating and operating institution of the Exchange in the fulfilment of its monitoring duties pursuant to § 10 paragraph (1) No. 4 with respect to foreign participants which transmit orders to the Exchange solely by means of electronic data processing or which participate in Exchange trading solely by means of the electronic trading system. The administrating and operating institution must ensure, in a suitable manner, in particular through an agreement to be entered into between it and any future participants, that it may at any time demand information and evidence from the participants to the extent that this serves the purpose of fulfilling the monitoring function.

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IV

Part

Trading Surveillance Office

§ 12 Establishment and Operation

In accordance with the requirements laid down by the Exchange Supervisory Authority, the Frankfurt Exchange shall establish and operate a Trading Surveillance Office as a governing Exchange body for the monitoring of trading on the Exchange and the settlement of Exchange transactions pursuant to § 4 of the Exchange Act.

§ 13 Security Provided by the Trading Participants

- (1) The enterprises having been admitted for participation in Exchange trading as well as the Exchange Brokers (trading participants) must provide sufficient security to be able to satisfy at any time the obligations arising out of transactions concluded on the Frankfurt Stock Exchange and in an electronic trading system admitted on the Frankfurt Stock Exchange. Details concerning the manner of providing security shall be determined by the Board of Management.

For the purpose of the limitation and monitoring of the exchange liabilities of the trading participants, the Board of Management may determine a security limit depending on the Tier One Capital or an equity measure being comparable to the Tier One Capital of the trading participants. The security limit may be increased as determined by the Board of Management by providing a guarantee of a third party or a security in cash or securities.

The Board of Management may determine that the security to be provided by the trading participants is only required when the risk of satisfying the exchange liabilities (replacement risk) exceeds the security limit of the trading participants.

- (2) The monitoring of the compliance with the security limit and the application of suitable measures to ensure that obligations arising out of transactions conducted on the Exchange are met shall proceed on the basis of § 19 of the Exchange Act.

V

Part

Admission for Access to the Exchange and to Participation in Exchange Trading

§ 14 Application for Admission

- (1) Admission is required for access to the Exchange as a visitor and for participation in Exchange trading; the Board of Management decides on admission upon written application. The application for admission of an enterprise shall identify the individual who is to participate in Exchange trading on behalf of the enterprise.
- (2) The admission may be limited to participation in the electronic trading system.

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- (3) The admission of an enterprise to another German securities exchange pursuant to § 17 of the Exchange Act is sufficient for the participation in Exchange trading in the electronic trading system of the Frankfurt Stock Exchange, provided that this is permitted under the rules of the securities exchange to which the enterprise is admitted, and provided further that the enterprise accepts the rules and regulations for the electronic trading system.

§ 15 Admission with the Right to Participate in Exchange Trading

Only those enterprises may be admitted to participate in Exchange trading that, with respect to the items listed in § 1 that may be traded on the Exchange, engage in the business of

1. purchasing and selling for their own account, or
2. purchasing and selling in their own name for the account of third parties, or
3. acting as intermediaries for contracts to buy or sell

and whose business operations are of such nature and scale as to require a commercially-organized business establishment.

§ 16 Conditions Governing Admission

- (1) The admission of an enterprise to participate in Exchange trading pursuant to § 15 is to be granted if
1. in the case of enterprises that are organized in the legal form of a sole proprietorship, the proprietor, or in the case of other enterprises, the individuals who are, by law, articles of association or shareholders' agreement, entrusted with the management and the representation of the business of the applicant are reliable and if at least one of such persons has the necessary professional qualification for securities business on exchanges,
 2. the orderly settlement of transactions at the Exchange is assured,
 3. the applicant provides evidence of equity capital totaling at least EUR 50,000 unless it is a credit institution, a financial services institution or an enterprise within the meaning of § 53 paragraph (1) sentence 1 or § 53 b paragraph (1) sentence 1 of the Banking Act and is authorized to engage in financial commission business within the meaning of § 1 paragraph (1) sentence 2 No. 4 or to render a financial service within the meaning of § 1 paragraph (1a) sentence 2 Nos. 1 - 4 of the Banking Act; the paid-in capital and reserves after deduction of any withdrawals by the proprietor or the personally-liable shareholder and any credit extended to such persons and of any excess of indebtedness with respect to the free assets of the proprietor shall be considered as equity capital;
 4. with respect to applicants that are obliged to provide evidence of equity capital, there are no facts justifying the assumption that the applicant, taking into account the equity capital evidenced, does not have the necessary economic capacity to participate in an orderly manner in Exchange trading,
 5. the applicant provides evidence that it fulfils the technical and legal requirements to directly or indirectly participate in the systems for the provision of security and the performance of transactions on the Frankfurt Stock Exchange.

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- (2) The condition contained in paragraph (1) No. 2 is satisfied if the applicant conducts the settlement of its Exchange transactions through a bank for central depository of securities acknowledged pursuant to § 1 section 3 German Securities Deposit Act and a branch of Central Bank of Germany (Deutsche Bundesbank). In the case of securities held on a fiduciary basis, settlement of transactions will be conducted through a bank for central depository of securities pursuant to sentence 1 alone to the extent that such bank ensures the settlement of cash clearing and securities clearing. It is necessary in addition thereto, for the orderly settlement of transactions that have as their object securities quoted in foreign currencies or units of account, that the participant itself participates in clearing in foreign currencies or units of account or maintains an account relationship with an appropriate clearing bank; participants and clearing banks identified above must participate in the clearing process of a bank for central depository of securities pursuant to sentence 1 for securities to be settled in foreign currencies or units of account. If enterprises admitted to participation in exchange trading assign more than one bank for central depository of securities with the execution of their Exchange transactions, paragraph 1 section 2 is satisfied irrespective of the provision of sentence 1, if these banks for central depository of securities dispose of the respective contractual agreements with regard to the opening of mutual accounts.

§ 16 a Technical Requirements for Admission

- (1) Notwithstanding the provisions of § 16 paragraph (1) No. 2 and § 16 paragraph (2), the applicant shall, for the purpose of satisfying its liabilities arising out of transactions at the Frankfurt Stock Exchange in shares and rights determined by the Management Board pursuant to paragraph (3), ensure the settlement thereof via Eurex Clearing AG. The applicant shall be required to provide evidence of the acceptance of the Clearing Conditions for Eurex Clearing AG.
- (2) Security to be provided pursuant to § 13 shall not be provided with respect to the securities and rights in which the Exchange participant pursuant to paragraph (1) in connection with paragraph (3) participates in the security system of Eurex Clearing AG.
- (3) The Board of Management shall announce for which securities and rights the settlement pursuant to paragraph (1) shall be conducted. In addition thereto, the Board of Management may determine that, with respect to a large number or all of the securities and rights, the settlement will not be conducted pursuant to paragraph (1), if this becomes necessary for technical reasons or for the purpose of avoiding any other threat to the operational reliability of Exchange trading. For the security to be provided with respect to the securities and rights included in the settlement pursuant to paragraph (1), paragraph (2) shall apply.

§ 17 Admission of Exchange Traders

- (1) Persons to be entitled to enter into Exchange transactions on behalf of an admitted enterprise (Exchange traders) shall be admitted if they are reliable and have the necessary professional qualifications for such admission. They may each be admitted on behalf of only one enterprise.
- (2) The professional qualifications, as a rule, shall be presumed if evidence of a professional education is provided which qualifies for the securities business on exchanges. The necessary technical knowledge and experience which qualify for trading on the Exchange are to be demonstrated. In particular, the passing of an examination before the Board of Examiners of the Frankfurt Stock Exchange (Prüfungskommission) shall constitute evidence of the necessary technical knowledge. Examination

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Regulations to be adopted by the Exchange Council, which require approval by the Exchange Supervisory Authority, shall set forth the details of the examination procedure.

§ 18 Participation in Electronic Trading

- (1) An enterprise is to be admitted or is entitled to participate in electronic trading if
1. the conditions for participation in Exchange trading pursuant to §§ 15 and 16 are satisfied, unless the enterprise is already admitted to participation in exchange trading on another German securities exchange.
 2. the applicant holds an account at a branch of Central Bank of Germany and a bank for central depository of securities acknowledged pursuant to § 1 section 3 German Securities Deposit Act or has retained an account holder at a bank for central depository of securities acknowledged pursuant to § 1 section 3 German Securities Deposit Act for the settlement of transactions,
 3. the technical requirements for connection to the electronic trading system are satisfied,
 4. the ability of the participant to be reached at any time during the trading hours (§ 41) of the electronic trading system is assured,
 5. a participation agreement is entered into in which the fees to be paid for the use of the electronic trading system are to be set forth.
- (2) Every trading participant is obliged to apply for a personal access code (personal identification number with the respective system entitlement) for every person who, pursuant to § 17 paragraph (1), is to be authorized to trade in the electronic trading system. This also applies to any other persons who are authorized to enter orders into the system on behalf of and under the supervision of an admitted Exchange trader.
- (3) Every trading participant who participates directly in trading on the Frankfurt Stock Exchange via its Member Integration System Server (MISS) outside Germany must - to the extent legally permissible - ensure that all installations operated outside Germany (MISS, data entry devices etc.) and all activities in which trading participants engage in connection with the use thereof can be examined in accordance with the provisions of the Exchange Rules and the Implementation Regulations. In addition, the trading participant must take suitable measures to ensure that, if service of process is necessary in respect of the enterprise or a person employed by such enterprise outside Germany, an authorized agent for service of process has been designated for this purpose within the Federal Republic of Germany.
- Sentence 1 applies accordingly to trading participants who participate in trading in the electronic trading system via data entry devices which are connected to a Member Integration System Server (MISS) installed in Germany.
- (4) The satisfaction of the technical requirements within the meaning of paragraph (1) No. 3 requires that the applicant has access to EDP equipment which guarantees the orderly conduct of trading in the electronic trading system, and the configuration, connections and operation of which do not result in any adverse effects, particularly on trading and settlement. The Frankfurt Stock Exchange shall specify hardware and software which conforms to these requirements. Any other hardware and software must meet the requirements of sentence 1; evidence hereof is to be furnished by the applicant. The Board of Management is entitled to carry out examinations.

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In addition, every trading participant must, for the duration of its admission to trading maintain its EDP equipment and ensure that such equipment is continuously ready for operation in accordance with the foregoing provisions. Details shall be set forth in the Implementation Regulations which are to be issued by the Board of Management.

- (5) To the extent that the Board of Management permits a trading participant to use order routing systems to input orders in accordance with the Implementation Regulations, such trading participant is responsible for ensuring that the order routing facility is used properly and in accordance with the provisions of Exchange law. This also applies to any orders which are entered in the trading system via order routing by third parties who are not admitted to the Exchange. Should the trading participant fail to comply with the requirements of sentences 1 and 2, the Board of Management shall restrict or revoke the permission for using an order routing system.

§ 19 Evidence of the Conditions for Admission

- (1) Evidence of fulfilment of the conditions for admission pursuant to §§ 14 through 18 must be furnished by the applicant. The Board of Management shall satisfy itself in an appropriate manner that the necessary conditions are met. Notwithstanding the applicant's duty to provide evidence, the Board of Management may, in particular,
- either itself or through a committee undertake a pertinent examination of the applicant at the applicant's expense,
 - require the applicant to submit such statements and documents as it may deem appropriate and/or
 - request information from third parties, whereby the applicant must be given prior notice of such request.
- (2) After the granting of admission, the admitted applicant shall be required to notify the Board of Management without delay of any changes of a factual or legal nature as a result of which the conditions for admission pursuant to §§ 14-18 could cease to be met; paragraph (1) sentences 2 and 3 shall apply accordingly. The admitted applicant shall be required, in particular, to inform the Board of Management immediately in the event that,
- it becomes aware that a criminal proceeding is directed against it on suspicion of property or tax violations, or
 - in the case of an enterprise as the admitted applicant, it becomes aware that such a proceeding has been initiated against a person acting on its behalf pursuant to § 16 paragraph (1) No. 1, who, as proprietor of the enterprise or who, by law, articles of association or shareholders' agreement is entrusted with the management of the business of the admitted applicant and who is authorized to represent it.

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§ 20 Admission without the Right to Participate in Exchange Trading

- (1) The right of access to the Exchange as a visitor without the right to participate in trading may be granted to:
1. individuals who previously were admitted to participate in trading as Exchange traders in the capacity of a business owner, member of a managing board (Vorstand) or a holder of a general power of attorney (Prokurist) and who no longer engage in business activities on the Exchange, as well as previous Official Exchange Brokers and Deputy Official Exchange Brokers,
 2. reporters and employees of the financial press, radio or television,
 3. individuals belonging to an enterprise not admitted to the Exchange and who wish, for special reasons, to visit the Exchange in their own interest or in the interest of their enterprise,
 4. other individuals with respect to whom the Board of Management for general reasons deems a justified interest in visiting the Exchange to exist,
 5. support personnel (e.g., technical personnel and messengers).
- (2) To the extent that individuals were admitted as representatives of a particular enterprise, their admission terminates upon their departure from such enterprise or upon written application of the enterprise. Further, the admission may be revoked for an important reason (aus wichtigem Grund).
- (3) The Board of Management may permit access to the Exchange for guests.

§ 21 Exchange Identification Cards: Visitor Identification Cards

Individuals admitted with the right to participate in Exchange trading shall receive an Exchange identification card, unless the admission is limited to participation in electronic trading. Other visitors of the Exchange without the right to participate in Exchange trading shall receive a visitor identification card. The identification cards are only valid for the individuals in whose name they are issued.

§ 22 Cancellation, Withdrawal, Revocation and Suspension of the Admission

- (1) The admission of an enterprise shall terminate upon its written notice to the Board of Management. The Exchange identification cards must be returned.
- (2) The Board of Management shall be required to withdraw the admission if any of the conditions set forth in §§ 15 through 18 were not satisfied at the time admission was granted. It must revoke the admission if any of these conditions subsequently has ceased to be satisfied.
- (3) The Board of Management may demand from the admitted enterprise and/or the individual involved the necessary information and evidence for purposes of investigating whether any of the circumstances referred to in paragraph (2) exist.
- (4) Should information arise in a proceeding before the Disciplinary Committee (Sanktionsausschuss) (§ 20 of the Exchange Act) which justifies the withdrawal or revocation of the admission pursuant to §§ 15 through 18, the proceeding shall be transferred to the Board of Management. The Board of Management is authorized, at any stage of the proceeding, to request a report from the Disciplinary Committee and to

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take over the proceeding. If the Board of Management has taken over a proceeding and determines that the withdrawal or revocation of admission is not necessary, it shall remand the proceedings to the Disciplinary Committee.

- (5) If a justified suspicion exists that any of the conditions specified in §§ 15 through 18 was not satisfied or has subsequently ceased to be satisfied, the Board of Management may order the suspension of the admission of the enterprise or the Exchange Trader for a period of not more than six months.
- (6) The suspension of the admission may also be ordered for the duration of any default in payment of any fees assessed.
- (7) In the case of trading participants with their registered office in a state which is not a member state of the European Union or is not a contract state to the Treaty for the European Economic Area, the Board of Management may order that the admission be suspended for six months or revoked entirely if it appears that the fulfillment of the reporting obligations pursuant to § 9 of the Securities Trading Act or the exchange of information with the competent bodies in this state for the purpose of monitoring compliance with the prohibition of insider transactions or with the prohibition of price and market manipulation is not ensured.
- (8) The admission of an Exchange trader is suspended for the duration of the suspension of the admission of the enterprise for which he or she is admitted. It terminates upon the cancellation of the admission of the enterprise, through written declaration by the Exchange trader to the Board of Management or upon written application of the enterprise.

§ 23 Admission as Designated Sponsor in the Electronic Trading System

- (1) The Board of Management may decide that designated sponsoring is to be conducted for one or more securities which are traded in the electronic trading system. It may revoke this decision should this appear necessary for factual reasons.
- (2) Any enterprise which is admitted to exchange trading may apply for admission as a Designated Sponsor for one or more securities in the electronic trading system. Each security for which an applicant seeks admission as a Designated Sponsor must be specified in the application. The Board of Management shall grant Designated Sponsor Admission to any applicant which is suitable for the position, provided that no legal provisions state otherwise; the Designated Sponsor Admission may provide for certain requirements that are designated to ensure that these conditions are satisfied. The Designated Sponsor Admission shall list all securities which are allocated to the Designated Sponsor for designated sponsoring activities. In the continuous auction pursuant to § 44 b the Board of Management may restrict the number of Designated Sponsors per security to the extent necessary to maintain orderly market conditions. In particular, in the case of trading of warrants, certificates and reverse convertibles, only issuers or trading participants designated by them may be admitted as Designated Sponsors.
- (3) Upon granting of the Designated Sponsor Admission, the Designated Sponsor shall be obliged simultaneously to enter limit bid and ask orders (quotes) in the trading system and to enter into transactions on the basis of such orders during Exchange hours pursuant to the provisions of the Exchange Rules and the orders of the Board of Management.

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- (4) A Designated Sponsor may submit a supplementary application for additional securities. If such application is approved, these securities may be included in designated sponsoring activities as of the Exchange Day immediately following the approval of the supplementary application; the waiting period in § 23 a paragraph (1) shall remain unaffected.
- (5) The Admission as Designated Sponsor shall depend on the prior admission as an Exchange participant.

§ 23 a Resignation, Cancellation, Withdrawal, Revocation and Suspension of Designated Sponsor Admission

- (1) A Designated Sponsor may resign its Designated Sponsor Admission as a whole or with respect to specified securities by submitting written notice. Five Exchange Days after the receipt of such notice, the Designated Sponsor shall no longer be authorized or obliged to supply quotes for the securities concerned. For an appropriate period subsequent to the resignation of its Designated Sponsor Admission, generally no less than twenty Exchange Days, an Exchange participant may not be re-admitted as a Designated Sponsor for those securities with respect to which it resigned.
- (2) The Board of Management may revoke a Designated Sponsor Admission if the Designated Sponsor repeatedly fails to comply with its obligation to supply quotes after having received a warning. In other respects, § 22 shall apply mutatis mutandis.

§ 23 b Rights and Obligations of Designated Sponsors

- (1) A Designated Sponsor is authorized and, upon receipt of a request for a quote for any security included in its Designated Sponsor Admission, obliged promptly to supply quotes and to enter into transactions on such basis; in addition, the Designated Sponsor is obliged to provide quotes throughout the auction. A Designated Sponsor must be available at all times during Exchange hours. The Board of Management may decide that the identity of the Exchange participant requesting a quote is to be disclosed to the Designated Sponsor.
- (2) In the continuous auction pursuant to § 44 b the Designated Sponsor must give notice of its willingness to conclude transactions by entering non-binding bid and ask prices (indicative quotation). Indicative quotations must contain prices that are current and in line with market conditions and those quotes which are entered into the electronic information systems. The obligation of the Designated Sponsor to enter binding quotes pursuant to § 44 b, paragraphs 3 and 4, shall remain unaffected. If the Designated Sponsor is unable to meet its obligations pursuant to sentences 1 and 2, it shall be required to notify the Board of Management thereof without delay. The Designated Sponsor is obliged to notify the Board of Management of the electronic information systems by means of which it disseminates the indicative quotations outside the trading system. Any changes shall be notified in advance by giving five Exchange days' prior notice. Sentence 2, second half-sentence, and sentence 5 of this paragraph shall not apply to the continuous auction for securities.
- (3) The Board of Management may, in the interest of ensuring orderly trading conditions, impose additional duties for the performance of the Designated Sponsor's function; in particular, the Board of Management may establish a maximum spread between the bid and the ask prices, a minimum volume for bid and ask quotes, and a minimum period for maintaining quotes in the electronic trading system of the Exchange.

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- (4) Quotes may be entered during the Pre-Trading Period and the Main Trading Period (§ 41). Further details shall be provided in the Conditions for Transactions on the Frankfurt Stock Exchange.

§ 23 c Monitoring and Documentation

The Board of Management shall monitor and record whether and to what extent the Designated Sponsor fulfil their duties pursuant to § 23 b. It shall publish this data, if such publication is necessary in order to ensure that the trading participants and the issuers are adequately informed.

VI

Part

Commencement, Suspension, Discontinuation and Interruption of Quotation in the Official Market and in the Regulated Market

§ 24 Introduction of Securities to Quotation in the Official Market and in the Regulated Market

- (1) The Board of Management shall arrange for the commencement of the first Quotation of admitted securities in the Official Market or in the Regulated Market upon the application of the issuer. The issuer must notify the Board of Management of the time for the introduction and the characteristics of the securities to be introduced.
- (2) The Board of Management must establish the conditions for trading for the security to be introduced prior to the commencement of Quotation in the Official Market or in the Regulated Market.
- (3) The resolution of the Board of Management concerning the introduction must be made public.
- (4) The admitted securities may be introduced at the earliest on the first working day after the publication of the admission.
- (5) Securities shall be included in Continuous Quotation upon application by an issuer or ex officio by the Board of Management. Paragraphs (2) through (4) shall apply accordingly, subject to the requirement that the application for such inclusion must be made with the consent of the issuer. The Board of Management may set criteria applicable to Continuous Quotation.

§ 25 Suspension, Discontinuation and Interruption of Quotation in the Official Market and in the Regulated Market

- (1) The Board of Management may
 - 1. suspend Quotation in the Official Market or in the Regulated Market if orderly trading on the Exchange is temporarily endangered or if the suspension is deemed necessary in the interest of the protection of the public;
 - 2. discontinue the Quotation in the Official Market or in the Regulated Market if orderly trading on the Exchange no longer appears to be ensured.

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The Board of Management shall inform the German Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) immediately of any measures pursuant to sentence 1.

- (2) The Board of Management may further
1. interrupt all Exchange trading or that of certain market segments, or
 2. interrupt price determination
- if such is necessary for technical reasons or to avoid any other threat to the functioning of Exchange trading.
- (3) In the cases set out above in paragraph (1) No. 1 and paragraph (2) No. 1, direct transactions among the trading participants are not permissible. In the case set out in paragraph (2) No. 2, direct transactions among the trading participants are permissible in which the Exchange Brokers may also participate to secure any existing open positions arising from Open Transaction Subject to the Designation of the Counterparty (Aufgabegeschäft) and other proprietary transactions.
- (4) The suspension, discontinuation and interruption of Quotation in the Official Market or in the Regulated Market must be made public; in the case of floor trading, also on the display board and, in the case of electronic trading, by entry in the EDP system or in another suitable manner.

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VII Part

Determination of Exchange Prices by Exchange Brokers , Admission for Exchange Brokers, Distribution of Price Determinations

1 Subpart

General Provisions for the Determination of Exchange Prices

§ 26 Opening and Closing of the Exchange

Opening and closing of the Exchange in the halls of the Exchange (floor trading) shall be announced by an acoustic signal.

§ 27 Determination of Exchange Prices; Limit Control System

- (1) Exchange prices in floor trading shall, in accordance with the requirements laid down by the Board of Management, be determined in a percentage of the nominal amount or in Euro per share; the price determination is conducted by Exchange Brokers. The Exchange Brokers shall avoid, to the greatest possible extent, partial executions of orders that have been placed to them.
- (2) The price which corresponds to the actual business situation of trading on the Exchange shall be determined to be the Exchange price. The Exchange Brokers shall treat all orders existing at the time of the determination equally. They are entitled to correct obvious mistakes in connection with the price determination subsequently with retroactive effect and without delay not later than the commencement of the price determination on the following Exchange day.
- (3) The Board of Management decides on the details of the price determination to the extent that nothing to the contrary is contained in these Exchange Rules; the decisions shall be published. In particular, the Board of Management may stipulate the minimum requirements for price determination. The Board of Management may determine for single or multiple securities further prerequisites for an orderly price determination. It may determine in particular further requirements of technical, temporal and textual manner to the determination of exchange prices and the execution of orders by the exchange broker.
- (4) The Limit Control System shall fulfill the following minimum requirements:
 - a) Permanent control of all ingoing and in the order book situated orders (market-limit and stop orders) on whether they are executable against the own (published) price indication, other customer orders or respectively, if necessary, the designated reference markets (including one extra charge or discount defined by the exchange broker).
 - b) Immediate display of whether the orders are executable (market and limit orders) in the order book against the own (published) price indication or other customers' orders or the designated reference market or, if necessary, reference markets (including one extra charge or discount defined by the exchange broker).

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- c) Immediate display of stop loss orders at reaching the bid limit of the own (published) price indication or against the bid limit (if necessary including one extra charge or discount defined by the Exchange Broker) of the designated reference market or, if necessary, reference markets.
- d) Recording of all orders that have not been executed by the exchange broker during a certain timeframe although it was obvious to him that they are executable.
- (5) The Boards of Management may determine further provisions concerning form and condition of the limit control system, that are to be notified.
- (6) Exchange Broker shall prove, pursuant to paragraph 5 and paragraph 6, upon request of the Board of Management in an appropriate manner their compliance with the minimum requirements of a limit control system.

§ 28 Determination of the Opening and Single Prices

- (1) Opening and Single Prices (Eröffnungs-, Einheits- und Schlusspreise) in floor trading are calculated prices.
- (2) In the case of securities not admitted to Continuous Quotation, the price shall be determined only once daily in the form of a Single Price. For securities which are included in the continuous quotation both calculated and, if necessary, variable prices shall be determined, if the Board of Management so decides.
- (3) The Opening Price shall be determined at the commencement of floor trading on the basis of the orders the Exchange Broker has at hand prior to commencement that are suitable for continuous trading.
- (4) The determination of the Single Price for continuously traded securities shall commence at a time determined by the Board of Management. All orders at hand shall be included in the calculation of the Single Price.
- (5) The next exchange price to be determined after the above-mentioned times shall be a calculated price; variable prices may not be determined prior to the determination of the calculated price.

§ 29 Consideration of Orders in the Determination of Exchange Prices

In determining an Exchange Price, the Exchange Broker must consider those orders received by the commencement of price determination.

§ 30 Central Order Book

- (1) Orders for securities which are admitted to exchange trading on more than one exchange shall, for the purpose of uniform determination of Opening and Single Prices (calculated prices) on the participating exchanges, be compiled in the order book of the respective Exchange Broker with price determination responsibility on the Frankfurt Stock Exchange (Central Order Book), to the extent that such exchanges have reached an agreement by means of which it is determined for which securities a Central Order Book will be maintained on the Frankfurt Stock Exchange.

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- (2) If the participating exchanges agree that a Central Order Book for a security listed on the Frankfurt Stock Exchange is to be maintained on another exchange, then the respective Exchange Broker with price determination responsibility on the Frankfurt Stock Exchange is obligated to notify the Exchange Broker with price determination responsibility at the exchange on which the Central Order Book is maintained of any orders at hand (Local Order Book) for the purpose of determining calculated prices. The details shall be determined by the Board of Management.
- (3) The Exchange Broker responsible according to paragraph (1) above shall be designated the Exchange Broker with Central Price Determination Responsibility; the Exchange Broker with notification responsibility pursuant to paragraph (2) shall be designated the Exchange Broker with Local Price Determination Responsibility.

§ 30a Price Determination and Execution of Orders in the Central Order Book Procedure

- (1) The Exchange Broker with Central Price Determination Responsibility shall communicate to the respective Exchange Broker with Local Price Determination Responsibility a price suggestion calculated on the basis of the orders at hand and those notified by the respective Exchange Broker with Local Price Determination Responsibility ("Aggregate Orders Position").
- (2) The Exchange Broker with Local Price Determination Responsibility shall be informed of the Aggregate Orders Position and shall adopt in the course of his or her price determination the price suggested by the Exchange Broker with Central Price Determination Responsibility. In the case of justified doubt as to the correctness of the suggested price, the Exchange Broker with Local Price Determination Responsibility can raise an objection with the Exchange Broker with Central Price Determination Responsibility. Further details shall be governed by the Conditions for Transactions on the Frankfurt Stock Exchange.
- (3) Those orders which can only be settled at two or more different exchange locations (§68 paragraph (2)) shall be notified by the Exchange Broker with Central Price Determination Responsibility to the Exchange Broker with Local Price Determination Responsibility at the exchange on which settlement is possible; the Exchange Broker with Local Price Determination Responsibility is obligated to accept the orders. Remaining orders which have been executed at the determined price shall become, in the form of Open Transactions Subject to Designation of the Counterparty, the responsibility of the Exchange Broker with Central Price Determination Responsibility and must, if necessary, be notified to him or her for this purpose by the Exchange Broker with Local Price Determination Responsibility.

§ 31 Determination of Prices in Special Cases

The Board of Management shall decide on the manner in which the determination of prices is to be conducted in special cases. This shall in particular apply to the commencement of the first Quotation of admitted securities in the Official Market (Introduction).

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§ 32 Procedure for the Determination of Prices

- (1) Prior to the determination of an Exchange Price, open outcry for the respective security shall take place.
- (2) The determination of an Exchange Price shall be carried out on the basis of orders at hand. A price shall be determined which would facilitate the greatest possible turnover and the greatest possible settlement of orders placed with the Exchange Broker. In addition, the Exchange Broker shall undertake to determine a price which in consideration of tendencies which have become apparent in the meantime results in the least possible deviation from the last quoted price.
- (3) Prior to the determination of an Exchange Price, the Exchange Broker shall announce a non-binding price indication on the basis of orders at hand or a binding transaction offer (buy and sell offers, spread) within which the price determination shall take place.
- (4) Before an Exchange Price is determined at which the Exchange Broker is prepared to enter into transactions, the price must first be announced through open outcry as a binding transaction offer.
- (5) The determination of an Opening Price must take place only if specific orders for such determination are at hand; otherwise, this shall remain at the discretion of the Exchange Broker.

§ 33 Addenda and Symbols in Connection with Price Determination

The Exchange Broker shall use the following addenda and symbols in the determination of prices as appropriate depending on the possibilities for execution of the orders at hand:

(1) Addenda

In the case of numbers 1 through 5, other than market buy and sell orders, all buy orders limited above the price determined and all sell orders limited below the price determined must be executed at the prices determined. The price addenda indicate the extent to which the buy and sell orders limited at the price determined could be executed.

1. b or price without addendum = bezahlt (paid): all orders were executed;
2. bG = bezahlt Geld (paid, bids): the buy orders limited at the price determined were not necessarily executed in full; there were additional bids;
3. bB = bezahlt Brief (paid, offers): the sell orders limited at the price determined were not necessarily executed in full; there were additional offers;
4. ebG = etwas bezahlt Geld (partially paid, bids): only a small portion of the buy orders limited at the price determined could be executed;
5. ebB = etwas bezahlt Brief (partially paid, offers): only a small portion of the sell orders limited at the price determined could be executed;
6. ratG = rationiert Geld (rationed, bids): the buy orders limited at and above the price determined and the market buy orders could only be executed in part;

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7. ratB = rationiert Brief (rationed, offers): the sell orders limited at and below the price determined and the market sell orders could only be executed in part;
8. * = asterisk: small amounts could not be traded in whole or in part.

(2) Symbols

In addition, the following symbols are used:

1. G = Geld (bids): there were no trades; only bids existed at this price;
2. B = Brief (offers): there were no trades; only offers existed at this price;
3. - = gestrichen (quotation cancelled): no price could be determined;
4. - G = gestrichen Geld (quotation cancelled, bids): no price could be determined; non-limit bids existed;
5. - B = gestrichen Brief (quotation cancelled, offers): no price could be determined; non-limit offers existed;
6. - T = gestrichen Taxe (quotation cancelled, estimated): a price could not be determined; the price is estimated;
7. - GT = gestrichen Geld/Taxe (quotation cancelled, bids/estimated): a price could not be determined because the price is estimated on the bid side;
8. - BT = gestrichen Brief/Taxe (quotation cancelled, offers/estimated): a price could not be determined because the price is estimated on the offer side;
9. ex D = nach Dividende (ex dividend): first quotation net of the dividend;
10. ex A = nach Ausschüttung (ex distribution): first quotation net of the distribution;
11. ex BR = nach Bezugsrecht (ex rights): first quotation after separation of the subscription right;
12. ex BA = nach Berichtigungsaktien (ex bonus shares): first quotation after change of the price quotation to the share capital adjusted from the issuer's funds;
13. ex SP = nach Splitting (after share split): first quotation after adjustment of the price quotation to reflect a share split;
14. ex ZS = nach Zinsen (ex interest): first quotation net of interest;
15. ex AZ = nach Ausgleichszahlung (ex settlement payment): first quotation net of a settlement payment;
16. ex BO = nach Bonusrecht (ex bonus right): first quotation after separation of a bonus right;
17. ex abc = ohne verschiedene Rechte (without various rights): first quotation after separation of various rights;

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- 18. ausg = ausgesetzt (suspended): the price quotation is suspended; an open outcry is not permitted;
- 19. - Z = gestrichen Ziehung (quotation cancelled, redemption): the quotation of the debt security has been suspended due to a date for a drawing for redemption. The suspension begins two Exchange days before the date fixed for the drawing and ends at the end of the following Exchange day;
- 20. C = Kompensationsgeschäft (compensating transaction): only those orders with respect to which purchaser and seller were identical were executed at this price;
- 21. H = Hinweis (note): separate reference is made to special matters.

Reduced-spread prices (gespannte Kurse) are not permissible, unless the Board of Management provides otherwise.

§ 34 Determination of Prices in Continuous Trading

- (1) Prior to the determination of an Exchange price, the Exchange Broker must make public the spread determined from bids and offers within which the determination of the price shall occur; the offers must be available to the trading participants and their acceptance must be possible. This does not apply if the Exchange Broker accepts offers and bids made public in the market.
- (2) The Exchange Broker must take the orders at hand into account in connection with the determination of prices in continuous trading.
- (3) The Board of Management may require that, with respect to all or certain securities, the Exchange Broker must, prior to the determination of an Exchange price, also provide the Exchange participants with the price of the purchase order with the highest limit and the sell order with the lowest limit.
- (4) Through the open outcry of a spread or of offer and/or bid prices, it is intended to balance the market with the smallest possible deviation from the most recent quoted price, taking into account the general trend.
- (5) The principles of §§ 28 through 31 and § 32 paragraph (2) as well as the Conditions for Transactions on the Frankfurt Stock Exchange apply in other respects mutatis mutandis.

§ 35 Announcement of Underlying Turnover

The Exchange Broker must promptly announce the price determined and the turnover achieved at such price through open outcry and by entry into the EDP system.

§ 36 Proprietary Transactions of Exchange Brokers

- (1) Proprietary transactions and Open Transactions Subject to the Designation of the Counterparty of the Exchange Brokers in respect of securities allocated to them may not operate to strengthen trends.

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- (2) Securities other than those allocated to the Exchange Brokers may only be traded by the Exchange Brokers if the price determination responsibility is not impaired thereby.

§ 37 Entry into the Exchange EDP System

- (1) All orders given to an Exchange Broker as well as the Exchange transactions entered into must promptly be input into the EDP system specified by the Board of Management, unless otherwise provided. Open Transactions Subject to the Designation of the Counterparty are also deemed to be Exchange transactions.
- (2) To the extent that a broker arranged or entered into the Exchange transaction, such broker is obligated to effect the input. If in doubt, in all other cases the seller of the securities has this obligation.
- (3) Proprietary transactions of the Exchange Brokers as well as the input of transaction data that could lead to proprietary or Open Transactions Subject to the Designation of the Counterparty of the Exchange Broker are to be identified separately for the EDP system.

§ 38 Measures in the Case of Doubt Concerning the Proper Determination of Exchange Prices and Concerning Large Price Fluctuations

- (1) If doubts exist concerning the proper determination of Exchange prices, the Exchange Supervisory Authority and the Trading Surveillance Office may demand a written declaration from the Exchange Broker concerning certain matters and investigate the facts through inspection of the daily journals and manuals of the Exchange Broker or of the EDP system or in other ways.
- (2) In the event of significant price fluctuations, the determination of prices is to be conducted in conjunction with the Trading Surveillance Office and with its consent.

§ 39 Publication of Prices

The Board of Management shall publish the officially-determined Exchange prices ("Official Prices", Kurse). The means and extent of the publication shall be notified by the Board of Management in advance.

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2. Subpart

Admission for Exchange Brokers, Committee of Exchange Brokers

§ 39 a Admission of Exchange Brokers, Revocation and Suspension of the Admission for Exchange Brokers

- (1) Credit institutions and financial services institutions may, upon application, be admitted as Exchange Brokers if such institutions and their Boards of Management possess the reliability necessary for exercising the price determination responsibility. The persons acting on behalf of the Exchange Brokers must be reliable and must have the qualification necessary for exercising the price determination responsibility.
- (2) The Exchange Broker shall prove, that he can, pursuant to § 27, ensure his obligations concerning the minimum requirements determined by the Board of Management for price determination by a limit control system.
- (3) Exercising the required discretion, the Board of Management shall decide on the admission of applicants.
- (4) In the event of gross neglect of duties, measures of the German Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) to ensure the liabilities of the Exchange Broker as well as on the basis of the provisions of the Administrative Procedure Act (Verwaltungsverfahrensgesetz), the Board of Management may revoke the admission. In urgent cases, the Board of Management may, with immediate effect, provisionally prohibit an Exchange Broker from participating in Exchange trading or order the suspension of the admission for a period of not more than six months.

§ 39 b Committee of Exchange Brokers

- (1) The Exchange Council shall establish a Committee of Exchange Brokers pursuant to § 29 of the Exchange Act. For this purpose, the Exchange Council shall appoint three members from among the Exchange Brokers and two members from among the other trading participants to become orderly members of the Committee of Exchange Brokers. The members of the Committee of Exchange Brokers shall determine a chairperson from among its members.
- (2) The members of the Committee of Exchange Brokers shall be appointed for a term of three years unless the Exchange Council expressly determines a shorter term. Reappointments are permissible.
- (3) The Exchange Council may appoint substitute members to the Committee of Exchange Brokers from among the Exchange Brokers and other trading participants. If an orderly member leaves the Committee of Exchange Brokers, the first substitute member belonging to the group of the departing member shall move up to become an orderly member of the Committee of Exchange Brokers for the remainder of the departing member's term of appointment. The Exchange Council shall determine the sequential order of the substitute members and shall decide upon the termination of their appointment as a substitute.
- (4) The Board of Management shall consult the Committee of Exchange Brokers in connection with the allocation of the price determination responsibility. Decisions of the Committee of Exchange Brokers shall be made by a simple majority of the votes cast by its members. In the event one or more members of the Committee of Exchange Brokers are unable to act as such, and in the case of a tie vote, the vote of the chairperson of the Committee of Exchange Brokers shall be decisive.

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3. Subpart

Distribution of Price Determinations

§ 39 c Scope of Applicability, Share Price Determinations of the official and regulated market

The provisions of §§ 39 c to 39 s regulate the prerequisites and the procedure for the allocation of price determinations (allocation procedure). They are to be applied to the allocation of share price determinations on the official and the regulated market. They shall not be applied to the allocation of price determinations for certificates and warrants as well as fixed-rate-securities and other securities on the official and regulated market and for securities traded on the regulated unofficial market of FWB.

§ 39 d Principles for the Allocation of Price Determinations

- (1) The Board of Management shall decide in consultation with the Committee of Exchange Brokers about the allocation of price determinations. In urgent cases, the Board of Management may take a preliminary decision on the allocation of price determinations without the prior consultation of the Committee of Exchange Brokers.
- (2) All Exchange Brokers, which apply for the assignment of price determinations, shall be treated equally.
- (3) No applicant shall be excluded from the function as an Exchange Broker on a continuing basis. Exchange Brokers which have not been assigned price determinations until reference date (§ 39 f paragraph 3) (New Exchange Brokers), shall be considered appropriately. In relation to the allocation of price determinations, it shall be preferred the applicant who, as regards the respective price determinations, seems to be more suitable in complying with the interests of the public and the trade at a regular Exchange trade, fast and smooth trading procedure.

§ 39 e Participants in the Allocation Procedure

All credit institutions and financial services institutions may participate in the allocation procedure, which are admitted as Exchange Brokers, pursuant to § 39 a, to FSE and which have submitted, according to § 39 f, an application for allocation of price determinations.

§ 39 f Application for Participation in the Allocation Procedure

- (1) The application for allocation of price determinations shall be submitted in writing to the Board of Management of FSE.
- (2) The application shall include those certificates necessary for the allocation of price determinations, especially as regards the admission as an Exchange Broker pursuant to § 39 a, the type and the date of price determinations that have previously been allocated – it shall be specified any information on existing and intended company law linkages with other Exchange Brokers admitted to FSE as well as any names and any professional qualifications of those persons, which actually attend brokerage and the settlement of exchange transactions within the allocated price determinations. Any references in relation to comparable activities at other domestic or foreign exchanges or organized markets may be attached to

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the application. The Exchange Brokers are obligated to add to the application appropriate documents which allow a valuation of their technical, human and financial resources. The Exchange Brokers shall furthermore indicate any preferences in relation to pending price determination groups to be allocated.

- (3) The application shall be notified at latest three months prior to the expiration of the termination of the existing price determination allocations (reference date) to the Board of Management; the expiration date of any existing price determination allocation shall be announced by the Board of Management at least 5 months before the expiration date.

39 g Notification

The intended reallocation of price determinations shall be notified publicly by the Board of Management of FSE. The notification shall be at least five months prior to the expiration of the existing allocation of price determinations by posting on the exchange floor as well as by publication in the prevalent daily newspapers located at FSE as well as by electronic publication on the websites of Frankfurt Stock Exchange, at <http://www.deutsche-boerse.com>. In the notification the price determinations to be allocated shall be specified. Furthermore, the authorization for participation, the term of application according to § 39 f paragraph 3 and form and content of the application shall be pointed out.

39 h Allocation Procedure

- (1) The allocation procedure begins on the business day that follows the reference date. It shall be concluded at latest one month prior to the expiration of the determined period of time of the price determinations to be allocated.
- (2) The allocation procedure consists of several dependent procedure parts (§§ 39 l to q) and shall be concluded by the assignment of the price determinations to be allocated to the participants of the allocation procedure.

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§ 39 i Division of the Applicants into Existing and New Exchange Brokers

- (1) At the beginning of the allocation procedure the Board of Management divides the Exchange Brokers which apply for the allocation of price determinations into Existing and New Exchange Brokers.
- (2) It shall be referred to as Existing Exchange Brokers those which attend price determinations allocated to them already on reference date.
- (3) New Exchange Brokers are admitted Exchange Brokers which have not been allocated price determinations by reference date.
- (4) Exchange Brokers which are on reference date personally or by company law linked with Existing Exchange Brokers shall not be considered as New Exchange Brokers. A linkage according to sentence 1 prevails especially in the case of a personal linkage amongst the management or supervisory body of an Exchange Brokers' company or if the capital share of an Existing Exchange Broker in a New Exchange Broker or vice versa amounts to at least 50%.

§ 39 j Formation of Price Determination Groups

- (1) For the allocation procedure groups for all price determinations to be assigned at FSE shall be formed.
- (2) For securities admitted to Prime Standard the division of the price determination groups is carried out according to industrial groups. The division corresponds with the respective actual index regulations. For the securities admitted to General Standard the price determination groups shall be formed according to the domicile of the country of the issuer of the respective security. Price determination groups which have a market share of more than 3% relating to all at FSE's price determinations to be allocated and to which more than 5 price determinations are allocated, shall be divided into at least two subgroups, provided that the market shares of the respective price determinations contained in the specific price determinations permit.
- (3) To the price determination group shall be allocated a point score according to their share in the order book turnover of all share price determinations of the Official and Regulated Market.
- (4) The Board of Management may also change the division of price determinations into price determination groups during the determined allocation period of time, provided that possible reallocations of a single value between and within the industrial and country groups require such.

§ 39 k Allocation of Assignment Points

- (1) After creation of price determination groups, the Board of Management shall assign a credit balance of 100.000 points (assignment points) to the applying Exchange Brokers.
- (2) The minimum total amount of assignment points to be allocated to any existing Exchange Brokers shall amount to 91.000 points. The amount of assignment points to be allocated to an existing Exchange Broker shall result, in general, based on the minimum of assignment points to be allocated to all existing Exchange Brokers by taking into consideration the market share and professional performance pursuant to paragraph 4. Provided that by this means less than 3.000 assignment points would account for a

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single existing Exchange Broker, he shall not be allocated such assignment points. Provided that by this means more than 40.000 assignment points account for a single existing Exchange Broker, he shall not be allocated any assignment points exceeding the before mentioned amount. Any assignment points which have not been allocated pursuant to sentence 3 and 4 shall be allocated on a pro-rata basis to the other existing Exchange Brokers who are not concerned by the measures set forth in sentence 3 or 4, by taking into account the before mentioned ceiling of 40.000 assignment points. The ceiling of 40.000 assignment points shall not only apply for individual Exchange Brokers, but also for Exchange Brokers linked with each other pursuant to §39 i paragraph 4.

- (3) It shall be referred to as New Exchange Broker any Exchange Broker who has not been allocated any assignment points pursuant to paragraph 2 sentence 3.
- (4) As regards Existing Exchange Brokers, assignment points to be allocated shall be generated according to the sum of valuation points based on the evaluation of their market share and current professional efficiency. At least 68.250 valuation points shall be available for the assignment process on 1 July 2005 by taking into consideration the market share (75% of all assignment points) as well as at least 22.750 valuation points for taking into consideration the professional efficiency (25% of all assignment points).
 - (a) The number of valuation points for the market share of an Exchange Broker shall be determined based on the determination of the respective order book turnover. For the assignment process on 1 July 2005, the determination of the market share shall take place for the period 1 January 2004 to 31 December 2004. As regards any subsequent assignment processes, the period in which the market share will be determined shall be announced by the Management Board to the Exchange Brokers before determination.
 - (b) The number of valuation points for the professional efficiency of an Exchange Broker shall be calculated by the measurement of quality of price determination in connection with the number of the price determinations in the order books affected by the measurement of quality of price determination. For the assignment process on 1 July 2005, the determination of the professional efficiency shall take place considering the period 1 February 2005 to 31 March 2005. As regards any subsequent assignment processes, both, the period in which the professional efficiency of an Exchange Broker is determined and any criteria in connection with such determination shall be announced by the Management Board to the Exchange Brokers before determination.
 - (c) The Board of Management may determine any additional appropriate criteria for the allocation of valuation points and the part of the latter in the entire number of assignment points as regards any assignment processes which shall be executed after 1 July 2005. Any criteria and the part of valuation points in the entire number of assignment points relevant for the assignment process shall be announced by the Management Board to the Exchange Brokers beforehand.
- (5) The Board of Management shall admit up to three New Exchange Brokers for the group of new Exchange Brokers upon appropriate determination of their capabilities. New Exchange Brokers shall be assigned 3.000 assignment points if, due to their technical, personal and financial resources and their professional experience, they justify the prospects that during their future activities as Exchange Broker they render a professional efficiency corresponding at least to the average of the efficiency of already Existing Exchange Brokers.
- (6) If assignment points have not been allocated or have not been allocated completely, the remaining assignment points shall be allocated pro rata to those Exchange Brokers who are not concerned by the

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measures set forth in paragraph 2 sentences 3 and 4 by taking into consideration the ceiling of 40.000 assignment points.

§ 39 l Consolidation of Companies acting as Exchange Brokers

- (1) Transfer and selling of valuation and assignment points amongst Exchange Brokers shall not be permitted.
- (2) If business of an Exchange Broker has been transferred to the company of another Exchange Broker and the respective price determinations were to be assigned to another Exchange Broker by the Board of Management of FSE within the period of the limited assignment of price determinations and at the latest at the reference date of a allocation process, the Board of Management of FSE shall take into consideration for the coming allocation process such data of the concerned Exchange Brokers to be used for the determination of the valuation and assignment points in consolidated form for the applying Exchange Broker.
- (3) Any linkage pursuant to § 39 l paragraph 4 as well as any existence of a matter set forth in paragraph 2 and the termination of a company of an Exchange Broker shall be notified to the Board of Management in a written and legally binding form by the concerned Exchange Broker.

§ 39 m Provisional Price Determination Allocation Plan for the Allocation of Price Determinations as of 1 July 2005

- (1) Based on the assignment points allocated to each Exchange Broker, the Board of Management shall generate a provisional price determination allocation plan in which the price determination groups to be assigned to the individual Exchange Brokers shall be provisionally determined.
- (2) Within the framework of the provisional price determination allocation plan, price determination groups to be distributed shall be determined as a first step in the following order:
 - a) Any preferred price determination groups shall be provisionally assigned to a New Exchange Broker pursuant to §39 f paragraph 2 sentence 3 if there is no Existing Exchange Broker whose order book turnover holding (Orderbuchumsatzanteil) is more than 50% within the price determination group in question or whose order book turnover within the price determination group in question exceeds 20% of its total order book turnover.
 - b) Any remaining price determination groups shall be provisionally distributed to the existing Exchange Brokers starting with the biggest price determination group to be determined according to its order book turnover. Price determination groups shall be provisionally distributed to an Exchange Broker whose order book turnover holding multiplied with the result of the determination of his professional efficiency – relating to the individual price determinations within the group he is responsible for – shows the highest amount.
- (3) The provisional assignment of a price determination group to an Exchange Broker shall require that the respective Exchange Broker has a credit of assignment points corresponding to the amount of assignment points accounting for the respective price determination group. With every provisionally assigned price determination group, the credit of assignment points of the respective Exchange Broker shall be reduced by the number of assignment points corresponding to the value of points provisionally assigned to the price determination group. If the Exchange Broker with the highest amount pursuant to

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paragraph 2 lit b) sentence 2 has not sufficient assignment points, the respective price determination group shall be provisionally assigned to those Exchange Brokers who, according to paragraph 2 lit b) sentence 2, have the nearest highest amount if they have a credit of assignment points which is higher than the amount of the respective price determination group.

- (4) Those price determination groups which have not been provisionally distributed shall, as a second step, be provisionally distributed to an Exchange Broker with the highest remaining credit of assignment points starting with the biggest price determination group to be determined according to the order book turnover listed according to the size if the Exchange Brokers remaining credit of assignment points does not fall below the amount of the respective price determination group for more than 100 points. If the credit of assignment points of the Exchange Broker with the highest remaining credit of assignment points is not sufficient, pursuant to sentence 1, to purchase the biggest price determination group for a provisional allocation, the Exchange Broker shall nevertheless be provisionally assigned the respective price determination group provided that:
- a) the entire initially assigned credit of assignment points of the respective Exchange Broker is sufficient for the purchase of the respective price determination group
and
 - b) the respective Exchange Broker has already been assigned smaller price determination groups so that during the assignment of the respective price determination group, existing deficits of assignment points could be compensated by a removal of before mentioned smaller price determination groups. In this case, compensation shall be carried out by successively including the respective smaller price determination groups into the provisional allocation process and to allocate to the assigned value of points of the smaller price determination group to the credit of assignment points of the respective Exchange Broker until the deficit of assignment points of the price determination group to be assigned pursuant to sentence 1 is removed or until it does not fall for more than 100 points. The new admission of before mentioned smaller price determination groups into the provisional allocation process shall be made according to price determination groups starting with those in which the respective Exchange Broker has shown the worst professional efficiency.

§ 39 n Provisional Price Determination Allocation Plan for the Allocation of Price Determinations after 1 July 2005

- (1) Any future allocation processes shall precede a reallocation of assignment points not only to existing but also to new Exchange Brokers pursuant to § 39 k paragraph 1 which provides a basis for any subsequent provisional allocations of price determinations.
- (2) During a first dependent step within the allocation process any price determination groups created pursuant to § 39 j during the previous allocation processes shall be examined and, where required, recreated. If previous price determination groups remain unchanged, they shall, in principle, be assigned to the respective Exchange Broker who has been responsible for such group before.
- (3) Notwithstanding paragraph 2, Existing Exchange Brokers shall not be provisionally assigned the respective price determination group if their credit of assignment points is not sufficient to be provisionally reassigned the present price determination group the existing Exchange Broker is currently responsible for (deficit of assignment points).

Exchange Brokers having a deficit of assignment points shall only be provisionally assigned those price

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determination groups in which they achieved the best result as regards the determination of the professional efficiency until the allocated assignment points are no longer sufficient to be provisionally assigned an additional price determination group. If hereafter the respective Exchange Broker has a credit of allocated assignment points, the latter shall be used pursuant to the following provisions in relation to subsequent provisional assignment of price determination groups.

- (4) Price determination groups which hereafter have not been provisionally assigned yet shall be provisionally assigned to the New Exchange Brokers according to their preferences if the respective Exchange Brokers dispose of a sufficient credit of allocated assignment points. If more than one Exchange Broker have indicated the same preference as regards a price determination group and if no common agreement has been achieved between the respective Exchange Brokers, the Board of Management shall decide on the provisional assignment according to their legal (obliging) discretion
- (5) Price determination groups which hereafter have not been provisionally assigned yet, shall be assigned to the Existing Exchange Brokers (according to the order book turnover) starting with the biggest price determination group. The price determination group to be assigned provisionally shall be assigned to the Exchange Broker who pursuant to paragraph 4 relating to provisional allocation holds the biggest surplus of points in relation with assignment points, if such remaining credit of assignment points does not fall below the amount of the respective price determination group for more than 100 points. If the prerequisites set forth in sentence 2 do not exist, the Exchange Broker shall nevertheless be assigned the respective price determination group provided that:
 - a) the entire initially assigned credit of assignment points of the respective Exchange Broker is sufficient for the purchase of the respective price determination group
and
 - b) the respective Exchange Broker has already been assigned smaller price determination groups so that during the assignment of the respective price determination group, existing deficits of assignment points could be compensated by a removal of before mentioned smaller price determination groups. In this case, compensation shall be carried out by successively including the respective smaller price determination groups into the provisional allocation process and to allocate to the assigned value of points of the smaller price determination group to the credit of assignment points of the respective Exchange Broker until the deficit of assignment points of the price determination group to be assigned pursuant to sentence 1 does excess for more than 100 points. The new admission of before mentioned smaller price determination groups into the provisional allocation process shall be made according to price determination groups starting with those in which the respective Exchange Broker has shown the worst professional efficiency.

§ 39 o Hearing Procedure

- (1) Subsequent to the setting up of the provisional price determination allocation plan, a hearing of the individual Exchange Brokers in relation to the planned allocation of price determination groups shall take place. Applicants shall have the opportunity to comment on the determination of the provisional price determination allocation plan within a week. Objections after expiration of before mentioned deadline shall not be permitted.

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- (2) Any relevant information in relation to the hearing shall be made available to the Exchange Brokers participating in the allocation process before such hearing.

§ 39 p Final Price Determination Allocation Plan

After conclusion of the hearing procedure pursuant to § 39 o and after comment of the Committee of Exchange Brokers pursuant to § 39 b paragraph 4, the Board of Management shall decide on the final price determination allocation plan. If, during the hearing procedure or due to the comment of the Committee of Exchange Brokers, the Board of Management becomes aware of any circumstances confirming that Exchange Brokers, different from those foreseen in the provisional price determination plan, seem to be more suitable in complying, in particular, with the interests of the public and the trade at a regular Exchange trade, at a high performance Stock Exchange, credit and financial service institutions admitted for price determination, the Board of Management may correct the provisional price determination allocation plan. If, due to the hearing procedure, after comment of the Committee of Exchange Brokers or otherwise, the Board of Management becomes aware of facts as a result of which the price determinations are no longer available for final allocation pursuant to § 39 q at or after the point of time of decision, the preliminary price determination allocation plan shall be corrected accordingly by the Board of Management. Otherwise the provisional price determination allocation plan shall be applicable.

§ 39 q Decision about the Allocation of the Price Determination

- (1) Based on the final price determination allocation plan, the Board of Management of FWB Frankfurter Wertpapierbörse (the Frankfurt Stock Exchange) shall decide on the final allocation of price determinations. Such decision shall be taken in consultation with the Committee of Exchange Brokers. In urgent cases, the Board of Management may preliminarily decide upon the allocation of individual price determinations without initialising the consultation. Any respective price determination shall be allocated to the Exchange Brokers pursuant to § 27 paragraph 1 sentence 1 German Stock Exchange Act after having decided on the allocation of the respective price determination groups. If, after setting up of the final price determination allocation plan (§ 39 p), some price determinations are temporarily or permanently not available for legal or factual reasons, the allocation of the other price determinations is not affected.
- (2) Until the final decision pursuant to paragraph 1, the Board of Management of FSE may temporarily allocate the price determinations. Such temporary allocation is not subject to the regulations of Sections 39 h through 39 p.
- (3) Allocation shall be limited. It shall be executed at a maximum for the period of five years.
- (4) Allocations may be provided with incidental provisions pursuant to § 36 of the Hessian Administrative Procedure Act.
- (5) Any decisions taken pursuant to paragraph 1 and paragraph 2 shall be justified, provided with an instruction on appeal procedures and shall be made public to the participants of the allocation process according to the provisions set forth in the Hessian Administrative Procedure Act.

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- § 39 r Reallocation of Price Determinations within the determinable Allocation Timeframe of Price Determinations that have already been distributed

- (1) Any new price determination arising due to the admission for exchange trade of new securities in the official or regulated market, shall be allocated to a respective group divided into industries and countries and the respective Exchange Broker acting in such industry and country for a determined period of time until the next date of the allocation process.
- (2) If there are any sub groups in a price determination group pursuant to § 39 paragraph 2, the respective price determination shall be allocated for a determined period of time until the next date of the allocation process to the Exchange Broker who, in the respective sub group compared to other Exchange Brokers in other groups has gained a better professional efficiency.
- (3) If the Board of Management is or becomes aware of any circumstances confirming that Exchange Brokers, different from those foreseen in paragraph 1 or 2, seem to be more suitable in complying, in particular, with the interests of the public and the trade at a regular Exchange trade, at a high performance Stock Exchange, credit and financial service institutions admitted for price determination, the Board of Management may, according to its legal discretion, assign price determinations to a before mentioned Exchange Broker for a determined period of time until the next date of the allocation process.
- (4) The procedure pursuant to paragraph 1, 2 or 3 shall be applicable to any cases in which price determinations are allocated into another group divided into industries and countries due to reallocation.

§ 39 s Cancellation of Price Determinations

- (1) The Board of Management may, in case the determined minimum requirements for the price determination of securities assigned to this Exchange Broker have repeatedly fallen, cancel, after whose previous hearing and in consultation with the Committee of Exchange Brokers, one or more price determination groups.
- (2) In case of a cancellation of a price determination group pursuant to paragraph 1, all existing Exchange Brokers may apply for the reallocation of the respective price determination group. It shall be assigned a price determination group for a determined period of time until the next date of the allocation process to such Exchange Broker who, within the last three calendar months preceding the month in which cancellation of price determinations has been taken place, gained the best result in relation to the determination of professional efficiency.
- (3) If the Board of Management becomes aware of any circumstances confirming that Exchange Brokers, different from those foreseen in paragraph 1, seem to be more suitable in complying, in particular, with the interests of the public and the trade at a regular Exchange trade, at a high performance Stock Exchange, credit and financial service institutions admitted for price determination, the Board of Management may, according to best judgement, assign the respective price determination group to such Exchange Broker for a determined period of time until the next date of the allocation process.

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§ 40 Scope of application, other price determination groups of the official and regulated market

The provisions set forth in §§ 40 a to 40 l shall determine the requirements and the process in relation to the allocation of price determination groups (allocation procedure) containing securities of the official and regulated market which are not included in the provisions set forth in § 39 c.

§ 40 a Principles for the Allocation of Price Determinations

- (1) The Board of Management shall decide on the allocation of price determinations in accordance with the Committee of Exchange Brokers. In urgent cases, the Board of Management may take a preliminary decision on the allocation of price determinations without having reached an agreement with the Board of Management.
- (2) All Exchange Brokers applying for the assignment of price determinations shall be equally treated.
- (3) No applicant shall be excluded from the function of an Exchange Brokers on a continuing basis. Exchange Brokers, who have not been allocated any price determination by the reference date (§ 40 c paragraph 3) (new Exchange Brokers) shall be considered adequately. When allocating price determinations it shall be preferred the applicant who, in relation to the respective price determination(s), seems to be more suitable in complying with the interests of the public and the smooth trade at a regular Exchange trade, at a high performance Stock Exchange.

§ 40 b Participants of the allocation procedure

Any credit institution and financial services institution which are admitted as Exchange Brokers, pursuant to § 39 a, to the Frankfurt Stock Exchange and which have submitted, according to § 39 f, an application for allocation of price determinations may participate in the allocation procedure.

§ 40 c Application for participation at allocation procedures

- (1) The application for the allocation of price determinations shall be filed in writing with the Board of Management of the Frankfurt Stock Exchange.
- (2) The application shall include those certificates necessary for the allocation of price determinations, especially as regards the admission as an Exchange Broker pursuant to § 39 a, the type and date of price determinations that have previously been allocated – it shall be specified any information on existing and intended company law linkages with other Exchange Brokers admitted to FSE as well as any names and any professional qualifications of those persons, which actually effect the trading in the allocated price determinations. Any references in relation to comparable activities at other domestic or foreign exchanges or organized markets may be attached to the application. The Exchange Brokers shall add to the application appropriate documents which allow a valuation of their technical, human and financial resources.
- (3) In relation to the allocation of price determinations which had not already been allocated to an Exchange Broker at the time the application was filed, the Exchange Broker shall attach to the application a written proof of the issuer agreement as regards the respective securities and the activities to be carried out by the Exchange Broker (e.g. brokerage services and price determination services, quotation activities). If an agreement with the issuer cannot be reached or if it comes to an agreement due to disproportional

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means by the Exchange Broker (EB has provoked an...) it shall be attached to the application a certificate proving the agreement of the lead manager of the respective security.

- (4) The application shall be filed with the Board of Management at the latest two months prior to the expiration of the deadline of the existing price determination allocations (reference date); the expiration date of any existing price determination allocation shall be announced by the Board of Management, pursuant to § 40 d, at least 3 months prior to the expiration date.

§ 40 d Notification

Any intended re-allocation of price determinations shall be announced officially by the Board of Management of the Frankfurt Stock Exchange. Such notification shall be made at least three months before expiration of the deadline of the existing price determination allocations by posting on the Exchange floor, by publication in the prevalent daily newspapers located at Frankfurt Stock Exchange and by electronic publication on the websites of Frankfurt Stock Exchange at <http://www.deutsche-boerse.com>. In the notification it shall be specified any price determination to be allocated. It shall furthermore be referred to the participation authorisation, the application period limit pursuant to § 40 c paragraph 4 as well as to the application form and content.

§ 40 e Allocation procedure

- (1) The allocation procedure shall start on the business day following the reference date. It shall be closed at the latest one month prior to the expiration of the deadline of the price determinations to be allocated.
- (2) The allocation procedure shall consist of several dependant stages (§§ 40 f until 40 j) and shall be closed with the assignment of price determinations to be allocated to the participants of the allocation procedure.

§ 40 f Division of applicants into groups of Existing and New Exchange Brokers

- (1) At the beginning of the allocation procedure, the Board of Management shall subdivide any Exchange Brokers applying for the allocation of price determinations into groups of Existing and New Exchange Brokers.
- (2) It shall be referred to as Existing Exchange Broker any Exchange Broker who, at the reference date, already attend allocated price determination groups at the Frankfurt Stock Exchange.
- (3) It shall be referred to as new Exchange Broker any admitted Exchange Broker who, at the reference date, has not been allocated any price determination yet.

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§ 40 g Provisional price determination allocation plan

- (1) The Board of Management shall arrange for the allocation of price determinations in relation to the securities indicated in § 40 into the group of existing Exchange Brokers and the group of new Exchange Brokers according to its legal discretion by taking into consideration any criteria established for securities pursuant to § 27 paragraph 3 sentence 2 to 4.
- (2) The Board of Management may, besides this, consider in its decision taking as regards the allocation of price determinations the market share of an Exchange Broker in the price determinations to be allocated as well as the particular circumstances affecting the price determination of such securities. In this context, the Board of Management shall particularly consider the quality and efficiency to be expected in relation to an agreement with the issuer or the lead manager of the respective security required within the framework of a price determination by the Exchange Broker. If Exchange Brokers do not have a considerable market share in the price determinations to be allocated, the Board of Management shall consider any circumstances in which new Exchange Brokers, due to their technical, personal and financial resources and their professional experience, justify the prospects that during their future activities as Exchange Broker, they render a professional efficiency corresponding at least to the average of the efficiency of already existing Exchange Brokers. The Board of Management shall announce in time to the Exchange Brokers the period in which the market share of an Exchange Broker is determined as well as any criteria following such determination.
- (3) Based on the decision of the Board of Management according to legal discretion pursuant to paragraph 1 and 2, the Board of Management shall generate a provisional price determination allocation plan in which price determination groups to be allocated to the individual Exchange Brokers shall be provisionally determined.

§ 40 h Hearing procedure

- (1) Subsequent to the setting up of the provisional price determination allocation plan, a hearing of the individual Exchange Brokers in relation to the planned allocation of price determination groups shall take place. Applicants shall have the opportunity to comment on the determination of the provisional price determination allocation plan within a week. Objections after expiration of before mentioned deadline shall not be permitted.
- (2) Any relevant information in relation to the hearing shall be made available to the Exchange Brokers participating in the allocation procedure before such hearing.

§ 40 i Final Price Determination Allocation Plan

After conclusion of the hearing procedure pursuant to § 40 h and after comment of the Committee of Exchange Brokers pursuant to § 39 b paragraph 4, the Board of Management shall decide on the final price determination allocation plan. If, during the hearing procedure or due to the comment of the Committee of Exchange Brokers, the Board of Management becomes aware of any circumstances confirming that Exchange Brokers, different from those foreseen in the provisional price determination plan, seem to be more suitable in complying, in particular, with the interests of the public and the trade at a regular Exchange trade, at a high performance Stock Exchange, credit and financial service institutions admitted for price determination, the Board of Management may correct the provisional price determination allocation plan. If, due to the hearing procedure, after comment of the Committee of Exchange Brokers or otherwise, the Board of Management becomes aware of

facts as a result of which the price determinations are no longer available for final allocation pursuant to § 40 j at or after the point of time of decision, the preliminary price determination allocation plan shall be corrected accordingly by the Board of Management. Otherwise the provisional price determination allocation plan shall be applicable.

§ 40 j Decision on the allocation of price determinations

- (1) Based on the final price determination allocation plan, the Board of Management of FWB Frankfurter Wertpapierbörse (the Frankfurt Stock Exchange) shall decide on the final allocation of price determinations. Such decision shall be taken in consultation with the Committee of Exchange Brokers. In urgent cases, the Board of Management may preliminarily decide upon the allocation of individual price determinations without initialising the consultation. Any respective price determination shall be allocated to the Exchange Brokers pursuant to § 27 paragraph 1 sentence 1 German Stock Exchange Act after having decided on the allocation of the respective price determination groups. If, after setting up of the final price determination allocation plan (§ 40 i), some price determinations are temporarily or permanently not available for legal or factual reasons, the allocation of the other price determinations is not affected.
- (2) Until the final decision pursuant to paragraph 1, the Board of Management of FSE may temporarily allocate the price determinations.
- (3) Allocation shall be limited. It shall be executed at a maximum for a period of five years.
- (4) Zuteilungen können mit Nebenbestimmungen nach § 36 des Hessischen Verwaltungsverfahrensgesetzes versehen werden.
- (5) Any decisions taken pursuant to paragraph 1 and paragraph 2 shall be justified, provided with an instruction on appeal procedures and shall be made public to the participants of the allocation procedure according to the provisions set forth in the Hessian Administrative Procedure Act.

§ 40 k Reallocation of Price Determinations within the determinable Allocation Timeframe of Price Determinations that have already been allocated

- (1) Any new price determination arising due to the admission for exchange trade of new securities in the official or regulated market pursuant to § 40, shall always be allocated to the respective Exchange Broker who is already in charge for price determinations of the respective issuer and of such kind: such allocation being temporary until the next allocation procedure date. In case the issuer of the respective share has, differing from this principle, declared his approval in favour of another Exchange Broker, the respective price determination shall be allocated to said Exchange Broker pursuant to § 40 c paragraph 3 for a determined period of time until the next date of the allocation date.

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- (2) If the Board of Management becomes aware of any circumstances confirming that Exchange Brokers, different from those foreseen in paragraph 1, seem to be more suitable in complying, in particular, with the interests of the public and the trade at a regular Exchange trade, at a high performance Stock Exchange, credit and financial service institutions admitted for price determination, the Board of Management may, according to its legal discretion, assign price determinations to a before mentioned Exchange Broker for a determined period of time until the next date of the allocation procedure.

§ 40 I Cancellation of Price Determinations

- (1) The Board of Management may, in case the determined minimum requirements for the price determination of securities assigned to an Exchange Broker have repeatedly fallen, cancel, after a previous warning notice and in consultation with the Committee of Exchange Brokers, one or more price determination groups.
- (2) The price determination shall be allocated to the respective existing or new Exchange Broker providing evidence by a written agreement or an approval of a company pursuant to § 40 c paragraph 3 for a determined period of time until the next date of the allocation procedure.
- (3) If the Board of Management becomes aware of any circumstances confirming that Exchange Brokers, different from those foreseen in paragraph 1, seem to be more suitable in complying, in particular, with the interests of the public and the trade at a regular Exchange trade, at a high performance Stock Exchange, credit and financial service institutions admitted for price determination, the Board of Management may, according to its legal discretion, assign the respective price determination group to such Exchange Broker for a determined period of time until the next date of the allocation procedure.

VIII Part
Securities Transactions in the Electronic Trading System

1. Subpart
General Provisions

§ 41 Electronic Trading System

- (1) Securities may be traded in an electronic trading system of the Frankfurt Stock Exchange subject to a resolution of the Board of Management. The securities must be listed on the Frankfurt Stock Exchange for trading with Official Quotation, in the Regulated Market or in the Regulated Unofficial Market (Freiverkehr). The Board of Management must inform issuers concerning the inclusion of securities in an electronic trading system.

- (2) Using objective criteria such as, in particular, the type of security and the average trading volume, the Board of Management may allocate the securities which can be traded in an electronic trading system to individual trading segments for which uniform conditions for trading shall be determined. For securities that are traded in these trading segments (Main Market), the Board of Management may establish an additional trading segment exclusively for orders of a specific minimum volume (Block Trading). This shall not affect the market segmentation pursuant to the Stock Exchange Act.

§ 41 a Exchange Hours, Trading Phases

- (1) The Exchange hours are divided into three consecutive phases:

- the Pre-Trading Phase,
- the Main Trading Phase,
- and the Post-Trading Phase.

During the Trading Phases, orders can be entered, changed or cancelled in the electronic trading system. The Exchange hours for the commencement and end of the individual phases shall be determined by the Board of Management for all securities. The Board of Management may extend or reduce the Exchange hours and postpone or advance the commencement of the individual phases on any particular Exchange day to the extent necessary to maintain orderly trading conditions or for reasons relating to the electronic trading system.

- (2) During the Pre-Trading Phase, the order book shall remain closed. In the case of securities to be determined by the Board of Management, in particular warrants, the entry of indicative quotations pursuant to § 23 b paragraph (1) shall continue to be possible.
- (3) The Pre-Trading Phase is followed by the Main Trading Phase during which securities can be traded continuously or in continuous auctions and in one or more auctions pursuant to § 44 a, § 44 b and § 44 c. The Board of Management shall decide upon the nature and manner of trading in the individual securities, in particular the number of auctions per day, whether said auctions shall be carried out with the order book closed or open (§ 44 a paragraph 1), and the inclusion of securities in continuous trading or the continuous auction.
- (4) At the end of the Main Trading Phase, the electronic trading system shall continue to be available to the trading participants in the Post-Trading Phase for data entry; paragraph (2) shall apply accordingly.

§ 42 Suspension, Discontinuance and Interruption of Trading

For trading in the electronic trading system, § 25 shall apply accordingly.

§ 43 Documentation and Publication of Prices, Use of Data

- (1) The trading data, particularly the Exchange prices and the pertinent turnovers shall be stored in the EDP system of the Exchange.
- (2) The Exchange prices at which Exchange transactions were entered into shall be published. Means and extent of the publication shall be notified by the Board of Management in advance. The Exchange prices

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at which transactions were entered into in the Block Trading segment shall be published at the end of the respective trading day.

- (3) Data and information received from the electronic trading system may be used by the trading participants only for trading and settlement purposes. Such data and information may not be passed on to third parties without the consent of the Board of Management.

§ 44 Determination and Monitoring of Prices; Reference Price

- (1) Exchange prices shall be determined through the electronic trading system. The Board of Management shall ensure that the prices are determined in an orderly manner.
- (2) Two reference prices shall be determined as the basis of various calculations, in particular the determination of the price ranges within which orders can be matched to bring about transactions in the auction and in continuous trading. The first reference price shall correspond to the last price determined on the same trading day, or otherwise the last price determined in the system on a preceding trading day.

The second reference price shall correspond, as a general rule, to the price determined in the first auction or a following auction on the same trading day, or otherwise to the last price determined in the system on a preceding trading day. If the determination of a reference price in line with market conditions pursuant to sentence 2 or 3 is not possible, the Board of Management shall determine such price according to an implementation regulation to be issued by it.

2. Subpart

Auction, Continuous Trading, Continuous Auction and Block Trading

§ 44 a Auction and Continuous Trading

- (1) In the auction the price shall be determined on the basis of the limit and market orders in existence at a particular time such that the largest volume of orders can be executed with a minimal overhang; the execution of market orders shall have priority.

The auction is subdivided into announcement, price determination and, to the extent that there is an overhang of unexecuted orders, market settlement. Contrary to sentence 2, the Board of Management may establish that there will be no market settlement in the case of securities determined by it by using objective criteria. If orders may be executed with one another in an auction in which the order book is closed, a potential execution price shall be displayed which is determined on the basis of subparagraph 1. In addition, the volume of orders which may possibly be executed, an overhang of orders that may possibly exist as well as the volume thereof shall also be displayed upon the instruction to do so by the Board of Management. In an auction in which the order book is open, sentences 5 and 6 shall apply accordingly and the aggregate order volume of the respective bid and/or offer limits shall also be displayed. If there are no orders that may be executed with one another, the best bid and/or offer limit shall be displayed as well as, upon the instruction to do so by the Board of Management, the aggregate order volume.

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Any overhang of unexecuted orders which remains after completion of the price determination can be executed during the market settlement phase by entering corresponding orders at the auction price. During a period to be determined by the Board of Management, only the Designated Sponsors are entitled to accept the unexecuted orders in the securities allocated to them. This right is limited to the minimum volume for quotes or such integral multiple thereof as determined by the Board of Management.

- (2) Continuous trading shall begin with an opening auction which shall be carried out pursuant to paragraph (1). During continuous trading, the prices shall be determined by matching orders at the best respective bid and/or offer limit as shown in the order book or, if the prices are the same, in the chronological order in which they were entered into the system (price-time priority); the execution of market orders shall have priority. All existing orders shall be displayed in aggregate form at the respective limit (open order book).
- (3) In order to carry out intraday auctions, continuous trading shall be interrupted for the duration of the auction. In the announcement preceding the auction, the existing orders for the auction and continuous trading shall be brought together to create a single order situation; otherwise paragraph (1) shall apply accordingly.
- (4) Continuous trading shall end with a closing auction which is subject mutatis mutandis to the provisions of paragraph (1).
- (5) The details shall be regulated in the Conditions for Transactions on the Frankfurt Stock Exchange.

§ 44 b Continuous Auction

- (1) In the continuous auction warrants and other securities, with respect to which such form of trading appears to be appropriate for the orderly conduct of trading, may be traded on the Exchange as determined by the Board of Management.
- (2) In the continuous auction the price shall be determined on the basis of the limit and market orders in existence at a particular time such that, corresponding to or within the bid and/or offer limit provided by the quote of the Designated Sponsor, the largest volume of orders can be executed with a minimal overhang; the execution of market orders shall have priority. The continuous auction shall take place in a manner such that after the end of an auction the next auction will immediately commence.
- (3) The continuous auction is subdivided into pre-announcement, announcement, price determination and, to the extent that there is an overhang of unexecuted orders, market settlement; § 44 a paragraph (1) sentence 3 and sentences 9 to 10 shall apply accordingly. During the pre-announcement phase, the orders contained in the order book are continuously checked whether they may possibly be executed within the bid and/or offer limits of the Designated Sponsor resulting from the respective indicative quotation. Orders may be entered, changed or cancelled. If the order book contains orders, which may possibly be executed with one another or with an indicative quotation, the Designated Sponsor shall enter a quote after receipt of a respective notice through the trading system. The bid/offer limit of the quote should be equal to or narrower than the indicative quotation entered before. If the Designated Sponsor has entered a quote on the basis of a manual quote request or if orders may possibly be executed with one another after receipt of a quote, the announcement phase will commence. The quotes shall not be changed or cancelled during a period determined by the Board of Management. If orders may be executed with one another, a potential execution price shall be displayed; § 44 a paragraph (1) sentence 6 shall apply accordingly. If this is not the case, the best bid and / or offer limit shall be

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displayed; § 44 a paragraph (1) sentence 8 shall apply accordingly. The prices shall be determined pursuant to paragraph (1).

- (4) In the continuous auction for securities, the indicative quotations entered by the Designated Sponsor shall specify the quantities of its offer and bid. The Designated Sponsor shall be obliged to enter into transactions, in the scope of its quote, for at least these specified quantities.

§ 44 c Block Trading

- (1) In the Block Trading segment, auctions will be held during the periods determined by the Management Board. Only orders that meet the minimum volume requirements for the respective security, as determined by the Management Board, shall be admitted to such auctions.
- (2) In the auctions, only those prices are determined that are based on the arithmetic mean of the respective security's best bid and offer price, as reflected at that same time in the main market's order book (midpoint).
- (3) The auction is subdivided into pre-announcement, announcement and price determination. During the auction, the respective midpoint will be displayed as the potential execution price. The order book shall remain closed. During the pre-announcement phase, the orders contained in the order book are continuously checked whether they may possibly be executed at midpoint. The announcement phase shall be initiated upon a market order or a limited order being entered in the order book, such limited order – if it is a sell order – being limited below or – if it is a buy order – being limited above the price limit determined by the Management Board in consideration of the Midpoint current at the respective point in time. The execution of orders having the largest lot size shall have priority in each case or, in the event the lot size is the same, in the chronological order in which they were entered into the system (volume-time priority).
- (4) Admission to participate in Block Trading will be granted upon written application to the Management Board. As a prerequisite for participation in block trading, the Management Board may stipulate compliance with a special available security limit in accordance with § 13. The details shall be determined by the Management Board.

§ 45 Determination of the First Exchange Price

- (1) The first Exchange price of a security newly admitted to trading or included in the regulated unofficial market for the first time (commencement of trading) shall be determined upon application by a credit institution, financial services institution or an enterprise doing business according to Section 53 sub-paragraph (1) sentence 1 or Section 53 b sub-paragraph (1) sentence 1 of the German Banking Act (Gesetz über das Kreditwesen) admitted for Exchange trading (applicant); Section 24 sub-paragraph (1) sentence 2, sub-paragraphs (2) to (4) shall apply mutatis mutandis.
- (2) Contrary to § 44 a paragraph (1), there shall be no display according to § 44 a paragraph (1) sentences 5 to 8 during the announcement phase preceding the price determination. The applicant may, however, arrange for such display by the Board of Management.
- (3) Notwithstanding § 44 a paragraph (1) sentence 4 only the applicant can enter, change or cancel orders for the purpose of balancing the market from the point of time to be determined by the Board of

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Management. The end of the announcement phase will then be determined by the Board of Management; for the determination of prices, § 44 b paragraph (2) sentence 1 shall apply accordingly.

3. Subpart

Best Execution

§ 46 Admission as Best Executor

- (1) During the Main Trading Phase, own customer orders as well as customer orders transmitted by other trading participants may, according to § 46 a, be executed against proprietary orders of a particular trading participant (Best Executor) at an execution price which is a price improvement in favour of the customer compared to the potential execution in the order book of the electronic trading system (Best Execution), provided that the customer orders concerned are designated as determined by the Board of Management.
- (2) The Board of Management determines which securities shall be included in Best Execution.
- (3) Any enterprise which is admitted to exchange trading may apply for admission as a Best Executor in the electronic trading system for a minimum number of securities determined by the Board of Management, provided that such enterprise has entered into a corresponding agreement with the administrating and operating institution of the Frankfurt Stock Exchange, in which also the fees for the Best Execution are to be set forth.
- (4) A Best Executor may submit a supplementary application for additional securities. If such application is approved, the Board of Management shall, upon the decision on the supplementary application, determine the point of time at which the securities shall be included in the Best Execution; the waiting period pursuant to § 46 c shall remain unaffected.
- (5) The admission as Best Executor shall depend on the prior admission as a trading participant.

§ 46 a Conduct of Best Execution

- (1) On the basis of the parameters previously entered by the Best Executor, quotes of the Best Executor are generated against which customer orders may be executed (Best Executor Quotes).
- (2) The calculation of the execution price shall be made in accordance with the parameters entered in the system on the basis of such price at which the customer order concerned would have been executed at the same time in the order book of the electronic trading system without considering the Best Executor Quote (potential execution price). In the event that the potential execution of the customer order is carried out in several partial executions in the order book, a corresponding, volume-weighted average price shall be calculated as potential execution price. The execution price in the Best Execution will fall below the potential execution price in the case of a customer buy order and exceed it in the case of a customer sell order, taking into consideration the parameters entered by the Best Executor.
- (3) Within the context of the Best Execution, only own customer orders of the Best Executor and customer orders of another trading participant with which the Best Executor has entered into a corresponding agreement on the forwarding of customer orders, may be executed.

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(4) The transactions concluded within the context of Best Execution will not result in Exchange prices and will be specifically designated upon their publication. In other respects, § 43 paragraphs (1) and (2) as well as § 47 paragraph (2) shall apply mutatis mutandis.

§ 46 b Obligations of Best Executors

- (1) A Best Executor shall, for securities specified by the Board of Management, be obliged to conduct a Designated Sponsoring in the order book of the electronic trading system in accordance with §§ 23 through 23 c and additional requirements separately determined by the Board of Management (Liquidity Management). A Best Executor may also have the Liquidity Management conducted by another trading participant. In such a case, the Best Executor must notify the Board of Management of the commissioning concerned. The obligation of the Best Executor pursuant to sentence 1 shall remain unaffected.
- (2) A Best Executor is obliged to notify the Board of Management in writing and without delay of the conclusion of an agreement regarding the forwarding of orders for Best Execution by another trading participant. The Board of Management shall determine at which point of time the forwarding of orders may be carried out.

§ 46 c Resignation, Cancellation, Withdrawal, Revocation and Suspension of Best Executor Admission

- (1) A Best Executor may resign its Best Executor Admission as a whole or with respect to specified securities by submitting written notice. In the latter case, the number of securities may not fall below the minimum number of securities determined by the Board of Management pursuant to § 46 paragraph (3). Five Exchange Days after the receipt of such notice, the Best Executor shall no longer be authorized to supply Best Executor Quotes for the securities concerned. For an appropriate period subsequent to the resignation of its Best Executor Admission, generally no less than twenty Exchange Days, a trading participant may not be re-admitted as a Best Executor for those securities with respect to which it resigned.
- (2) The Board of Management may revoke a Best Executor Admission in whole or in part if the Best Executor fails to comply with its obligations pursuant to §§ 46 through 46 c. In other respects, § 22 shall apply mutatis mutandis.
- (3) Upon resignation or revocation, the rights and obligations of the Best Executor pursuant to §§ 46 through 46 b shall be terminated.

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IX Part

Reporting and Publication of Turnover

§ 47

- (1) All trading participants must, in accordance with the more detailed instructions of the Board of Management, report to the Exchange the turnover in the transactions executed by them or permit the compilation and reporting of turnover by third parties.
- (2) The Board of Management shall publish turnover figures from floor trading as well as those of the electronic trading system. Means and extent of the publication shall be notified by the Board of Management in advance. For the publication of turnover figures from the Block Trading segment, § 43 paragraph (2) sentence 3 shall apply accordingly. The Board of Management is authorized in the same manner to make publications that serve the purpose of properly informing the public about market news.

X Part

Use of the EDP Facilities

§ 48

- (1) The Frankfurt Stock Exchange agrees for the benefit of the trading participants to make available and to maintain EDP facilities to the extent resolved by the Exchange Council and the Board of Management, as well as to make available, maintain and service computer programs and to operate a computer center. EDP facilities, data transmission lines and programs that are placed in service by the Exchange participants for the use of the Exchange's EDP facilities and that are neither owned by the administrating and operating institution of the Frankfurt Stock Exchange nor are within its disposition do not fall within the area of responsibility of the Frankfurt Stock Exchange.
- (2) All trading participants must, in connection with the execution and settlement of Exchange transactions, use the EDP facilities specified by the Exchange Council and the Board of Management, in each case to the extent set forth by the Board of Management.
- (3) The general instructions issued by the Board of Management shall apply for computer failures, system bottlenecks, failures of software and similar system interruptions of EDP facilities of the Frankfurt Stock Exchange or of the trading participants which interfere with, endanger or interrupt orderly trading. The Board of Management is authorized to take all necessary measures to guarantee or implement orderly market conditions.
- (4) The administrating and operating institution of the Frankfurt Stock Exchange bears liability in connection with the fulfillment of its obligations to the trading participants in the context of the use of the Exchange's EDP facilities for the negligence of its employees and the individuals it retains for the fulfillment of its obligations.

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- (5) If the trading participant contributed to the occurrence of the damage through negligent conduct, the extent to which the Administrating and Operating Institution of the Exchange and the trading participant shall bear the damage shall be determined pursuant to the principles of contributory negligence.
- (6) The administrating and operating institution of the Frankfurt Stock Exchange shall not be liable for any losses incurred as a consequence of force majeure, riot, acts of war, natural disasters or other events for which it is not responsible (e.g. strikes, lock-outs, disruption of communications, actions by governmental authorities in the Federal Republic of Germany or abroad) or as a consequence of technical problems caused other than by negligence.

- (3) The Board of Admissions shall exercise the duties and powers assigned to it only in furtherance of the public interest.

§ 51 Composition of the Board of Admissions

The Board of Admissions is comprised of 3 members. Two of them shall be individuals not professionally involved in the exchange trading of securities (§ 31 paragraph (2) of the Exchange Act). One deputy must be appointed for each member.

§ 52 Election; Term of Office of the Members of the Board of Admissions

- (1) The members of the Board of Admissions and their representatives shall be elected by the Exchange Council.
- (2) The term of office of the members of the Board of Admissions and their representatives is three years. Reelection or reappointment is permitted. If a member leaves the board prematurely, a by-election shall be held pursuant to paragraph (1) to fill such seat for the remaining term of office of the departed member.

§ 53 Rules of Procedure

The Board of Admissions shall adopt procedural rules for itself and shall, in its first meeting after an election, elect a chairperson and his or her deputy.

§ 54 Exclusion of Members from Discussion and Decisionmaking

Those members of the Board of Admissions for whom concern of partiality exists with respect to the item submitted for resolution shall be excluded from the discussion and the decision making. §§ 20, 21 of the Hessian Administrative Procedure Act (Hessisches Verwaltungsverfahrensgesetz) shall remain unaffected. Further details shall be governed by the Rules of Procedure.

XI Part
Exchange Arbitration Tribunal and Expert Committee

§ 49 Arbitration Tribunal of General Jurisdiction

- (1) An Arbitration Tribunal being domiciled in the Federal Republic of Germany under German law shall have jurisdiction over any disputes arising out of transactions that were entered or were to be entered into the Transaction Settlement System of the Frankfurt Stock Exchange, including the question of whether a transaction was consummated between the parties.
- (2) § 1025 et seq. of the Code of Civil Procedure (Zivilprozeßordnung) shall apply mutatis mutandis to proceedings before the Arbitration Tribunal.
- (3) More detailed provisions in this regard are set forth in the Arbitration Rules.

§ 49 a Expert Committee

The Board of Management shall appoint an Expert Committee (Gutachterausschuß) comprised of at least three members for a period of three years to examine the deliverability of securities.

XII Part
Board of Admissions

§ 50 Responsibilities of the Board of Admissions

- (1) The Board of Admissions (Zulassungsstelle) shall decide on the admission of securities to the Official Market and Regulated Market.
- (2) To the extent that the Board of Management is not competent, the Board of Admissions shall take the necessary measures for the protection of the public and for the orderly trading on the exchange and shall supervise compliance with the obligations arising from the admission for the issuer and the institution or enterprise that filed the application.

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§ 55 Procedure for Decision making

- (1) The Board of Admissions shall reach its decisions by resolution of its members. At the meetings, resolutions shall be passed either by show of hands or written ballot. Outside meetings, resolutions may be passed by votes cast in writing, by telephone or any other comparable form of voting, provided that no member immediately objects to such a procedure.
- (2) The members of the Board of Admissions may resolve that in concretely-defined admission proceedings the admission resolution shall be deemed to be adopted, provided that no member objects thereto within an adequate period of time determined by the Board of Admissions. Sentence 1 shall apply accordingly to other concretely-defined types of items submitted for resolution.
- (3) Each member of the Board of Admissions may participate in the passing of resolutions by approving or rejecting the item submitted for resolution or by abstaining from voting. In the case of the passing of a resolution on the admission of securities to Exchange trading, a participation therein is only permissible by approving or rejecting the resolution.
- (4) The Board of Admissions shall constitute a quorum if three members entitled to vote or their deputies take part in the resolution. Resolutions shall be made by a majority of votes.
- (5) The details of the decision-making process are governed by the rules of procedure.

XIII Part

Official Market (General Standard)

§ 56 Application for Admission

The admission to the Official Market (General Standard) is applied for by the issuer of the securities together with a credit institution, financial services institution or an enterprise within the meaning of § 53 paragraph (1) sentence 1 or § 53 b paragraph (1) sentence 1 of the Banking Act. The institution or enterprise must be admitted to a domestic exchange with a right to participate in trading and provide evidence of liable capital amounting to at least 730,000 EUR (or the currency equivalent). If the issuer itself is an institution or enterprise within the meaning of sentence 1, and if the requirements of sentence 2 have been fulfilled, the issuer may file the application acting alone.

§ 57 Revocation of Admission Ex Officio

- (1) The Board of Admissions may revoke the admission to the Official Market not only pursuant to the provisions of the Administrative Procedure Act (Verwaltungsverfahrensgesetz) and § 43 sentence 2 of the Exchange Act (Failure of the Issuer to Comply with its Obligations), but also if orderly trading on the exchange is no longer ensured for the long term and the Board of Management has discontinued the quotation in the Official Market.
- (2) The Board of Admissions shall promptly publish notice of the revocation in a national newspaper designated for exchange notices at the issuer's expense.

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§ 58 Revocation of Admission upon Application by the Issuer

- (1) The Board of Admissions may revoke the admission to the Official Market upon application by the issuer, unless overriding investor protection concerns prevent such revocation. Overriding investor protection concerns do not prevent such revocation, in particular
 1. if the admission of and trading in the security concerned on a domestic or foreign organized market within the meaning of § 2 paragraph (5) of the Securities Trading Act appears to be ensured, even after the revocation of admission has become effective, or
 2. if, after the revocation of admission has become effective, the security concerned is neither admitted to nor traded on another domestic exchange or a foreign organized market, but provided that, after the revocation decision is made public, the investors have sufficient time to sell the securities affected by the revocation on the exchange.
- (2) Any revocation of admission pursuant to paragraph (1) no. 1 shall take effect immediately if the security concerned is admitted to and traded on at least one other domestic exchange at the time when the revocation is made public. If the security is admitted and traded exclusively on a foreign organized market at the time when the revocation is made public, the revocation shall become effective three months after it has been published. In cases of paragraph 1 no. 2, the revocation shall become effective six months after it has been published.
- (3) Upon application by the issuer, the Board of Admissions may shorten the periods specified in paragraph 2 sentence 2 and 3, unless it would be contrary to the interests of investors to do so.
- (4) The issuer is responsible for providing evidence that the conditions for revoking the admission have been satisfied and for assessing the periods. The Board of Admissions may, in particular, require the submission of appropriate declarations and documents. If any of the conditions set forth in paragraph (1) are no longer satisfied after the revocation has been made public but before such revocation becomes effective, the Board of Admissions may reverse its decision.
- (5) The Board of Admissions shall promptly publish notice of the revocation in at least one national newspaper designated for exchange notices at the issuer's expense.

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XIV

Part

Sub-Sector of the Official Market with Additional Obligations Arising from Admission (Prime Standard)

§ 60 Application for Admission; Competence

- (1) In the case of shares or certificates representing shares which are admitted to the Official Market (General Standard), the issuer may apply for admission to the sub-sector of the Official Market with additional obligations arising from admission (Prime Standard). The application must include all shares or certificates representing shares of the same class admitted to the Official Market (General Standard). The application may be submitted together with the application for admission to the Official Market (General Standard).
- (2) The Board of Admissions shall decide on the admission to the sub-sector of the Official Market with additional obligations arising from admission (Prime Standard).

- (3) Shares or certificates representing shares shall be admitted if no circumstances are known to the Board of Admissions according to which the issuer will fail to fulfil the additional obligations arising from admission in an orderly manner. Such circumstances are regularly presumed if
 1. an application for the initiation of insolvency proceedings on the assets of the issuer has been filed; this shall apply mutatis mutandis to issuers having their registered office outside Germany; or
 2. the issuer of already admitted shares or certificates representing shares has failed to fulfil its obligations arising from admission in an orderly manner.

§ 61 Publication of the Admission

For the publication of the admission to the sub-sector of the Official Market with additional obligations arising from admission (Prime Standard), § 51 of the Exchange Admissions Regulation shall apply mutatis mutandis.

§ 62 Financial Statements

- (1) The issuer of admitted shares or certificates representing shares is obliged to prepare and publish pursuant to paragraph (3) financial statements (konsolidierter Abschluss) according to the International Financial Reporting Standards (IFRS) in accordance with the current standards of the International Accounting Standards Board (IASB) – www.iasc.org.uk – or according to the U.S. Generally Accepted Accounting Principles (US-GAAP) in accordance with the current standards of the Financial Accounting Standards Board (FASB) – www.fasb.org. In case the issuer is obligated to publish consolidated financial statements, the obligation pursuant to Clause 1 for consolidated financial statements applies. The financial statements pursuant to sentence 1 shall also include such additional information that must be published according to national provisions as well as the confirmation note of the auditor or the note of his refusal pursuant to paragraph (2). A reconciliation of the national accounting principles according to IFRS or US-GAAP may be accepted. The financial statements according to sentence 1 shall be prepared in both German and English. Upon application by the issuer, the Board of Admissions may allow that the financial statements of issuers having their registered office (Sitz) outside Germany is prepared in whole or in part exclusively in English.
- (2) The financial statements pursuant to paragraph (1) shall be audited in accordance with the International Standards of Auditing (ISA) or other equivalent standards. Additional information that is to be provided due to national provisions shall be audited in accordance with the national provisions of the issuer.
- (3) The issuer shall make available at the offices of its paying agent the financial statements prepared according to paragraph (1) without delay upon their approval by the Supervisory Board, but in any event within four months after the end of the reporting period, unless these documents have been published within the Federal Republic of Germany. Reference to the availability thereof at the offices of the paying agent shall be made in a national newspaper that has been designated for Exchange notices. At the same time as the documents pursuant to sentence 1 are made available or are published, such documents shall be transmitted to the Board of Admissions in electronic form. The manner and form of the electronic transmission shall be determined by the Board of Admissions. The Board of Admissions shall make the financial statements available to the public, either electronically or in another suitable manner.

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- (4) For issuers which are predominantly engaged in the reinsurance business, the financial statements prepared pursuant to paragraph (1) shall be published within six months. In other respects, paragraph (3) shall apply mutatis mutandis.
- (5) The Board of Admissions may, upon issuer's request and only once, extend the deadline for submission of the financial statements pursuant to paragraph (3) sentences 1 and 3 or paragraph (4) by a maximum of four weeks if the issuer demonstrates that it cannot comply with the deadline as a result of events not due to any intentional or negligent misconduct of the issuer.
- (6) The statutory provisions concerning the consolidated financial statements (Konzernabschluss) as well as annual financial statements and the management report shall remain unaffected.

§ 63 Quarterly Reports

- (1) The issuer is obliged to publish quarterly reports which shall be prepared according to the same accounting principles as the financial statements prepared pursuant to § 62 paragraph (1).
- (2) Quarterly reports must be prepared for each of the first three quarters of a financial year as of the respective deadlines.
- (3) The quarterly report shall provide a basis for evaluating the development of the issuer's business during a given reporting period and from the beginning of the financial year through the reporting date of the quarter. It shall contain the following financial data relating to the business operations and the results of the issuer for the reporting period, including explanatory notes thereto:
 1. a balance sheet as of the end of the current quarter and, for purposes of comparison, a balance sheet as of the end of the previous fiscal year;
 2. profit and loss accounts (income statements) for the current quarter and for the period from the beginning of the current fiscal year through the end of the current quarter and, for purposes of comparison, profit and loss accounts (income statements) for the respective periods of the previous fiscal year;
 3. a presentation of the changes in equity capital for the period from the beginning of the current fiscal year through the end of the current quarter in accordance with the presentation given in the financial statements and, for purposes of comparison, such a presentation for the respective period of the previous fiscal year;
 4. a statement of the sources and applications of funds (cash flow statement) for the period from the beginning of the current fiscal year through the end of the current quarter and, for purposes of comparison, such a statement for the respective period of the previous fiscal year;
 5. explanatory notes including comparative information, enclosed in annexes;
 6. a segment reporting according to the selected accounting standard IFRS or US-GAAP.
- (4) If not so required in accordance with IFRS or US-GAAP, the quarterly report shall further include the following additional information as applicable:
 1. any dividends paid or proposed in the current quarter, aggregate or per share, calculated separately for ordinary shares and for other shares;

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2. information addressing company shares held by the issuer (eigene Aktien) as well as subscription rights of officers and employees in accordance with the provisions pursuant to § 160 paragraph (1) Nos. 2 and 5 of the Stock Corporation Act (Aktiengesetz);
 3. personnel changes in the Board of Management (Geschäftsführung) or in supervisory bodies;
 4. the number of employees at the end of the current quarter or, alternatively, the average number of employees for the period from the beginning of the current fiscal year through the end of the current quarter, including details of the calculation method;
 5. explanatory disclosures regarding the order situation with respect to investments, research and development expenses as well as events of particular significance during the reporting period and after the end of the quarter which could have an effect on the results of the business operations;
 6. information on the business prospects for the current fiscal year: substantial changes to the risks in view of future developments since the beginning of the fiscal year must also be included.
- (5) The quarterly report shall be prepared in both German and English. The Board of Admissions may allow that the quarterly report of issuers having their registered office (Sitz) outside Germany is prepared in whole or in part exclusively in English.
 - (6) Any information in accordance with paragraph (3) Nos. 1, 2 and 4 shall be provided considering the line items detailed in the Annex to the Exchange Rules.
 - (7) Any information contained in the quarterly report may be reviewed by an auditor. With regard to the results of the audit or review as reported by the auditor, the full text of the auditor's certification or of the refusal of such certification or of the auditor's review report may be included.
 - (8) The issuer shall publish the quarterly report without delay after preparation, but not more than two months after the end of the reporting period, and electronically transfer it to the Board of Admissions. The manner and form of the electronic transmission shall be determined by the Board of Admissions. The Board of Admissions shall make the quarterly report available to the public, either electronically or in another suitable manner.
 - (9) For issuers which are predominantly engaged in the reinsurance business, the quarterly report shall be published within four months pursuant to the provisions of sub-paragraph (8) sentence 1.
 - (10) The Board of Admissions may, upon issuer's request and only once, extend the deadline for submission of the quarterly report pursuant to paragraphs (8) and (9) by a maximum of four weeks if the issuer demonstrates that it cannot comply with the deadline as a result of events not due to any intentional or negligent misconduct of the issuer.
 - (11) The statutory provisions concerning the interim report shall remain unaffected.

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§ 64 Corporate Action Timetable

- (1) The issuer shall prepare and continuously update upon commencement of the quotation and thereafter at the beginning of each financial year a corporate action timetable for at least the respective financial year, in German and English.
- (2) The corporate action timetable must include details concerning the most important events on the issuer's calendar, in particular the annual shareholders' meeting, the press conferences and the meetings of analysts.
- (3) The issuer is obliged to publish the corporate action timetable on its Internet website and to submit the timetable to the Board of Admissions in electronic form. The manner and form of the electronic transmission shall be determined by the Board of Admissions. The Board of Admissions shall make the corporate action timetable available to the public, either electronically or in another suitable manner.

§ 65 Meeting of Analysts

The issuer shall be required to hold a meeting of analysts at least once a year outside the press conference in order to announce the final balance results.

§ 66 Publication and Notification of Facts Influencing Market Prices in English

The issuer shall be obligated to make publications according to Article 15 of the Securities Trading Act (Wertpapierhandelsgesetz, WpHG) in English at the same time. Article 15 of the Securities Trading Act shall remain unaffected.

§ 67 Revocation of Admission

- (1) Upon application by the issuer, the Board of Admissions shall revoke the admission to the sub-sector of the Official Market with additional obligations arising from admission (Prime Standard). The Board of Admissions shall promptly publish notice of the revocation in at least one national newspaper designated for Exchange notices at the issuer's expense. The period between the date of the publication and the effective date of the revocation shall be three months.
- (2) With regard to the revocation of admission to the sub-sector of the Official Market with additional obligations (Prime Standard) ex officio, the provisions concerning the revocation of the admission to the Official Market (General Standard) ex officio shall apply mutatis mutandis.
- (3) The revocation shall not affect the admission to the Official Market (General Standard) in other respects.
- (4) In the event that the admission to the sub-sector of the Official Market with additional obligations arising from admission (Prime Standard) is terminated, the Board of Management must arrange for the admitted securities to be listed in the Official Market (General Standard) ex officio.

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XV Part

Regulated Market (General Standard)

§ 68 Application for Admission

- (1) For the application for admission to the Regulated Market (General Standard), the provision of § 56 shall apply mutatis mutandis.
- (2) Issuers whose securities have already been admitted to the official or organized market on another domestic exchange may file the application for admission of such securities acting alone.

§ 69 Conditions for Admission; Admission Procedure

- (1) The provisions for the Official Market (General Standard) shall apply mutatis mutandis to the conditions for admission, unless otherwise provided by the Exchange Act and paragraph (3).
- (2) For the admission procedure for securities and certificates representing shares, the provisions for the Official Market (General Standard) apply mutatis mutandis provided that the Exchange Rules and paragraph 3 do not provide otherwise.
- (3) Notwithstanding paragraph (1), the admission to the Regulated Market (General Standard) shall require:
 1. § 3 paragraph (1) of the Exchange Admissions Regulation shall apply, provided that the issuer of shares to be admitted should have existed as an enterprise for at least three years (length of existence of issuer);
 2. the application for admission may be restricted to a portion of the class or the issue (partial admission of securities of the same class or issue); § 7 paragraph (1) sentence 3 of the Exchange Admissions Regulation shall apply mutatis mutandis; the Board of Admissions may reject the application for admission of a part of the class or issue if it is convinced that no sufficient market will form with respect to the securities to be admitted.
 3. § 9 of the Exchange Admissions Regulation shall not apply (distribution of shares); the Board of Admissions may reject the application for admission if, due to the low percentage of public distribution, orderly trading on the Exchange does not appear to be ensured.
 4. For the admission for securities and certificates representing shares for the Official Market (General Standard), the following admission procedure applies:
 1. A publication of the admission application is not necessary.
 2. An admission is to be granted on the working day following the date of the admission application at the earliest.
 3. The admission is published via announcement by the Board of Admission.

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§ 71 Obligations Arising from Admission

The obligations arising from admission of the Official Market (General Standard) shall, with the exception of § 69 of the Exchange Admissions Regulation, apply mutatis mutandis. In particular, §§ 53 through 62 of the Exchange Admissions Regulation shall apply mutatis mutandis to shares and certificates representing shares. Clause 1 does not apply for warrants (except warrants which were issued in connection with a capital increase of the issuing company and entitle for the subscription of such company's shares), certificates and debt securities which give the issuer an option for amortization in shares (reverse convertibles).

§ 72 Exemption from the Obligation to Publish a Prospectus

Admissions of shares guaranteed without restrictions by a country of the European Economic Area or a regional authority of such a country do not require a prospectus if the issuer of such shares publishes its final balance sheets on a regular basis.

§ 73 Revocation of Admission

The provisions of the Official Market (General Standard) shall apply mutatis mutandis (§§ 57, 58) to the revocation of the admission to the Regulated Market (General Standard) ex officio and upon application by the issuer.

§ 74 (deleted)

XVI

Part

Sub-Sector of the Regulated Market with Additional Obligations Arising from Admission (Prime Standard)

§ 75 Application for Admission; Competence

- (1) In the case of shares or certificates representing shares which are admitted to the Regulated Market (General Standard), the issuer may apply for admission to the sub-sector of the Regulated Market with additional obligations arising from admission (Prime Standard). The application must include all shares or certificates representing shares of the same class admitted to the Regulated Market (General Standard). The application may be submitted together with the application for admission to the Regulated Market (General Standard).
- (2) The Board of Admissions shall decide on the admission to the sub-sector of the Regulated Market with additional obligations arising from admission (Prime Standard).
- (3) Shares or certificates representing shares shall be admitted if no circumstances are known to the Board of Admissions according to which the issuer will fail to fulfil the additional obligations arising from admission in an orderly manner. Such circumstances are regularly presumed if
 1. an application for the initiation of insolvency proceedings on the assets of the issuer has been filed; this shall apply mutatis mutandis to issuers having their registered office outside Germany; or
 2. the issuer of already admitted shares or certificates representing shares has failed to fulfil its obligations arising from admission in an orderly manner.

§ 76 Publication of the Admission

For the publication of the admission to the sub-sector of the Regulated Market with additional obligations arising from admission (Prime Standard), § 51 of the Exchange Admissions Regulation shall apply mutatis mutandis.

§ 77 Financial Statements

For the financial statements of the issuer and the additional information, the provision of § 62 shall apply mutatis mutandis.

§ 78 Quarterly Reports

For the quarterly reports of the issuer, the provision of § 63 shall apply mutatis mutandis.

§ 79 Corporate Action Timetable

For the corporate action timetable of the issuer, the provision of § 64 shall apply mutatis mutandis.

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§ 80 Meeting of Analysts

For the meeting of analysts of the issuer, the provision of § 65 shall apply mutatis mutandis.

§ 81 Publication and Notification of Facts Influencing Market Prices in English

For the publication and notification of facts influencing market prices in English, the provision of § 66 shall apply mutatis mutandis.

§ 82 Revocation of Admission

For the revocation of admission to the sub-sector of the Regulated Market with additional obligations arising from admission (Prime Standard), the provision of § 67 shall apply mutatis mutandis.

XVII Part

Inclusion of Securities in the Regulated Market (General Quoted)

§ 83 Inclusion: Competence

- (1) Securities which are admitted neither to the Official Market nor to the Regulated Market on the Frankfurt Stock Exchange may be included in the Regulated Market upon application of a trading participant.
- (2) The Board of Management shall decide on the inclusion.

§ 84 Prerequisites for Inclusion

- (1) The application for inclusion must be submitted in writing by a trading participant admitted to the Frankfurt Stock Exchange with the right to participate in trading. The issuer of the securities to be included has no right to object to the inclusion.
- (2) The application must contain the following information:
 1. the name, the registered office (Sitz) and business address of the applicant;
 2. the name, the registered office and business address of the issuer of the securities to be included;
 3. the exchange or exchanges on which prices of the securities to be included are already determined;
 4. the type and class of the securities to be included as well as the respective securities identification number (Wertpapierkennnummer, WKN) and International Securities Identification Number (ISIN).
- (3) The application must be accompanied by all documentation necessary for the purpose of examining the inclusion requirements pursuant to paragraph (4) as well as by evidence
 1. that the orderly settlement of Exchange transactions is ensured,

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2. that the orderly conduct of Exchange trading is ensured.

The evidence to be furnished pursuant to sentence 1 numbers 1 and 2 must, in particular, include the designation of a paying and depository agent in Germany.

(4) Securities may be included if they are admitted

1. to trading on the Official or Regulated Market on another domestic stock exchange,
 2. to trading on an organized market in another member state of the European Union or another contract state to the Treaty for the European Economic Area, or
 3. to an organized market in another country, provided that prerequisites for admission as well as notification and transparency obligations which are comparable to those existing in the Regulated Market for admitted securities exist at this market and that the exchange of information with the competent authorities of the respective country for the purpose of monitoring trading is ensured,
- and if
4. no circumstances are known which, should the securities be included, would lead to fraud on the public or damage to substantial public interests.

If, in the case of the state within the meaning of number 2 or 3, provisions exist concerning the notification of transactions of members of the Board of Management or the supervisory bodies of the issuer of the securities which are comparable to the provision of § 15 of the Securities Trading Act, the applicant shall indicate in its application pursuant to paragraph (1) the form and medium of the publication of the transactions.

§ 85 Publication of Inclusion

The inclusion shall be published. The manner and form of the publication shall be determined by the Board of Management

§ 86 Obligations of the Applicant after Inclusion

The applicant is obliged to notify the Board of Management without delay of all circumstances which have been published by the issuer of the included securities or which the applicant has otherwise become aware of which are material for the evaluation of the included securities. This shall, in particular, include notifications and changes pursuant to §§ 63, 64 of the Exchange Admissions Regulation as well as publications and notifications pursuant to § 15 of the Securities Trading Act or comparable provisions which are applicable at the foreign market to which the included securities are admitted, for the protection of the public and for the purpose of ensuring orderly exchange trading. Changes with respect to the form or the medium of publication pursuant to § 84 paragraph (4) sentence 2 shall be notified by the applicant without delay.

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§ 87 Notification of the Parties Involved in Exchange Trading

The applicant shall notify the parties involved in exchange trading without delay of all circumstances notified by it to the Board of Management pursuant to § 86. The manner and form of the notification shall be determined by the Board of Management.

§ 88 Revocation of Inclusion

- (1) Upon application by the applicant, the Board of Management shall revoke the inclusion.
- (2) The Board of Management may revoke the inclusion ex officio if the conditions set forth in § 84 paragraphs (3) and (4) are no longer satisfied. The provisions of § 57 paragraph (1) shall apply mutatis mutandis.
- (3) The Board of Management shall promptly publish notice of the revocation pursuant to § 57 paragraph (2) at the applicant's expense.

XVIII Part

Regulated Unofficial Market

§ 89 Regulated Unofficial Market

- (1) Securities which are neither admitted to the Official Market nor admitted to or included in the Regulated Market may be admitted to trading on the regulated unofficial market, on the Exchange floor and/or in the electronic trading system, during Exchange hours if the orderly conduct of trading and the settlement of transactions appears to be ensured by guidelines for the regulated unofficial market.
- (2) The guidelines for the regulated unofficial market shall be issued by Deutsche Börse AG. The Board of Management may demand that such guidelines contain provisions concerning the orderly conduct of trading, including the conditions for the admission to the listing of securities in the regulated unofficial market as well as concerning the orderly determination of Exchange prices and their publication and concerning the settlement of transactions.
- (3) The prices determined in the regulated unofficial market are exchange prices within the meaning of § 24 of the Exchange Act. They are subject to the supervision of the Exchange Supervisory Authority and the Trading Surveillance Office. Sections 26 through 39 and Sections 41 through 45 of the Exchange Rules apply mutatis mutandis.

§ 90 (deleted)

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XIX

Part

Final Provisions

§ 91 Loaned Persons

The members of the Exchange bodies shall carry out their activities on an unremunerated honorary basis.

§ 92 Entering into Transactions

- (1) Transactions on the Exchange may only be entered into in the name of an enterprise admitted to the Frankfurt Stock Exchange, or arranged by such enterprises.
- (2) This does not apply for transactions entered into in the electronic trading system or for those entered into through the Central Order Book procedure. In such cases, enterprises admitted to other exchanges shall be considered to be equal to enterprises admitted to the Frankfurt Stock Exchange. This applies in the Central Order Book procedure also for the closing of Open Transactions Subject to Designation of the Counterparty which originated in continuous trading and for the closing of Open Transactions Subject to Designation of the Counterparty in continuous trading which originated in the Central Order Book procedure.
- (3) In the cases set out in § 16 a paragraph (1) in connection with paragraph (3) clause 1, the execution of an order and the issue of a transaction confirmation will result in a transaction between the trading participant and Eurex Clearing AG and in a transaction between Eurex Clearing AG and the second trading participant. If, in the case set out in sentence 1, a trading participant is not authorized to directly participate in the clearing process at Eurex Clearing AG (Non-Clearing Member), a transaction shall, upon execution of its order and the issue of a transaction confirmation, be entered into between the Non-Clearing Member and an enterprise entitled to engage in clearing activities at Eurex Clearing AG (Clearing Member) and, simultaneously, a transaction is entered into between such Clearing Member and Eurex Clearing AG. For transactions pursuant to this paragraph, the Clearing Conditions for Eurex Clearing AG shall apply in addition.

§ 93 (deleted)

§ 94 Making of Announcements

- (1) Unless otherwise provided, announcements by any body of the Exchange shall be made through posting on the Exchange floor and through electronic publication in the internet, available on the internet pages of the Frankfurt Stock Exchange under <http://www.deutsche-boerse.com>. The Board of Management may determine other electronic media for publication.
- (2) Publications shall be posted on the Exchange floor for a period of three weeks and are afterwards available for inspection in the building at Börsenplatz 4, 60313 Frankfurt am Main. Online publications are available at www.deutsche-boerse.com for a period of two months.

	FWB01e
Exchange Rules for the Frankfurt Stock Exchange	July 01, 2005

§ 95 Transitional Provisions

With respect to issuers whose shares or certificates representing shares are already quoted on the Frankfurt Stock Exchange as of January 1, 2003, the provisions pursuant to § 62 paragraph (1) sentences 1 and 2 and § 77 shall only apply for the financial year commencing on or after January 1, 2005.

§ 96 Effective Date of the Exchange Rules

The Exchange Rules and the amendments thereto shall become effective after issuance by the Board of Management upon their publication, unless the Exchange Council sets a later date.

Balance Sheet (applicable for all companies except banking and insurance)
Bilanz (alle Gesellschaften außer Banken und Versicherungen)

Assets	Aktiva	Quartalsbericht (Stichtag aktuelles Quartal)	Abschluss (Stichtag letzter Jahresabschluss)
(Thsd. €)	(Tsd. €)	Quarterly Report (Date of current quarter)	Annual Report (Date of last annual report)
dd.mm.yyyy	dd.mm.yyyy	dd.mm.yyyy	dd.mm.yyyy
Current assets	Kurzfristige Vermögensgegenstände		
Cash and cash equivalents	Liquide Mittel		
Short-term investments / marketable securities	Wertpapiere des Umlaufvermögens		
Trade accounts receivable	Forderungen aus Lieferungen und Leistungen		
Accounts receivable due from related parties	Forderungen im Verbundbereich		
Inventories	Vorräte		
Deferred tax asset	Latente Steuern		
	Rechnungsabgrenzungsposten und sonstige kurzfristige Vermögensgegenstände		
Prepaid expenses and other current assets	UBRIGE		
OTHERS			
Total current assets	Kurzfristige Vermögensgegenstände, gesamt		
Non current assets	Langfristige Vermögensgegenstände		
Property, plant and equipment	Sachanlagevermögen		
Intangible assets	Immaterielle Vermögensgegenstände		
Goodwill	Geschäfts- oder Firmenwert		
Investments	Finanzanlagen		
Investments accounted for by the equity method	Nach der Equity- Methode bilanzierte Finanzanlagen		
Notes receivable / loans	Ausleihungen		
Deferred taxes	Latente Steuern		
Other assets	Sonstige Vermögensgegenstände		
OTHERS	UBRIGE		
Total non current assets	Langfristige Vermögensgegenstände, gesamt		
Total assets	Aktiva, gesamt		
Liabilities and shareholders' equity	Passiva	Quartalsbericht (Stichtag aktuelles Quartal)	Abschluss (Stichtag letzter Jahresabschluss)
(Thsd. €)	(Tsd. €)	Quarterly Report (Date of current quarter)	Annual Report (Date of last annual report)
dd.mm.yyyy	dd.mm.yyyy	dd.mm.yyyy	dd.mm.yyyy
Current liabilities	Kurzfristige Verbindlichkeiten		
Current portion of capital lease obligation	Kurzfristiger Anteil der Finanzleasingverbindlichkeiten		
	Kurzfristige Darlehen und kurzfristiger Anteil an langfristigen Darlehen		
Short-term debt and current portion of long-term debt	Verbindlichkeiten aus Lieferungen und Leistungen		
Trade accounts payable	Verbindlichkeiten im Verbundbereich		
Accounts payable due to related parties	Erhaltene Anzahlungen		
Advance payments received	Rückstellungen		
Accrued expenses	Umsatzabgrenzungsposten		
Deferred revenues	Verbindlichkeiten aus Ertragsteuern		
Income tax payable	Latente Steuern		
Deferred tax liability	Sonstige kurzfristige Verbindlichkeiten		
Other current liabilities	UBRIGE		
OTHERS			
Total current liabilities	Kurzfristige Verbindlichkeiten, gesamt		
Non-current liabilities	Langfristige Verbindlichkeiten		
Long-term debt, less current portion	Langfristige Darlehen		
Capital lease obligations, less current portion	Langfristige Finanzleasingverpflichtungen		
Deferred revenues	Umsatzabgrenzungsposten		
Deferred tax liability	Latente Steuern		
Pension accrual	Pensionsrückstellungen		
OTHERS	UBRIGE		
Total non-current liabilities	Langfristige Verbindlichkeiten, gesamt		
Minority interest	Minderheitenanteile		
Shareholders' equity	Eigenkapital		
Share capital	Gezeichnetes Kapital		
Additional paid-in capital	Kapitalrücklage		
Treasury stock	Eigene Anteile		
Retained earnings / accumulated deficit	Bilanzgewinn / Bilanzverlust (inkl. Gewinnrücklagen)		
Accumulated other comprehensive income / loss	Kumuliertes sonstiges Gesamtergebnis		
OTHERS	UBRIGE		
Total shareholders' equity	Eigenkapital, gesamt		
Total liabilities and shareholders' equity	Passiva, gesamt		

Income Statement (applicable for all companies except banking and insurance)
- Cost of sales method -

Gewinn- und Verlustrechnung (alle Gesellschaften außer Banken und Versicherungen)
- Umsatzkostenverfahren -

Income Statement (Tsd. €)	Gewinn- und Verlustrechnung (Tsd. €)	Quartalsbericht (aktuelles Quartal)	Quartalsbericht (Vergleichsquartal Vorjahr)	Kumulierter Zeitraum (aktuelles Geschäftsjahr)	Kumulierter Zeitraum (Vergleichsperiode Vorjahr)
		Quarterly Report (current quarter)	Quarterly Report (comparative quarter previous year)	Quarterly Report (current year to date)	Quarterly Report (comparative period previous year)
		dd.mm.yyyy- dd.mm.yyyy	dd.mm.yyyy- dd.mm.yyyy	dd.mm.yyyy- dd.mm.yyyy	dd.mm.yyyy- dd.mm.yyyy
Revenues	Umsatzerlöse				
Cost of revenues	Herstellungskosten				
Gross profit / loss	Bruttoergebnis vom Umsatz				
Selling and Marketing expenses	Vertriebskosten				
General and administrative expenses	Allgemeine und Verwaltungskosten				
Research and development expenses	Forschungs- und Entwicklungskosten				
Other operating income and expenses	Sonstige betriebliche Erträge und Aufwendungen				
Amortization (and impairment) of goodwill	Abschreibungen auf den Geschäfts- oder Firmenwert				
OTHERS	UBRIGE				
Operating income / loss	Betriebsergebnis				
Interest income and expenses	Zinserträge/-aufwendungen				
Income from investments and participations	Beteiligungserträge				
Income / expense from investments accounted for by the equity method	Erträge-/Aufwendungen aus nach der Equity-Methode bilanzierten Finanzanlagen				
Foreign currency exchange gains / losses	Währungsgewinne/-verluste				
Other income /expense	Sonstige Erlöse/ Aufwendungen				
OTHERS	UBRIGE				
Result before income tax (and minority interest)	Ergebnis vor Steuern (und Minderheitenanteilen)				
Income tax	Steuern vom Einkommen und Ertrag				
Extraordinary income / expenses	Außerordentliche Erträge / Aufwendungen				
Result before minority interest	Ergebnis vor Minderheitenanteilen				
Minority interest	Minderheitenanteile				
Net income / loss	Überschuss / Fehlbetrag				
Net income per share (basic)	Ergebnis je Aktie (unverwässert)				
Net income per share (diluted)	Ergebnis je Aktie (verwässert)				
Weighted average shares outstanding (basic)	Durchschnittliche im Umlauf befindliche Aktien (unverwässert)				
Weighted average shares outstanding (diluted)	Durchschnittliche im Umlauf befindliche Aktien (verwässert)				

Income Statement (applicable for all companies except banking and insurance)
- Nature of expense method -

Gewinn- und Verlustrechnung (alle Gesellschaften außer Banken und Versicherungen)
- Gesamtkostenverfahren -

Income Statement	Gewinn- und Verlustrechnung	Quartalsbericht (aktuelles Quartal)	Quartalsbericht (Vergleichsquarter Vorjahr)	Kumulierter Zeitraum (aktuelles Geschäftsjahr)	Kumulierter Zeitraum (Vergleichsperiode Vorjahr)
(Tsd. €)	(Tsd. €)	Quarterly Report (current quarter)	Quarterly Report (comparative quarter previous year)	Quarterly Report (current year to date)	Quarterly Report (comparative period previous year)
		dd.mm.yyyy- dd.mm.yyyy	dd.mm.yyyy- dd.mm.yyyy	dd.mm.yyyy- dd.mm.yyyy	dd.mm.yyyy- dd.mm.yyyy
Revenues	Umsatzerlöse				
Other operating income	Sonstige betriebliche Erträge				
Changes in inventories of finished goods and work in progress	Bestandsveränderungen an fertigen und unfertigen Erzeugnissen				
Production of own fixed assets capitalized	Anderere aktivierte Eigenleistungen				
Cost of purchased materials and services	Materialaufwand / Aufwand für bezogene Leistungen				
Personnel expenses	Personalaufwand				
Depreciation and amortization	Abschreibungen auf Sachanlagen (und immaterielle Vermögensgegenstände)				
Amortization (and impairment) of goodwill	Abschreibungen auf den Geschäfts- oder Firmenwert				
Other operating expenses	Sonstige betriebliche Aufwendungen				
OTHERS	ÜBRIGE				
Operating income / loss	Betriebsergebnis				
Interest income and expense	Zinserträge/-aufwendungen				
Income from investments and participations	Beteiligungserträge				
Income / expense from investments accounted for by the equity method	Erträge/-Aufwendungen aus nach der Equity-Methode bilanzierten Finanzanlagen				
Foreign currency exchange gains / losses	Währungsgewinne/-verluste				
Other income /expense	Sonstige Erlöse/Aufwendungen				
Result before income taxes (and minority interest)	Ergebnis vor Steuern (und Minderheitenanteilen)				
Income tax	Steuern vom Einkommen und Ertrag				
Extraordinary income / expenses	Außerordentliche Erträge / Aufwendungen				
Result before minority interest	Ergebnis vor Minderheitenanteilen				
Minority interest	Minderheitenanteile				
Net income /loss	Überschuss / Fehlbetrag				
Net income per share (basic)	Ergebnis je Aktie (unverwässert)				
Net income per share (diluted)	Ergebnis je Aktie (verwässert)				
Weighted average shares outstanding (basic)	Durchschnittlich im Umlauf befindliche Aktien (unverwässert)				
Weighted average shares outstanding (diluted)	Durchschnittlich im Umlauf befindliche Aktien (verwässert)				

Cash Flow Statement (applicable for all companies except banking and insurance)

Kapitalflussrechnung (alle Gesellschaften außer Banken und Versicherungen)

Cash Flow Statement	Kapitalflussrechnung	Kumulierter Zeitraum (aktuelles Geschäftsjahr)	Kumulierter Zeitraum (Vergleichsperiode Vorjahr)
(Tsd. €)	(Tsd. €)	Quarterly Report (current year to date)	Quarterly Report (comparative period previous year)
dd.mm.yyyy-dd.mm.yyyy	dd.mm.yyyy-dd.mm.yyyy		
Cash flows from operating activities:	Cashflow aus betrieblicher Tätigkeit:		
Net profit / loss	Ergebnis des Berichtszeitraums		
Adjustments for:	Anpassungen für:		
Minority interest	Minderheitenanteile		
Depreciation and amortization	Abschreibungen		
Increase / decrease in provisions and accruals	Zunahme / Abnahme der Rückstellungen und Wertberichtigungen		
Losses / gains on the disposal of fixed assets	Gewinn / Verlust aus dem Abgang von Anlagevermögen		
Foreign exchange gains / losses	Fremdwährungsgewinne / -verluste		
Other	Sonstige		
Change in net working capital	Veränderung des Nettoumlaufvermögens		
Net cash provided by (used in*) operating activities	Aus betrieblicher Tätigkeit erwirtschaftete (eingesetzte*) Zahlungsmittel		
Cash flows from investing activities:	Cashflow aus der Investitionstätigkeit:		
Acquisition of subsidiaries, net of cash acquired	Erwerb von Tochterunternehmen, abzüglich erworbener liquider Mittel		
Proceeds from disposal of a subsidiary, net of cash transferred	Erlöse aus dem Verkauf von Tochterunternehmen, abzüglich übertragener liquider Mittel		
Purchase of property, plant and equipment	Erwerb von Anlagevermögen		
Proceeds from sale of equipment	Erlöse aus dem Verkauf von Anlagevermögen		
Other	Sonstige		
Net cash used in investing activities	Für Investitionen eingesetzte Zahlungsmittel		
Cash flows from financing activities:	Cashflow aus der Finanzierungstätigkeit:		
Proceeds from issuance of share capital	Erlöse aus Eigenkapitalzuführungen		
Proceeds from short or long-term borrowings	Einzahlungen aus der Aufnahme von kurz- oder langfristigen Darlehen		
Cash repayments of amounts borrowed	Auszahlungen aus der Tilgung von Darlehen		
Payment of capital lease liabilities	Auszahlungen für Finanzierungsleasing		
Other	Sonstige		
Net cash provided by (used in*) financing activities	Aus der Finanzierungstätigkeit erzielte (eingesetzte*) Zahlungsmittel		
Net effect of currency translation in cash and cash equivalents	Wechselkursbedingte Veränderungen der liquiden Mittel		
Net increase (decrease*) in cash and cash equivalents	Erhöhung (Verminderung*) der liquiden Mittel		
Cash and cash equivalents at beginning of period	Liquide Mittel zu Beginn der Periode		
Cash and cash equivalents at end of period	Liquide Mittel am Ende der Periode		

* Adjust description as appropriate
Other = Additional line items should be presented when required by an Accounting Standard, or when such presentation is necessary to present fairly the enterprise's financial performance.

* Die Bezeichnung ist an die Umstände anzupassen
Sonstige = Zusatzeilen sollen eingefügt werden, wenn Vorschriften eines Rechnungslegungsstandards dies verlangen oder es zu einer angemessenen Darstellung der tatsächlichen Finanzlage des Unternehmens erforderlich ist.

Balance Sheet - IAS - (applicable for banks)		Bilanz - IAS - (für Banken)			
Assets		Aktiva		Quartalsbericht (Stichtag aktuelles Quartal)	Abschluss (Stichtag letzter Jahresabschluss)
(Tsd. €)		(Tsd. €)		Quarterly Report (Date of current quarter)	Annual Report (Date of last annual report)
				dd.mm.yyyy	dd.mm.yyyy
Cash reserves and balances held by central banks		Barreserve und Guthaben bei Zentralbanken			
Receivables from banks		Forderungen an Kreditinstitute			
Receivables from customers		Forderungen an Kunden			
Provisions for possible losses		Risikovorsorge			
Trading assets		Handelsaktiva			
Investments		Finanzanlagen			
Property and equipment		Sachanlagen			
Intangible assets		Immaterielle Vermögenswerte			
Goodwill		Geschäfts- oder Firmenwert			
Tax assets		Steueransprüche			
Other assets		Sonstige Aktiva			
Total assets		Aktiva, gesamt			
Liabilities and shareholders' equity		Passiva		Quartalsbericht (Stichtag aktuelles Quartal)	Abschluss (Stichtag letzter Jahresabschluss)
(Tsd. €)		(Tsd. €)		Quarterly Report (Date of current quarter)	Annual Report (Date of last annual report)
				dd.mm.yyyy	dd.mm.yyyy
Liabilities to banks		Verbindlichkeiten gegenüber Kreditinstituten			
Liabilities to customers		Verbindlichkeiten gegenüber Kunden			
Liabilities evidenced by paper		Verbriefte Verbindlichkeiten			
Liabilities from trading activities		Handelspassiva			
Provisions		Rückstellungen			
Other liabilities		Sonstige Verbindlichkeiten			
Subordinated capital		Nachrangkapital			
Minority interest		Minderheitenanteile			
Liabilities		Verbindlichkeiten			
Subscribed capital		Gezeichnetes Kapital			
Additional paid-in capital		Kapitalrücklage			
Retained earnings / accum. Deficit		Bilanzgewinn / Bilanzverlust (inkl. Gewinnrücklagen)			
Accumulated other comprehensive income / loss		Kumuliertes sonstiges Gesamtergebnis			
Shareholders' equity		Eigenkapital			
Total liabilities and shareholders equity		Passiva, gesamt			

**Income Statement - IAS -
(applicable for banks)**

**Gewinn- und Verlustrechnung - IAS -
(für Banken)**

Income Statement	Gewinn- und Verlustrechnung	Quartalsbericht (aktuelles Quartal)	Quartalsbericht (Vergleichsquarter Vorjahr)	Kumulierter Zeitraum (aktuelles Geschäftsjahr)	Kumulierter Zeitraum (Vergleichsperiode Vorjahr)
(Tsd. €)	(Tsd. €)	Quarterly Report (current quarter)	Quarterly Report (comparative quarter previous year)	Quarterly Report (current year to date)	Quarterly Report (comparative period previous year)
		dd.mm.yyyy- dd.mm.yyyy	dd.mm.yyyy- dd.mm.yyyy	dd.mm.yyyy- dd.mm.yyyy	dd.mm.yyyy- dd.mm.yyyy
Interest income	Zinserträge				
Interest expenses	Zinsaufwendungen				
Net interest income	Zinsüberschuss				
Provision for losses on loans and advances	Risikovorsorge				
Net interest income after provisions	Zinsüberschuss nach Risikovorsorge				
Commission income	Provisionserträge				
Commission expenses	Provisionsaufwendungen				
Net commission income	Provisionsüberschuss				
Trading profit	Handelsergebnis				
Result from investments	Ergebnis aus Finanzanlagen				
Administrative expenses	Verwaltungsaufwand				
Other operating income / expenses	Sonstige betriebliche Erträge/ Aufwendungen				
Profit from ordinary activities before income tax	Ergebnis der gewöhnlichen Geschäftstätigkeit vor Steuern				
Income tax	Steuern vom Einkommen und vom Ertrag				
Extraordinary income / expense	Außerordentliche Erträge / Aufwendungen				
Result before minority interest	Ergebnis vor Minderheitenanteilen				
Minority interest	Minderheitenanteile				
Net income / loss	Überschuss / Fehlbetrag				
Net income per share (basic)	Ergebnis je Aktie (unverwässert)				
Net income per share (diluted)	Ergebnis je Aktie (verwässert)				
Weighted average shares outstanding (basic)	Durchschnittlich im Umlauf befindliche Aktien (unverwässert)				
Weighted average shares outstanding (diluted)	Durchschnittlich im Umlauf befindliche Aktien (verwässert)				

**Balance Sheet - US GAAP -
(applicable for banks)**
**Bilanz - US GAAP -
(für Banken)**

Assets (Thsd. €)	Aktiva (Tsd. €)	Quartalsbericht (Stichtag aktuelles Quartal) Quarterly Report (Date of current quarter) dd.mm.yyyy	Abschluss (Stichtag letzter Jahresabschluss) Annual Report (Date of last annual report) dd.mm.yyyy
Cash reserves and balances held by central banks	Barreserve und Guthaben bei Zentralbanken		
Interest bearing deposits in banks	Verzinsliche Forderungen an Kreditinstitute		
Trading assets	Handelsaktiva		
Securities available-for-sale	Sonstige Wertpapiere		
Investments	Finanzanlagen		
Net loans	Nettokundenforderungen		
Property and equipment	Sachanlagen		
Intangible assets	Immaterielle Vermögenswerte		
Goodwill	Firmenwert		
Other assets	Sonstige Aktiva		
Total Assets	Aktiva, gesamt		
Liabilities and shareholders' equity (Thsd. €)	Passiva (Tsd. €)	Quartalsbericht (Stichtag aktuelles Quartal) Quarterly Report (Date of current quarter) dd.mm.yyyy	Abschluss (Stichtag letzter Jahresabschluss) Annual Report (Date of last annual report) dd.mm.yyyy
Deposits	Kurzfristige Einlagen		
Trading liabilities	Handelspassiva		
Long term debt	Langfristige Verbindlichkeiten		
Accrued expenses and other liabilities	Rückstellungen und sonstige Verbindlichkeiten		
Minority interests	Minderheitenanteile		
Liabilities	Verbindlichkeiten		
Subscribed Capital	Gezeichnetes Kapital		
Additional paid-in capital	Kapitalrücklage		
Retained earnings / losses	Bilanzgewinn / Bilanzverlust (inkl. Gewinnrücklagen)		
Accumulated other comprehensive income / loss	Kumuliertes sonstiges Gesamtergebnis		
Shareholders' equity	Eigenkapital		
Total liabilities and equity	Passiva, gesamt		

**Income Statement - US GAAP -
(applicable for banks)**

**Gewinn- und Verlustrechnung - US GAAP -
(für Banken)**

Income Statement	Gewinn- und Verlustrechnung	Quartalsbericht (aktuelles Quartal)	Quartalsbericht (Vergleichsquarter Vorjahr)	Kumulierter Zeitraum (aktuelles Geschäftsjahr)	Kumulierter Zeitraum (Vergleichsperiode Vorjahr)
(Tsd. €)	(Tsd. €)	Quarterly Report (current quarter)	Quarterly Report (comparative quarter previous year)	Quarterly Report (current year to date)	Quarterly Report (comparative period previous year)
		dd.mm.yyyy- dd.mm.yyyy	dd.mm.yyyy- dd.mm.yyyy	dd.mm.yyyy- dd.mm.yyyy	dd.mm.yyyy- dd.mm.yyyy
Interest income	Zinserträge				
Interest expenses	Zinsaufwendungen				
Net interest income	Zinsüberschuss				
Provision for losses on loans and advances	Risikovorsorge				
Net interest income after provisions	Zinsüberschuss nach Risikovorsorge				
Commission income	Provisionserträge				
Commission expenses	Provisionsaufwendungen				
Net commission income	Provisionsüberschuss				
Non - interest income	Sonstige Erträge				
Non - interest expenses	Sonstige Aufwendungen				
Profit from ordinary activities before income taxes	Ergebnis der gewöhnlichen Geschäftstätigkeit vor Steuern				
Income tax	Steuern vom Einkommen und Ertrag				
Extraordinary income / expense	Außerordentliche Erträge / Aufwendungen				
Result before minority interest	Ergebnis vor Minderheitenanteilen				
Minority interest	Minderheitenanteile				
Net income / loss	Überschuss / Fehlbetrag				
Net income per share (basic)	Ergebnis je Aktie (unverwässert)				
Net income per share (diluted)	Ergebnis je Aktie (verwässert)				
Weighted average shares outstanding (basic)	Durchschnittlich im Umlauf befindliche Aktien (unverwässert)				
Weighted average shares outstanding (diluted)	Durchschnittlich im Umlauf befindliche Aktien (verwässert)				

**Cash Flow Statement
(applicable for banks)**

**Kapitalflussrechnung für Banken
(für Banken)**

Cash Flow Statement		Kapitalflussrechnung		Kumulierter Zeitraum (aktuelles Geschäftsjahr)	Kumulierter Zeitraum (Vergleichsperiode Vorjahr)
(Tsd. €)		(Tsd. €)		Quarterly Report (current year to date)	Quarterly Report (comparative period previous year)
				dd.mm.yyyy- dd.mm.yyyy	dd.mm.yyyy- dd.mm.yyyy
Cash flows from operating activities:		Cashflow aus betrieblicher Tätigkeit:			
Other		Sonstige			
Net cash provided by (used in*) operating activities		Aus betrieblicher Tätigkeit erwirtschaftete (eingesetzte*) Zahlungsmittel			
Cash flows from investing activities:		Cashflow aus der Investitionstätigkeit:			
Other		Sonstige			
Net cash used in investing activities		Für Investitionen eingesetzte Zahlungsmittel			
Cash flows from financing activities:		Cashflow aus der Finanzierungstätigkeit:			
Other		Sonstige			
Net cash provided by (used in*) financing activities		Aus der Finanzierungstätigkeit erzielte (eingesetzte*) Zahlungsmittel			
Net effect of currency translation in cash and cash equivalents		Wechselkursbedingte Veränderungen der liquiden Mittel			
Net increase (decrease*) in cash and cash equivalents		Erhöhung (Verminderung*) der liquiden Mittel			
Cash and cash equivalents at beginning of period		Liquide Mittel zu Beginn der Periode			
Cash and cash equivalents at end of period		Liquide Mittel am Ende der Periode			

* Adjust description as appropriate
Other = Separate line items should be presented for major classes of gross cash receipts and gross cash payments, when required by an Accounting Standard, or when such presentation is necessary to present fairly the enterprise's financial performance.

* Die Bezeichnung ist an die Umstände anzupassen
Sonstige = Separate Zeilen sollen ausgewiesen werden für die Hauptgruppen von Bruttoeinzahlungen und -auszahlungen, wenn Vorschriften eines Rechnungslegungsstandards dies verlangen oder wenn es zu einer angemessenen Darstellung der tatsächlichen Finanzlage des Unternehmens erforderlich ist.