FINAL TRANSCRIPT

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Conference Call Transcript

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PRESENTATION

Gary Stein - ***NYSE Euronext - Head of IR***

All right. Good morning, everybody. I'm Gary Stein, Head of Investor Relations for NYSE Euronext. First of all, on behalf of our company, I'd like to welcome you to our first NYSE Euronext Analyst Day. We're very excited about having you all here today and really look forward to what should be a highly productive and informative discussion.

We have a number of members of our senior management team here to present to you and before we do that, let me first read a forward looking statement disclaimer.

During this meeting, our comments may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act. These statements are based on NYSE Euronext's current expectations and involve risks and uncertainties that could cause NYSE Euronext's actual results to differ materially from those in the statements. Please refer to our SEC filings for a full discussion of the risk factors that may affect any forward-looking statements.

You should not place undue reliance on forward-looking statements, which speak only as of the date of this conference. Or I'm sorry, except for any obligation to disclose material information under the federal securities laws, NYSE Euronext undertakes no obligation to release publicly any revisions to any forward looking statements to reflect events or circumstances after this meeting.

Okay, now I'd like to briefly review a few agenda items and procedural matters. In order to ensure that we get through all the material we have, as you can see we have a lot of material in the presentations, what we're going to do is first go through the formal materials for each section and then we'll open it up to Q&A. I would expect the slides to take about 10 to 15 minutes for each section and again, we'll open it up for Q&A for the remainder of the time allotted to that section of the presentations.

We do have a lot to cover today. We'll try to take as many questions as we can, but we do have a tight schedule so we will try to stick very closely to that. We apologize in advance to the extent we can't take all of your questions. Obviously you should feel free to contact me or anyone else in the IR group if you have any follow up questions either later today or in the following days.

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Lastly, I'd ask all of you to please put your -- if you could turn off your cell phones and BlackBerries, they probably -- they will interfere with the wireless mics that we have and also could interfere with the webcast. And by the way, when we do open it up for Q&A during each of the sections, we have 2 people floating around with wireless mics. So please wait until you're given a mic before you ask your question. Again, we do have a lot of people listening via webcast so we want to make sure that they can hear the questions as well.

So, with that, I'm going to turn this over to Jean-Francois Theodore, who is going to provide some opening remarks. Jean-Francois?

Jean-Francois Theodore *- NYSE Euronext - Deputy CEO*

Thanks. Good morning to all of you. My name is Jean-Francois Theodore and since you can see there is a reference to a highly experienced management team in the first slide, let me only tell you that I have been Chairman and CEO of Paris Bourse from 1990 onward, then CEO and Chairman of the managing board of Euronext in 2000, at the merger of the exchanges and I am now Deputy CEO of NYSE Euronext. I own 140,000 shares of the company.

You can see the headlines on this slide, we are the world's first fully global marketplace, we have diverse sources of revenue, I will come back to that, we have the world's largest cash equities marketplace, the world's leading listing venue, best in class technology in derivatives and cash trading, and we have a strong financial performance.

Management committee members have 160 years experience in the business, not yet a bicentennial but soon.

NYSE Euronext is not only a coupling of brand names. Since two months we are forming a new company due to be more and more united with global coverage. NYSE Euronext is a truly global marketplace with a roughly 50/50 balance of revenue between the U.S. and Europe and a starting footprint in Asia. We have cash equities and listings everywhere, of course, in the United States and Europe. In the U.S. we have equity options with Arca. In Europe we have futures and options, a strong position with Liffe and in Asia we have the strategic alliance with the Tokyo Stock Exchange and we have recently taken a 5% stake in the National Stock Exchange of India which runs 70% of Indian stock exchange business.

NYSE Euronext is a world leading company, the world leading company. One-third of the world cash trading takes place on our exchanges. More than twice the levels of would-be NASDAQ and OMX, more than 3 times the level of London Stock Exchange, 7 times the (Deutsche Borse. Our Asian strategic partners have, for their part, 8% of market share of cash trading.

We are the world's largest cash equities market with $28.5 trillion aggregate market cap of our listed issuers. We are, by ourselves, greater than the four next exchanges combined, these ones being the LSE, Tokyo, NASDAQ and the Swiss Exchange.

We are the world's leading marketplace for capital raising. Last year, in 2006, $68 billion of IPO capital were raised on our exchanges, ahead of Hong Kong Stock Exchange being pushed forward by Chinese privatization and of the LSE. Aim and NASDAQ are at the same level of $18 billion.

Probably the most interesting slide of these introductory ones, we are a diversified company with already a well-balanced portfolio of activities. Derivatives trading is now counting for 22% of our revenues of our business. European cash trading, 16%. U.S. cash trading 10%. 10% only though I'm always surprised to see maybe again this morning in some reports, that what we are doing in U.S. cash trading is the only indicator looked at, is 10% of our revenues. Even, of course, if it has some instance of market data. But the 15% share that you can see here is a combined figure of the U.S. and Europe and market data. Listing are representing 13% of our revenues.

NYSE Euronext is executing in a well defined strategy to extend our products and services to drive $100 million in annual revenue synergies, to maximize customer choice of issuers and users on a global scale, to leverage our best in class technology and infrastructure, to deliver $275 million in annual cost savings. Roughly what we said, $250 for IT savings and $25 for the non-IT, and pursue strategic alliances and acquisitions, consistent with our global diversification and financial initiatives.

That's maybe a global positioning prediction. I will propose you to jump directly on derivatives now. Global questions will come more easily after that you would have heard the presentations, and at the conclusion of the Analyst Day, which will be made by John Thain.

You prepare maybe for derivative?

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Hugh Freedberg - ***NYSE Euronext - Head of Global Derivatives***

Good morning, my name is Hugh Freedberg, responsible for derivatives and what I'd like to do this morning is give you a very quick review of the derivatives business of NYSE Euronext, and then, at the end, a brief period of time for questioning.

Now, the positioning of NYSE Euronext in derivatives, really we are -- we have a unique and diverse range of futures and options products. Ranging from our global benchmark to rival short term interest rate futures and other actively traded short term interest rate products, known as STIRs, as well as fixed income, swaps and commodity futures.

Our suite of equity derivative products include futures and options based on different country and pan European indices and over 400 options and 650 futures based on individual securities from 17 countries.

STIR futures and options, which have experienced strong organic growth in recent years comprise approximately one half of our business. Our uniquely comprehensive range of equity derivative products make up over 40% of our business.

We have delivered consistent growth and Liffe is on track to experience a 6-year compound annual growth rate of 17% between 2002 and 2007. Over the last 2 years, our growth rate has been significantly higher than 24%, primarily because of an ongoing program of enhancements to Liffe Connect and the introduction of innovative products and services, for example, our BClear service, which I will return to later. Since we introduced our innovative BClear service in October 2005, Liffe equity derivative volume has grown 39% compared with pre-BClear growth of 9%. Sustained organic growth in Liffe product would also not have been possible without the global distribution of Liffe Connect, which now numbers over 100 locations spanning 31 countries. The system provides global traders with immediate access to Liffe markets through high-speed access points in Europe, the U.S., and Asia.

Algorithmic futures traders, as well as trading arcades for proprietary traders are key factors behind the strong organic growth in our STIR products. The extensive global presence of Liffe Connect and the expansion of our trading hours also contributed to impressive levels of STIR growth. In June 2005, we expanded Euribor trading hours to cover the entire U.S. trading day. As a result, we are now far better positioned to compete for the U.S. capital of U.S. proprietary traders and U.S. algorithmic traders.

Building on this success, we will soon open Euribor 6 hours earlier, 1 am GMT, to cover more of the Asia trading day and to facilitate the ongoing globalization of Liffe's benchmark products.

Through the first 5 months of this year, Sterling futures have a year on year growth rate of 35% reflecting the emergence of algorithmic traders in the product as well as high UK interest rate volatility.

Now index and equity futures and options growth. With regard to equity derivatives, our development priority is to provide our global customers with the tools they need to transact in the most efficient and cost effective manner possible. We have accomplished this priority through the provision of Liffe Connect technology across all of our markets, one single platform, as well as the harmonization of our contract specifications, the market structure and to the extent possible, regulatory procedures for our different markets, making it much easier for traders to trade across the different markets of Euronext Liffe.

Nowhere is this commitment more evident than in our equity derivatives franchise, where we are experiencing strong double digit growth rates in the Amsterdam Equity Options Market, as well as growing the electronic order book in French and Belgium equities and soon in UK equities as well, when we roll out our technology that we've used in the other markets to the UK markets.

We have found, in Europe, that development efforts to grow an electronic central order book product is complementary to the provision of our OTC markets with efficient trade processing services and the capital efficiencies resulting from future STIR clearing and margining. Traders who desire fast, real-time, market interaction and execution utilize Liffe Connect beyond exchange trading platform.

In contrast, BClear is typically used by inter-dealer brokers and investment banks on a proprietary basis, or, on behalf of their hedge fund clients in order to bring wholesale equity derivatives business on exchange and to benefit from the efficient confirmation, post trade administration and clearing.

Now, Liffe Connect technology, this, since 1998, has been best in class. Liffe Connect technology is, today still, the best in class with significant global distribution and a highly scalable architecture. Liffe Connect is further distinguished by its ability to transact both futures products and

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equity products across a single platform seamlessly. Previously, the primary need of electronic traders was functionality. But today customer demands focus on processing speed and systems scalability.

Because of the emergence of algorithms and other factors, Liffe Connect development is now primarily orientated towards processing speed. And Liffe Connect is well positioned to meet these challenges. It currently processes 4 times as many orders as it did 4 years ago with central host response times dropping from 33 milliseconds to less than 1 millisecond today.

The scalability of Liffe Connect is demonstrated by its ability to process 10,000 orders per second, per contract across multiple markets with the capacity to accommodate additional order flow, if necessary.

Moving on to our new service, BClear, an innovative, flexible platform. Given BClear's ongoing penetration into the European OTC equity derivatives market, we expect continued high growth rates. We will expand BClear listings from 650 to over 700 underlying equities by the end of this year and we believe that we are only beginning to see the effect of hedge fund acceptance of this service.

Aside from the complementary Liffe's central order book for equity derivatives, BClear covers an expansive range of index futures and options as well as options and futures based on individual stocks.

Importantly, the service also offers a degree of product specification flexibility. At the same time, BClear eliminates a number of operational difficulties associated with over the counter trading. Ultimately, BClear's success is based on the fact that the service merges many of the best elements of on exchange and OTC trading.

The Liffe contracts are cleared though LCH Clearnet. We have had a strategic relationship with LCH Clearnet for many years and Liffe provides the post trade, back office operational services to the clearinghouse.

Growth opportunities. Looking to the future. Liffe drives growth through product innovation and product enhancement activities. For example, we believe that the introduction of a hybrid market model for our STIR options will result in future volume growth. Our intention is to introduce facilities for improved central market trading of STIR options and so to expand the user base. At the same time, we will also enhance the well-established call around environment for the product and therefore provide a complementary service side by side.

Our intended BClear service for credit derivatives is unique because it does not seek to compete with OTC CDS transactions. Instead, the Liffe BClear product will bring the same advantages to OTC, CDS traders that BClear has already delivered for European OTC equity derivatives. Then, our euro MTS bond index futures are highly innovative products. Because, unlike existing bond future contracts, which are deliverable and priced off a single, cheapest to deliver bond, our bond futures are cash settled and based on country indices as well as broad based pan European contracts.

Synergy opportunities now that we have joined NYSE Euronext. The combination of Liffe and NYSE offer options will deliver $45 million of revenue synergies. We have identified and begun work on a variety of different revenue opportunities including cross selling of products in the U.S. and in Europe. In addition, and subject to regulatory permission, the introduction of a U.S. version of BClear is planned. We intend to list options on Liffe's successful stock index futures on NYSE Arca and are working on a joint new product development program.

The most immediate revenue synergy, of course, from our view and to benefit the -- both sets of views is cross selling. NYSE Arca and Liffe. Sales teams have already conducted a number of joint sales calls to initiate the idea of this cross selling.

An important component of cross selling it to provide users of one exchange with a simple way of accessing the market of another exchange. In order to accomplish this, we intend to build a common interface between the NYSE Arca network and Liffe's global network. This will allow NYSE Arca options firms to interact with Liffe's markets. In addition, Liffe's firms will be able to access NYSE Arca options markets. That ladies and gentlemen, is just a very quick overview of the derivatives business of NYSE Euronext.

QUESTION AND ANSWER

Gary Stein - ***NYSE Euronext - Head of IR***

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Yes, we can take questions now if you have questions. We have 2 wireless mics around. Stephanie and Lauren. Wait one second, we're waiting for the microphones. Okay, Stephanie, we've got somebody.

Johannes Ornuff - ***WestLB - Analyst***

Morning, everybody, Johannes Ornuff, WestLB. Two questions, if I may. First of all, talking about the increased volumes on Euronext Liffe, have you seen any capacity constraints probably on February 28th, like -- as a European exchanges have noted. Or how far has the capacity utilization gone at that day?

Secondly, until now we had 100% probably availability records as Euronext Liffe, the trading glitch last week, what was the reason behind it and have you made sure that this wont happen again?

Hugh Freedberg - ***NYSE Euronext - Head of Global Derivatives***

The first question, in terms of speed and capacity. We've invested significant sums of money in building a new architecture for Liffe Connect, which is designed to be flexible and scalable so that we recognize the need for scalability, which is important, as well as speed. And the new architecture, which is based on Linux allows for that scalability and also for the increased speed that is necessary as you bring in algorithmic traders and other proprietary traders. So we have recognized the need to provide ongoing speed and capacity and we believe that we have the architecture to do that.

As far as the glitch is concerned last week, and any glitch from our point of view, is 100% unacceptable because we want 100% reliability. It happened and we regret that it happened and we have taken steps to ensure it doesn't happen again.

Johannes Ornuff - ***WestLB - Analyst***

(inaudible -- microphone inaccessible)

Gary Stein - ***NYSE Euronext - Head of IR***

Sorry, repeat the question.

Hugh Freedberg - ***NYSE Euronext - Head of Global Derivatives***

Sorry?

Gary Stein - ***NYSE Euronext - Head of IR***

Can you just repeat the question?

Hugh Freedberg - ***NYSE Euronext - Head of Global Derivatives***

The reason behind the glitch. It resulted as a bug in the standing data of the marketing control system and our responsibility to run a fair and orderly market and make sure that all users have a equal opportunity to trade and this created a degree of disequilibrium and we had to stop the market and fix the bug in order to give everybody a fair and open and transparent market.

Unidentified Audience Member

Hugh, I was just trying to see, on this interface that starts the cross-selling when will that be available and could you give us a timeline on how you see the cross-selling effort going?

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Hugh Freedberg - ***NYSE Euronext - Head of Global Derivatives***

The cross-selling effort is obviously dependant on how quickly we can create the connection between the 2 entities, which we believe we can do relatively quickly and we are aiming to try and do it by the end of this year or early next year. But there is another requirement that is the regulatory commission that's necessary for us to be able to cross sell the products of the different exchanges into the U.S., for Liffe and into Europe for Arca. So the regulatory requirement is, to some extent, beyond our control. The technology hookup is within our control and we would expect that by the end of this year, early next year.

Unidentified Audience Member

So it's reasonable to say that the revenue is going to be there '08 ?

Hugh Freedberg - ***NYSE Euronext - Head of Global Derivatives***

We have committed to the fact that we will have the $45 million of revenue synergies by year 3. And we believe that that's achievable.

Unidentified Audience Member

Hi, could you just go into a little more detail on your plans in the CDS space? What really differentiates the efforts there from some of the other futures exchanges?

Hugh Freedberg - ***NYSE Euronext - Head of Global Derivatives***

We've worked extensively with the various -- with the people who use CDS and the requirement is that they don't want a standardized on exchange product because it doesn't suit their needs. So our view is in working with them, is to try and create a flexible product that's sufficiently flexible that it can fit the on exchange requirements and therefore go into operational processing and interfering.

So it will be an exchange lookalike but with flexibility in the same way, at the moment, as our equity derivatives, exchange like but provides flexibility in terms of the way in which they are used by the OTC community. So the flexibility of design or the flexibility options that the CDS will provide, we believe, will result in a greater success than a completely standardized on exchange product. But we are still in the process of developing it and we're doing it in conjunction with users because we believe that the only way in which this is successful based on our previous experience is doing it with users in order to get their buy in.

Unidentified Audience Member

(inaudible -- microphone inaccessible)

Hugh Freedberg - ***NYSE Euronext - Head of Global Derivatives***

We expect later this year.

Unidentified Audience Member

Can you give us some more color on the extension of the BClear product to the U.S. market, in terms of the timing there and how you're viewing the opportunity?

Hugh Freedberg - ***NYSE Euronext - Head of Global Derivatives***

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First of all, the OTC market in Europe is very different from the OTC market in the U.S.. And we believe that there is an application with it, that BClear can be applied to the U.S. market, but that it would be necessary to adapt the BClear service to accommodate the specific needs of the U.S. market and that's something that we're currently working on but not yet precisely defined. But we do believe there is an opportunity.

Unidentified Audience Member

Just a follow up on the credit derivatives question, the investment banks are working with the clearing corp. and GFI and ICAP to develop a clearing solution. It seems to me that they're not really supporting the exchange type products right now. How do you get over that hump and have them provide the liquidity to make your product successful when they're clearly wary of the exchanges in this product set right now?

Hugh Freedberg - ***NYSE Euronext - Head of Global Derivatives***

The question is how our product will be successful, vis-a-vis other products that are being developed, if I understood the question correctly.

Unidentified Audience Member

How do you get the investment bank (inaudible -- microphone inaccessible).

Hugh Freedberg - ***NYSE Euronext - Head of Global Derivatives***

Right. Okay. Well, we're working with the investment banks to design the products and we believe that by working with them that we will offer the product that they will then trade, using the BClear service.

Competition of course is good, it's healthy. And the fact that there will be other CDS products out there to compete with ours is just part and parcel of the world we operate in and competition is healthy. We believe that we will design a product that meets the needs of the market and that we will therefore capture trading liquidity.

Unidentified Audience Member

Hugh, you touched a bit on the on exchange and off exchange clearing opportunities for the firm. It seems whether through consolidation in the industry or market structure changes that there's a lot of -- increasingly a lot of focus on futures and derivatives clearing. Can you share your thoughts on what's going on in the industry right now, if the company's been a net seller of its LTH stake, so how does that change the relationship and how do you think about that vis-a-vis potential growth into the U.S. derivatives market over time?

Gary Stein - ***NYSE Euronext - Head of IR***

Can you repeat that question?

Hugh Freedberg - ***NYSE Euronext - Head of Global Derivatives***

It was about clearing.

Gary Stein - ***NYSE Euronext - Head of IR***

Yes, can you repeat the question because I don't think that mic was on.

Hugh Freedberg - ***NYSE Euronext - Head of Global Derivatives***

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Okay. The question was, as I understand it, just for the other members of the audience. One is clearing in terms of its sort of positioning and role within our business in Europe and clearing within our potential business in the U.S..

Unidentified Audience Member

How do you think about (inaudible -- microphone inaccessible).

Hugh Freedberg - ***NYSE Euronext - Head of Global Derivatives***

Right. The European environment is somewhat different, or circumstances are different from those in the U.S.. In Europe we have what's called the McCreevy which is the commissioner for market -- well, not competition, but for markets in Europe. He has introduced what's called a code of conduct and that code of conduct calls for what you could call, define as horizontal clearing houses as opposed to perfectly integrated clearinghouses. You have in the U.S. the Department of Justice reviewing the merger or proposed merger between CME and CBOT and the outcome of that regulatory investigation on both the U.S. side and the implication it will have for the European side will influence our strategy going forward as far as clearing is concerned.

If we proceed with our plans to develop a futures business in the U.S. then we recognize that if the Justice Department comes down on the side of a vertically integrated silo being acceptable that that will be our mode of operation in the U.S.. The European one is a slightly different one from a regulatory point of view and the extent to which the regulation in Europe may change are the results of the regulation that's put in place in the U.S. could result in a change of our views in Europe.

Unidentified Audience Member

(inaudible -- microphone inaccessible)

Hugh Freedberg - ***NYSE Euronext - Head of Global Derivatives***

At this stage you have to -- you have two uncertain regulatory environments. In the event that the U.S. one comes out in the basis of agreeing to a vertical silo, that may have implications for the European one and that will then result in reviewing our clearing strategy for Europe and also endorsing the fact that in -- that when we get into the U.S., a vertical silo will be appropriate.

Unidentified Audience Member

Could you -- can you comment on your central market facilities that you're developing for the option side and what you think that might do in terms of increasing the volume growth there?

Hugh Freedberg - ***NYSE Euronext - Head of Global Derivatives***

Right. Up until now, we've had what's called a call around market, where the brokers have essentially been putting together large complex trades which are then put through the exchange for clearing. What the current structure does not allow for is for users who are perhaps not large enough in terms of the size and don't have the complexity in terms of the structure of their order, it doesn't give them the chance to participate in the central market. So by putting in new technology that we've developed, we will be able to provide a new group of users with a central market for the execution of options that are more -- if you would call it, vanilla-like in their nature. So it will bring in new users, provide transparency and depth of liquidity for them to conduct business, which is not necessarily suitable for over the counter business that is conducted through brokers.

Unidentified Audience Member

I see. So this is not fully electronic. This is essentially still a voice driven type of business --

Hugh Freedberg - ***NYSE Euronext - Head of Global Derivatives***

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No, no. It's wholly electronic.

Unidentified Audience Member

Okay.

Hugh Freedberg - ***NYSE Euronext - Head of Global Derivatives***

So that you will have users basically conducting their business through the electronic system on the screen because they will have the price transparency and the depth of the order book for them to do their particular business, which is different from the call around business, which is very unique in its nature.

Gary Stein - ***NYSE Euronext - Head of IR***

There was a follow up question there.

Unidentified Audience Member

You didn't -- on the expense side, I know you've been taking out expenses over the last 4 to 5 years, just organically, and I just want to see how much more organic expense reductions are there? I know Nelson will try to take credit for that as integration savings. Just kidding. But is there more expense -- organic expense cuts and then maybe a little bit about what on the -- the Liffe side of it is the integration cost cuts?

Hugh Freedberg - ***NYSE Euronext - Head of Global Derivatives***

Well, in Liffe, over the last 3, 4 years, we've driven our expenses down significantly as a result of consolidation, moving the markets onto one platform from a multiple platform environment. Moving to two operating centers from five operating centers, harmonizing the contracts and trying to harmonize regulation. So we've been able to drive down expenses as a result of that.

At the same time, we are now focused very much on revenue growth and as a result of costs being driven down and the acceleration of rates of growth, we are now reaching a 54% EBIT margin.

If you say, what do we have for the future? As far as expenses are concerned, they will remain tightly under control. We will seek to continue to drive them down. Because in an exchange environment we understand that low cost is important because of the fact that fees will always be a subject of focus for users and the EBIT margin for investors is key and one cannot focus purely on revenues and volumes that drive the revenues. One has to focus on expenses. So we will seek to rationalize wherever possible, drive down costs. We have initiatives in place, which will automate things, which are currently done manually, and we believe that those will result in expense reductions in the future.

Gary Stein - ***NYSE Euronext - Head of IR***

We have time for one more question.

Unidentified Audience Member

Just with respect to BClear. You said there were differences between European and U.S. OTC markets. I think you might have touched on some of this having to do with the differences in the clearing, are there other issues that come into play as you figure out what your BClear strategy in the U.S. is going to be?

Hugh Freedberg - ***NYSE Euronext - Head of Global Derivatives***

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Well, other than clearing, we do believe from our NYSE Arca colleagues, that the nature of the OTC market in the U.S. is different. In Europe you have the market to be 4 times the size of the on exchange market. In the U.S. I think that balance is different, and therefore, the type of business that's done OTC there is somewhat different from the type of business that's done OTC in Europe. And so BClear has to be tailored to the need of the U.S. market. We can't just, if you like, transplant BClear Europe into BClear U.S. and expect it to work. We have to tailor it to the needs of the market and that's what we're focusing on with our NYSE Arca colleagues, is understanding exactly what the characteristics are on the U.S. market and therefore, what the needs are and tailoring the service to meet those needs.

PRESENTATION

Gary Stein - ***NYSE Euronext - Head of IR***

Thank you. Thank you, Hugh. We're now going to turn it over to Duncan Niederauer who is going to talk about U.S. cash equity. And let me just point out that you'll see the members of the senior team moving back and forth from the room today. Two things, one we've got a business to -- - they have a business to run. And two, we have a regularly scheduled board meeting going on simultaneously so you'll see people moving back and forth throughout the day. Okay, Duncan?

Duncan Niederauer - ***NYSE Euronext - President & Co-COO & Head of U.S. Cash Markets***

Thanks. Okay. Let's try. The first thing I want to do is, this is what I actually --

Gary Stein - ***NYSE Euronext - Head of IR***

You're going to have to ---

Duncan Niederauer - ***NYSE Euronext - President & Co-COO & Head of U.S. Cash Markets***

(inaudible -- microphone inaccessible). For those of you who saw me on CNN last week and I looked like I weighed about 40 pounds more than this, this is what I look like. So, as my assistant pointed out to me after she watched my first media appearance, she said to me, in a very nice way, it's true what they say, the camera does add 20 pounds. And so -- and that was a woman that I brought with me from Goldman Sachs.

So I guess if you have friends like that, whatever. So, I've been here for 7 weeks now. What my goal today is going to be to just talk for literally about 10 minutes on a few slides. None of which I think you'll find that surprising. It will give me a chance to talk a little bit about some of the things that we're working on here and then I'd like to spend most of my time with you this morning no Q&A if that's all right.

First slide we have up here is just talking about the different products that we have in the franchise. What you've seen the firm's strategy be is to really be a very multi-product, multi-dimensional enterprise and I think we've succeeded in doing that. We've got a lot of different products. I've just listed a few of them there. We've also got -- it gives us the opportunity to not only use an experiment with different platforms and different products, but also experiment with different pricing models.

Now, a big part of what I've done the first 6 or 7 weeks is I've gone out and visited a lot of the key customers both on the buy side and as importantly on the sell side. And when I've been sitting down with the sell side firms, kind of getting reacquainted with folks that I've grown up with in the business but am now in a position to service rather than compete with, I have a simple question for them. What are some of the things that we're not doing that we should be doing? And what are some of the things that we're doing well that you want me to make sure I remain focused on.

And the bottom right here -- something I know a number of you have focused on and talked to us a lot about is one of the things that comes back to me is what are you guys going to do about the Arca pricing. Undoubtedly, we'll have to do something about it at some point. I do believe it has to be looked at. We're in the process of examining it. I do not believe that you have to -- that a change means you necessarily have to compete with the lowest cost provider in the space however, but assume that we are taking that under advisement and working very hard to figure out what we should do about that.

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But really the message on this slide is we've got unbelievable product diversity. Now what comes with product diversity and when I compare and contrast this with some of the one dimensional firms with whom I think we compete, who I know are in the process of endeavoring to try to be global and multi-product, as we already are, what you see is that depending on what products you were focused on, you've had great growth year on year, fairly good growth year on year, or no growth year on year. So I think, what we try to remind people of is hey, I'm focused on the market share in the NYSE listed business every day, but please remember that it's not just about market share it's also about transactions. We get paid on transactions.

So the fact is, our enterprise is handling a lot more volume in our stocks this year than we were last year and I think if some of the things I'm working on, which I'm happy to talk about in Q&A, come to fruition, I'm optimistic the market share is going to start to go back in the positive direction and we'll get a doubly positive effect.

On the far right, you can see the success we're having in the ETF business, which is most of the AMEX stuff as well. And I think the ETF business is one that you're going to continue to see us pay very much attention to. I think we are in position to be the market leader there. And something I am wrestling with is, as you guys know, we have 2 ETF brands right now, we have the NYSE Arca ETF brand and we also have the NYSE Classic ETF brand. Not sure exactly what we're going to do there, but I would imagine a convergence of those two brands to a market model that the participants seem to like and the issuers seem to like is likely. More news on that to follow.

Next slide. A lot of you ask us from time to time, how are we doing with hybrid? How is it going? What's happening with hybrid? It is now completely rolled out as of the end of February. So I think now these statistics are somewhat telling. We have this notion in the markets today of are you fast or are you slo?. Are you fast or are you in auction mode? So you can see from the top right here, we are in fast mode almost 100% of the time.

This may surprise all of you, I don't think that's a good thing. If I'm hearing the customers properly, they do not want us to be NASDAQ. They do not want another super fast video game with no price improvement and high volatility. What they want is a market that's fast when they need it to be fast, but also can discover prices for blocks when that's called for. So I would actually hope, as strange as it may sound, that 99.8% comes down. I'm not trying to get it to 100%.

We have gotten a lot faster. We've reduced latency just in the time that I've been here for incoming orders from 300 milliseconds to under 100 milliseconds. I think, by the end of the year, you'll see us get it down to under 10 milliseconds. Having said that, the biggest comment I'm getting from the sales side when I go out and meet with them is please help us figure out a way to efficiently price and print blocks on the floor of the New York Stock Exchange. Our customers are asking us more and more for that facility and I think we all agree that it's a bad outcome if every block is just going to print in the third market. That's certainly easier. That's where we've ended up in NASDAQ right? 70% of the volume trades in the montage to 30% that doesn't all prints in the TRF. It's not what I'm aspiring here and it's clearly not what the key clients are aspiring for so we're going to spend some time working on that.

Now, as we've gotten faster, you can see the percentage of volume that's auto executed has gone up dramatically. The percentage of trade that's auto executed has gone up dramatically. Spreads, both quoted and effective have come down a little.

The only thing that I think goes against the grain of market quality is volatility has picked up slightly. A surprise to no one in this room, I'm sure. As you go faster, a couple of things happen. As it becomes more of a video game, you're just lifting an offer, you're hitting a bid, you're lifting an offer, you're hitting a bid. Price improvement diminishes and volatility picks up a little bit because the way you dampen volatility is by having rules in place that encourage more liquidity at the NBBO and that encourage quote competition inside the NBBO.

In a fully electronic game, those two things just don't happen. So I'm not surprised volatility has ticked up a little bit. It's only marginally above pre hybrid levels, but I would hope to see that come down if some of the things I'm working on come out as they should and you can see the fill rates are quite good.

A little bit on innovation because a big part of what I'm trying to work on here as well is impacting the culture of the organization. You're going to find me, I think, fairly obsessive about making sure that we have a customer-focused organization that is equally focused on innovative practices. As a customer of this facility for a long time I didn't feel that either one of those two things was necessarily true until very recently and I'm going to make sure that it becomes something that everybody associates with this company. Those will not be words, I promise you, those will be actions.

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Recent steps we've taken, just in the last few months, were to create our own trade reporting facility. To fold in a small company called Transact Tools that will help us commercialize and be much more focused on our client connectivity and similar and related technologies and MatchPoint trading, which I think is part of the answer to the block issue, but not the entire answer. MatchPoint trading is a Posit like, what I would call temporal cross, we will start by launching an after hours cross. You'll probably see us launch hourly crosses. It does beg the question of whether we should have a continuous block trading mechanism, but I'll touch on that in a minute. MatchPoint will not be that. MatchPoint at most will just be a portfolio level cross that happens 4 or 5 times a day as we gradually roll it out.

Last slide, you could also call this slide what are some of the things I'm working on right now, when I talk about near term priorities.

We've touched on the first bullet point. This has to be about market quality. Sure, am I focused on market share, I have to be. My general view is if I get market quality right, market share will follow. So a lot of the things you're going to see us trying to change are about improving market quality and I'll get to them later in the slide.

Block price discovery, we've already talked about. There's three different ways I can attack the block business here to bring blocks under the umbrella. One is to just simply accept that it's going to be like NASDAQ and encourage everyone to print them in our trade reporting facility. As I said earlier, I don't think that's the outcome everybody wants.

Second alternative you can take is to create a facility that would look like some of the existing crossing networks, dark pools, reserve pools, whatever you'd like to call them, where people could put in their interest and it would be a facility of the New York Stock Exchange, it would be side by side with the book we have running now and we may explore some options there.

But the third way to do it, which is what we're really focused on now and seems to be what the clients want, is doing it inside the book. We have had some success lately, frankly just on the back of client meetings I've been having, saying if you guys really want it then bring them to the facility now. Let's see how we do it, let's see how fast or slow we are at getting them to the tape and then let's discuss what the experience was like so I can make sure the experience gets better and better.

For example, just Monday, following up on a couple of sell side meetings I had had, we did 2 blocks totaling 30 million shares of Selectron. I promise you two months ago those would have gone to the third market. So we're trying, we're going to get better at it, and we're very focused on block price discovery because I think it's a critical component of market quality.

You will also see us working very closely with the SEC, trying to amend rules. As I've said to a number of you already who I've met in my stay here, and I continue to say, that there is no big bang on this stuff. We didn't get here in a moment, we're not going to get to some other place in a moment. You're going to see us do a lot of, what I would call, incremental changes.

I would be the first to say that 5 years ago, if you looked at the balance of opportunities our primary market maker/specialist had, versus the obligations that same person had, it's fair to say the opportunities outweighed the obligations. I actually now believe the reverse is true. I think the regulatory pendulum has swung so far that I want to have a model that has a primary market maker with obligations. So I am telling the SEC that is what I am endeavoring to have. Let me have that market model. To do that I need to tweak a few of the rules that I think have -- in places where I think the pendulum has swung too far. At the same time, since I'm focused on market quality, I'm going to make sure that the way I measure the specialists or primary market maker for their performance is going to be very much tied to market quality.

You will recall, for those of you who listened to the last earnings call, we talked about the incentive payment pot we have now and frankly it gets distributed, not entirely, but almost entirely based on market share. That's not good enough. It's going to be tied to a number of different metrics and I think we'll commit, in front of all of you here today, that potentially by August 1st and certainly no later than September 1st, we will be having the metric I talked about on the last earnings call in place. It will include things you'd expect me to include. It will include level of price improvement, level of size improvement, management of volatility, tightness of spread, liquidity offered at the NBBO, percent of time you're on the NBBO. It may not be all of those things, but that gives you a flavor for the direction in which I'm heading.

The specialists are aware of this, they know that the recipe is still not quite finalized but we're going to give them full transparency into it. And I think if I align their interests with the interests of market quality, I'll take my chances on that. So you can hold us accountable for getting that done in the August/September time frame.

If you also saw my CNN media introduction, where I look like I weighed 240 pounds, you will know that I talked about the floor and where the floor is going. The floor is not going away. Okay? The floor is undoubtedly going to get smaller. It is probably in my interest to have it get a little

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more consolidated, it's easier to manage, it's easier to run it more efficiently. And I'm sure there are many people downstairs who will feel that they cannot reinvent themselves in the new world and will continue to hand in their badges.

As I said last week, for all the people who are handing in their badges, I've got just as many people coming into my office saying they're going to hire more people. They want to make a go of it. So my commitment to them has been to give them more reasons to come in and make their living as an agency broker here everyday. It is a long standing rule of the New York Stock Exchange and the SEC that if you are an agency broker on this floor, all you could do was trade IBM, Wal-Mart and Home Depot and our stocks from the -- from your booth on the floor.

It was challenging to access away markets in our stocks as liquidity has migrated somewhat out of the building and it was not possible for you to trade all the other products we saw in slide 1 that are now part of NYSE Euronext. This never made any sense to me, it continues not to make sense to me and I think any day now we will have a notice from the SEC saying we're approved to have our floor brokers booths be viewed like any other agency branch office would be, with the proper compliance bells and whistles in place, and they will be able to trade any and all NYSE Euronext products from the floor, subject to them having the right charter, having the right memberships, et cetera, et cetera. My job is to make it fairly easy for them to do that.

What does that do for us? It keeps them in the building. It keeps the floor operating in a vibrant way. And if any of these other rules that I'm changing which will take a little longer than the filing I just mentioned to get done, impact the market in a positive way where we have more information at the post, most price discovery at the post, then I've got a well run efficient floor already in place, which I can easily mobilize to participate in that market.

Lastly, a little bit on technology, and I know Jerry will talk about this later, unless he's already been here. We continue to expand capacity in terms of the volume we can handle. Message traffic, any way you mention it. I already talked about the reductions in latency. We are making the system more and more bulletproof everyday and we are working very hard, as Jerry will fill you in on, to figure out the right technology platform solution.

As I said at a client breakfast I just came from, we have a pretty high quality problem. In the U.S., we've got a great matching engine technology and the insourcing model has worked for us. In Europe, we've got great matching engine technology and the outsource model has worked for us. No matter which matching engine technology we pick, we're in great shape. We just have to figure out which model we want to go with and as you look at the components, what do you do with your matching engine? What do you do with your data center management? What are you comfortable insourcing? What are you comfortable outsourcing and you just go down the list.

And I think, as I alluded to earlier, the last thing is going to be about innovation and the culture. I'm big, big, big on culture. At the organizations I've worked at before, whether it was different offices at Goldman, or different businesses at Goldman, I think if you ask people who know me, they will tell you I am very, very focused on the culture of the organizations in which I work. This place will be a much more customer focused organization and it will be culture where people will be encouraged to think out of the box or else I won’t be here. Okay?

So, I'm happy to answer any questions you have about anything I've talked about. Thanks.

QUESTION AND ANSWER

Unidentified Audience Member

This might be a combo question for you and Cathy, but when you look at the listings business versus market share and trading, how big of an impact do you think it is in terms of what your market share is in the listed stocks versus what your listing companies actually feel and when you're trying to propose the new company come and list with the New York, is that an important component?

Duncan Niederauer - ***NYSE Euronext - President & Co-COO & Head of U.S. Cash Markets***

Yes. I think it is an important component and I think it will be, but let’s have a couple of quick facts. Number one, let's go back to how we should all be calculating market share. Right? As I jokingly said to some people the other day, if we counted all the business we handle, we route, we cross, we print and we counted it the way NASDAQ counts -- seems to report numbers. I think our combined market share would be 130%. So we're going to focus on facts and not fiction. And roughly 15% of the listed volume is now internalized. Of the 85% that isn't, we never have

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less than 60%, we never have more than 70% and on a typical day, we have about 65% between the two platforms. NASDAQ has about 15% and the regionals have about 5%. And, I guess NASDAQ prints most of the 15% that is internalized.

So, our listed companies are not nervous that -- they know it is not the 95% that it was 10 years ago but they are not nervous. And, if you think about where NASDAQ came from, back in the day when it was a lot of competition in NASDAQ's space, and when all the ECN's were at their peak, roughly 30% of the business was internalized so 70% was up for grabs. And, NASDAQ's market share bottomed out at 18%. And, I do not recall a lot of listed companies leaving there either at that time because they were afraid that the volume had moved away. And, do not think some of these ECN's were not trying to get it.

I think it is a great question for Cathy so you should ask her when you see her. But, the few listed companies I have met, there's a lot of reasons why they're here. And, you should stand on the podium the other day as I did with Northwest Airlines, who's coming out of bankruptcy and who is, the CFO was telling me, he must have gotten 500 emails from employees saying, "wow, if we're not only out of bankruptcy but we're listed on the New York Stock Exchange that must mean we really made it." So, there's a lot of intangibles that we should not underestimate either.

So, we are focused on it, market share is important, but it is not the only element.

Unidentified Audience Member

If I could ask a second question,

Duncan Niederauer - ***NYSE Euronext - President & Co-COO & Head of U.S. Cash Markets***

You can only ask one at a time. I am sorry; we will have to come back to you. No, go ahead, I'm just kidding. They didn't appreciate it. I'm used to everyone laughing at your jokes. When you're at Goldman and you're a partner everyone laughs at your jokes even if they're not funny.

Unidentified Audience Member

You mentioned you have a lot of people come into your office who are looking to expand their floor presence. How many trading licenses are actually in use right now, and do you actually expect that number to stabilize and maybe rise over the next year?

Duncan Niederauer - ***NYSE Euronext - President & Co-COO & Head of U.S. Cash Markets***

I would still have to believe it's going down a little bit further, right, so I think the number right now, and someone will correct me, it's 840, 850. I'm within 10, I may not get it exactly right. I do think that there's still some people that are just going to decide they can't leave -- they have to leave the floor because they just can't figure out how to make it in the new world.

The people that are coming into my office are people that have had good buy side relationships and have always had a business and view the changes I'm making as a possibility to have an even bigger business. And, they're willing to roll up independents who might be sole proprietors as long as they've got good buy side relationships too.

The people who I think end up still leaving are people who never really had great buy side relationships and sort of benefited from the time and place advantages that the old rule set offered them. It is hard for them to reinvent themselves so I think some of them will still leave. And, I also think on the house side, we have seen most people go.

I was up at UBS on Monday. They have gone from 30 to 7. I don't see them going from seven to zero. Bernstein is the only firm of note that completely vacated the floor and they were already outsourcing three quarters of their business to other brokers on the floor. So, it was a little bit of a misnomer that they abandoned the floor. They were at 75/25 outsourcing/insourcing already and I teased my friends at Lehman on Friday because when I went up to see them for lunch on Friday, the Post had already come out saying Lehman evacuates their people from the floor. They let three or four clerks go, they still have seven or eight brokers, one of whom did a huge block in Selectron on Monday.

So, I think the house brokers' population will still get smaller because the sell side firms feel they can do a lot of it upstairs. But, the sell-side firms I have talked to, none of them really want to take it to zero because they think we might change the rules, they do want to print the blocks

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here, and even just around IPO's and stuff, you want one of your own guys in the crowd doing that. So, I think it goes down a little bit from here but not much smaller from here.

Unidentified Audience Member

Hey, Duncan, can you just follow up a little bit more on the conversations you have been having with the sell-side. They seem to be telling you they want a vibrant floor model for crossing blocks, at the same time they are investing in BIDS and looking to internalize more. How do you interpret the two discussions?

Duncan Niederauer - ***NYSE Euronext - President & Co-COO & Head of U.S. Cash Markets***

I will tell you how I interpret them, because seven weeks ago I was one of the guys investing in BIDS. Okay, so I probably have somewhat of a schizophrenic approach to this one because I kind of know what both sides are thinking on this one.

You are the sell side and the exchange doesn't look like it is doing anything to help you get -- price is discovered for blocks. Liquidnet seems to be going directly to your clients as is Pipeline and other people that look like Liquidnet and Pipeline, basically saying you are not invited to this party. This is for clients only. Brokers are not welcome. So, if you are a broker you feel like, well, I do not see the exchange helping me, and I see the other guys working against me. I had better get something in place where I can wrest control of this back to my own place.

What I said to the sell side firms is -- it is hard for me to say that was not the right thing to do since I was one of the engineers of that idea. But at the same time, the block price discovery thing is something, I think you and I talked about this last week, where our interests are aligned with the big sell side firms. It is not good for me and it is not good for the big sell side firms if block price discovery gets done in dark pools where neither we nor they have any stake or skin in the game. So, I think our interests are fairly aligned on that and so I do not blame them for doing what they are doing. I would like to think I can give them a reason where they do not have to do that. So, that is kind of the goal.

Unidentified Audience Member

Just to follow up on that, since we did not talk about that last week, and given the changes that you are contemplating with regard to the specialist model. Do you think there is a possibility that we may see a change in the cast of characters and does it actually make sense for this sell side to become more involved as specialists sort of combine the efforts with respect to block price discovery?

Duncan Niederauer - ***NYSE Euronext - President & Co-COO & Head of U.S. Cash Markets***

Yes, that is a great question. There's a few different ways I could answer that one, because there's a lot more threads there than you probably think. Clearly, the model right now is contingent on having a primary market maker with obligations. We have seven firms already playing that role. A number of other firms have approached me saying, with a couple of caveats they would like to play that role. It remains to be seen how that all shakes out. What I keep saying to the SEC is, I am not there to defend the seven firms that do it now, I am there to defend the role because it's a big part of my market model.

If you go back 10 to 15 years ago, there were what, 70 or 80 specialist firms. So, stocks have changed hands before and I am sure there will be more of that coming later. It is incumbent on these seven individuals to do it now. They've got their own decisions to make. They either figure out a way to make it work with the rule set, or I am sure not going to stand in their way if they chose to make a different decision. That is their decision, it is not my decision. But, I have had a number of other firms approach me saying, not that excited about being a market maker with constraints and not many opportunities, but I do think I have good risk management systems or I'd love a shot of that if one ever comes available.

So, I think you'll see us talking about that more in the coming months. I'd rather stop there today, if I could, because I've got more work to do on how that's going to play out.

Unidentified Company Representative

Yes, sir.

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Unidentified Audience Member

Duncan, you were the head of electronic trading at Goldman Sachs. It is interesting because the transformation that we see seems like the Jerry Putnam transformation here. No, I am teasing here. In regards to--

Duncan Niederauer *- NYSE Euronext - President & Co-COO & Head of U.S. Cash Markets*

Sorry, Mr. NASDAQ, I didn't hear you.

Unidentified Audience Member

Touche.

Duncan Niederauer *- NYSE Euronext - President & Co-COO & Head of U.S. Cash Markets*

If you're going to bring it, bring your A game, people, okay?

Unidentified Audience Member

I'm hitting too close here. Fair point. The point is -- that was a joke.

Duncan Niederauer *- NYSE Euronext - President & Co-COO & Head of U.S. Cash Markets*

I know it was.

Unidentified Audience Member

But, you did say you want -- the floor is important, it is important to be here, it is important to the New York Stock Exchange. I imagine there's a lot of people out here -- a lot of people that own the stock probably with the idea that the floor was going to go away. And, I guess the question is, I know you're never going to get hard numbers, but has the economic -- I don't think it would be that hard -- but has the economic analysis been done to say what does market share have to be, what does volume have to go up to to offset the economic benefits of closing the floor. From a pure economic standpoint, do you win in the long run by keeping the floor open?

Duncan Niederauer *- NYSE Euronext - President & Co-COO & Head of U.S. Cash Markets*

A couple of things. Number one, a big part of my job at Goldman was the electronic business but I also ran the sales trading business at Goldman's too. So, I ran both. I think a lot of people know me mainly after a 22-year career as someone who was involved in the electronic business, but I was just as involved in the high touch business. I am sure, I think a lot of people did speculate when I came here that that is the last straw for the floor. Now they are just going to become a giant ECN. If your customers are telling you that is not what they want, if to me becoming an ECN ultimately reduces an important barrier to entry then -- and you have to be in position to want to compete that way and be that way, to me that is a multi-step process.

Now I have also learned listening to your question of Hugh that if I did do the economic analysis and was able to save a bunch of money by reducing or closing the floor, Nelson would just take credit for it anyway. So, if you know that then you know that probably factors into my thinking also.

But, I think the next step you'd rather take is, it is going to get smaller, with the other gentleman's question. You try to have enough technology you can run it efficiently and consolidate it. And look, I am not going to swim upstream. If the market a year from now -- if I'm asking those same big customers a year from now and I can see how the demographics of trading look, and the market is saying to us, okay, just flip the switch and just be an ECN, you can't be -- you can't just say, oh I'm going to ignore all that input. It is not what we are being told right now.

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I think it is important to the brand, I think it is important to the market model, until such time as it isn't. And, I just don't see that time when it isn't right now. So, that is what we are going to try. You are right, you probably could go through the math and try to figure it out, but what is the offset to market share if you don't have a floor. If it is just an ECN, if it is just a video game, it is hard to know. So, I haven't gotten that far yet.

Unidentified Audience Member

I think those are all great points, the only point I'd come back is that if you look at equities it is one of -- a very straight-forward product. It is not an auction. If you look at the exchanges that have gone electronic, I don't know whether all -- they got a hundred percent support at the beginning. I would say you are probably going 150% in the right direction in letting decide but there's also at least some evidence that is definitely worthy of looking at.

Duncan Niederauer - ***NYSE Euronext - President & Co-COO & Head of U.S. Cash Markets***

Absolutely, and frankly, Rich, that is the easier decision to make. You have a lot of historical precedence to say that's the easiest decision to make, and if the market structure we end up with is that 70% of the volume trades in an ECN-like structure, and the other 30% is printed with no price discovery then, I don't know if that's market structure to be proud of so I'm probably a little constrained by my philosophies of what I think market structure in the country should be.

And, I'd rather let this -- since I have these assets now, boy, they're hard to get back if I get that wrong and I'd rather just manage them in the way I'm managing them now; try to change some of the rules and let the market model run for a little bit and see how it works. I can't -- if all the signs point in another direction, you can't be blind to them either. So, you will see where we are going. We will keep everybody posted.

How much -- do I have time for any more? We have one more question.

Unidentified Audience Member

Duncan, you talked about three keys to improving the business. One is getting the SEC to tweak the rules; the second is to have the specialists rollout more algorithms of electronic trading; and third is the incentive piece, which you are working on. What inning are the specialists in in terms of rolling out their algorithms being fully able to interact with the market? And, what is kind of a reasonable timetable for pilot program for the SEC to change the rules?

Duncan Niederauer - ***NYSE Euronext - President & Co-COO & Head of U.S. Cash Markets***

I will try to answer them in that order.

Number one, they've all got their -- I think algorithm is such an over-used word today-- they've all got some kind of market making system attached to our API. Some of them appear to be working better than others, just like you would find if you went and looked at 15 NASDAQ market makers, risk management systems or order management systems. You would find some great ones, some good ones and some not so good ones. So, I think they are all trying to tweak their risk management and market making systems and try to figure out how to make a go of it. I guess a big part of the test for them is to find out under the current rule set how can they do.

What I have been -- I have been talking to the SEC on not quite a daily basis, but about a lot of different things because I have observed early is communication with them is going to be really important. I was somewhat emboldened by Mr. Sirri"s comments a few weeks ago saying that it may not be fair that the leading exchanges are subject to this laborious filing and comment period and approval process when, in today's landscape, almost no one with whom we compete is subjected to the same process. So, I have called him a few times saying, boy, that made me feel great, I guess I can count on much quicker turnaround now to all the things we are asking for.

And, I think what he and I have talked about the last few days is, I don't know that a pilot makes any sense so I started there seven or eight weeks ago. Now, what we are saying is let's just attack one rule at a time. Let's just do it and then I will measure it. So, pilot the time not the number of stocks. Because, for example, one of the things I really want to change is I want to eliminate the price improvement scale. Okay? The way it is written right now, no market maker in the stock that is $0.05 or $0.06 wide is going to improve by $0.03, just to provide price improvements. And, that has eliminated quote competition inside the quote.

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For me to pilot that on 200 stocks when I want that to be a critical measure of how I am going to measure the specialists starting in August, it makes no sense. I've got to do it on all stocks and price improvement is only going to go in one direction, if it is pretty low right now. So, I am confident I will be able evidence and improve market quality to improve price improvement and tighter spreads. I think he is coming around to that notion that we should commit that if it looks completely wrong in four to six months we should do something about it. And, pilot the time but not go through this 200 stock process.

So, look, I'm cognizant of the fact that everything has to go through them, I'm cognizant of the fact that that's an important hurdle I have to clear every time I want to change a rule that other rule that other people don't have to, but I'm finding the relationship right now with them very positive. So, just keep watching this space and hopefully you will see us get some of these things gradually changed, as I said incrementally not all at once. Okay? Thanks a lot everyone.

I have the pleasure of introducing my counterpart in Europe, Roland Bellegarde, who is going to talk to you about our cash business in -- on the Euronext side of NYSE Euronext. Thanks a lot.

Roland Bellegarde *- NYSE Euronext - Head of European Cash Markets*

Okay, good morning. I will try to do the presentation very briefly as I am just before the break. I will talk about four different things. First, about where do we stand as cash equities in Europe. Second, the model we have built, just to keep everyone updated on what is happening in Europe. Third, the tools and the products that we have. And fourth, we are talking about the future, meaning methods, competition and how we expect to react to this future.

So, here you have figures I believe you may find everywhere, the value of trading in 2006 and the number of trades in 2006. So, you can see that in both charts, we are number one in Europe. We are the largest pool of liquidity in Europe. So, just a simple message coming out of these slides.

Before tackling this important slide which is the cross border volumes. I think it is important for you to know that what we have built over the last six years in Europe is a single trading platform with a single order book. It means out of four equities exchanges, we have now a single platform, common members, members accessing every single product of the four countries on a single set of rules and based on something, which is very simple that you know in the U.S., which is a central limit order book, with market makers being liquidity providers. Something very similar to the Arca model.

Why do I insist on a single order book and a single rule book? This is the fact that we have four regulators that have agreed on a single set of rules. This is quite a unique thing we have done. So, we have easy access Euronext even though there are four different exchanges from a legal point of view for the customers, for the users, for the issuers who have one single pool of liquidity. And, that is very important.

Then, in the second layer, which is a single clearinghouse, so all the trades done across these four platforms, they end up in the single clearinghouse. There is strong efficiency for the capital requirements and capital use by the intermediaries on Euronext..

And thirdly, which is ending up this year and mid-2008 is the single CSD [clearing, settlement, and delivery] approach. The single custodian will be done for these Euronext environment. And, this is quite key. So, it is the integration of different markets across Europe using the three layers, trading, clearing and settlement. And again, the rules have been completely harmonized. We have what we mentioned, it's not a cross membership, it's a single membership process. As soon as you apply to become a member in one of the four countries, you are mechanically, automatically a member of the other countries -- a member of the other exchanges allowed to trade everywhere. This is very important.

Here, on this slide, you see that we have cross border volumes, and this happened over the years, so once we brought the single platform, members were looking at this screen, they found different stocks. They found different blue chips from different exchanges. They started to trade them, even though they had no customers, but for proprietary trading, they started to trade those products.

It's different than rest of the world, instead of connecting to four different markets, four different patterns, they connected to one gateway and they traded four products or four countries. And you can see out of these slides that through the different colors, they have members trading cross-border, and you can see the market share of different members. For example, in the first global chart, you see that the Dutch members are trading French securities, and all in blue it's quite difficult to look at. But let's say the -- if you look at the Portuguese numbers, they have a very small slice on the left side, which there are those Portuguese members trading French securities.

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You can see the very dark blue is remote members. What does it mean, remote members? It's members which are not located in one of the Euronext countries. Most of them are in London, and the market share is important across the four countries. This is also a quite important message to see that for the major banks, the global banks, the global players, they love this model, because this gives them access in a single platform, single environment, single set of rules, to, again, a major part of the blue chips traded in Europe.

The fees, one of the important items, I believe, that you have in your models and the way you look at an exchange. We have built a fee structure which is based on the products, and again, it's important to differentiate between the equities, which are representing a major part of our business and the other products, exchange rate items, bonds, warrants and certificates. But the other important, exciting element of this fee grid is the sliding fee scales. It means the more you trade, the less you pay on average, and the lowest marginal cost for you.

It also means that if you get away or if you reduce your volumes from this platform, if you internalize, if you try to get on a different alternative platform, your cost is going up. We also canceled three years ago the order fee. We kept the trade fee. It's quite interesting, I believe, for Americans to see that we had an order fee. This is quite unique in exchanges, but this order fee was really hampering the algorithmic trading and we canceled that two years ago.

We created packages, three packages, with minimum activity charges and different executing fee scales. Why packages? Again, this is reflecting the market structure. We have really to look at the customers and found that there are three different types of customers, the global ones, the global players, the big names that you know, which are in the U.S. and Europe, the regional players, the one which are above one single country. They're trading in three, four, five countries, but they're not global. And really the domestic players. That's why we have three packages, more or less. This is designed for them topic the right package and for them to have the right fee scale.

Each of them has a progressive fee. It's very important. It keeps them in our platform. It used to be only a fee for trades. We added an ad-valorem part at the right moment, I believe, to have since the prices went up, in the next level went up, the value of the trades went up, the revenues on the trading fees went up.

We also obviously, to limit the impact on the customers, we put for each trade a cap, we said that we don't charge more than EUR8 per trade. So this is really the main item that we have put in place, and this fee scale is global, for every single customer if they trade in four different countries, four different products on the different scales of each exchange, they will have a different fee structure. So they have the benefit of scale.

Here we have a slide showing you obviously that the volumes are going up on a quarterly basis, year-on-year, and this is quite impressive, I believe, but this is the global trend that you see everywhere in Europe. The only thing is that it's also on Euronext and the size of the amounts.

Cross border trading, the figures that we have, we started in 2002 by having less than 10% and now we have around 23%. And this is only growing and this is only at this stage institutional trading. The retail trading has not yet really gone through this process of cross-border trading. Why? They are waiting for the last stage, which comes in at the end of this year, in mid 2008, also. It's this single order book, which is the harmonization, standardization of the settlement part. Don't forget that Europe is very fragmented. You have a CSD, you have a DTCC for each country. You have a clearinghouse per country. You have a trading platform per country. You have a regulator per country.

Only in Euronext you have a single set of rules for four markets, a single trading house for four markets, a single platform, trading platform and a single CSD in mid 2008. That's when I believe that retail volumes will start really go cross border.

So technology. I mentioned the tools, after having talked about that model, the tools. Obviously, the tools are very important and everyone knows that we have a very good technology, like the NSC part has a very strong technology. Latency is important, and why is it important? It's very clear. It's about algorithmic trading, the willingness to trade as quickly as possible, to take advantage of the discrepancies in the order books. So we have a technology, we have made a shift to Linux platforms, the low-cost platform, the scalable platforms, the low latency and the average response time we have right now is around three milliseconds, and you see here all the figures about number of orders per second which it can handle and the reliability, which is very high

We are ahead of other exchanges in doing this, even though they are talking a lot. We do not talk a lot, but we have done it. So this is one of the major tools. In terms of -- you see here also the order processing time going down in the last 15 years, more or less, and the volumes are going up.

Products. One of the important items as an exchange is diversification. If you only have equities goods, a very sizable amount of volumes and revenues, but you need to diversify. Two ways about diversifying, you look at the products and what are the customers' needs. We have two products that are identified as being quite important to develop for the future. One is around ETFs. We named it NextTrack on Euronext. It's a

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segment where you trade ETFs and the warrants, which are very similar to options, but the only difference is that they are classified as equities from a legal point of view.

That means they behave like options, but they are tradable by investors easily because they are not classified as derivatives products. Here again, what is the driving force? It's not equity, it's not price discovery. Those products are easily taken and get a value easily out of a pure automatic computation or by the issuance. The issuers are banks. What do they look for? A platform to distribute, not a price discovery platform.

They are looking for someone that gives them access to a wider pool of customers, wider pool of brokers. They want to have a single process to create the product, to list it, to trade it, and that's why the model of Euronext fits their needs. They can just list the products in one of the countries, they can trade it everywhere. They can have one connection, they can provide spreads, prices, on our platform, and they will see those prices everywhere in Europe. That's why it's I believe a different economic model. They want to distribute and we are there to help them distributing, and even more. And why it's Euronext, it will become a global platform.

If you're a major issuer for ETFs, where would you go for a platform that represents 60% of the overall worldwide distribution for ETF, that's what and why Euronext is, so they will come to us and they will know that those products are available worldwide. So that I think is really key for them and it's a different model than just price discovery. That's why it's important to have focus on these products.

We have more or less doubled the revenues out of these products by having also very specific fee scales for it. ETFs are large trades. They're not applying the equities small trades. It's not algorithmic trading, so if you had an (inaudible) part of these trades, on these trades, it's giving much more reward than just the marginal cost of a sliding-fee scale on equities.

Warrants. We also have a very good position in warrants in Europe. The major competitors in Europe on warrants are Germany, Stuttgart, but they have a very manual process on the floor with a single specialist for those products. It's very efficient for the issuers, because they are highly protected, but you can't extend beyond your floor. You can't become European.

The other players, which are Swiss Exchange and Italian Exchange, they are a different technology, not so efficient, and they are only limited to their countries. We have a technology and a platform that goes beyond domestic countries and we can expand globally. There is an appetite for issuers to find a single solution across Europe for these products.

Let's move now to the future, MiFID. Everyone knows that MiFID should not be confused with what you have in the U.S. It's not Reg NMS, it's not similar to Reg NMS. It's done by the European Commission. It's not done by the regulator. It's even decided above the regulators. It's something which has a European scale and it's really defined in details by the European Commission.

It is set to be in place by the 1st of November. The major items of MiFID is end of concentration rule, end of obligations, made to brokers and banks to execute on exchanges. It means more freedom for these intermediaries to trade anywhere, including internalizing.

Requirements, transparency, pre and post trade. Second requirement, it has to be able to prove to your customers best execution. Best execution definition, it is not based only on prices. That's the American experience. You have orders, you execute orders, where the best price is it's placed. In Europe, again, Europe is fragmented, Europe is not a single market structure. You have different clearinghouses, different settlement institutions, so different costs.

So the best execution definition is, it includes speed, prices, clearing costs, segment costs, brokerage cost, all these elements, and it's not even purely defined. It is left up to the brokers for them to define their policies, for them to have their customers signing for this policy, then they have to keep track of the best execution policies they have outlined. You can see it's much more complex than what you have in the U.S., and it gives freedom, but also gives certain commitments and obligations for the intermediaries.

And that's why you may look at it when you read the press, they're getting nervous, because a lot of the details have not yet been designed, decided by each country. For them, if they want to have things done by the 1st of November, it's going to be very complex from an IT, from a procedural point of view.

For us, what it means as Euronext, and NYSE Euronext. It means that we are going to have opportunities. Why? Because the major customers, they want to have solutions which are MiFID compliant. They want to have someone taking away from them this burden and they want to have a solution that makes the regulators happy.

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What we have done, we have analyzed their requirements. They want to have at the end of the day lower cost for cross border transactions. They want to avoid the clearing and settlement costs and the fragmentation that exists in Europe. So we have offered really three different services. The first one, internalization in the order book. And it's said very simply an order book is price and time priority. We are implementing optionally -- it means that they have to pay for it. That's the meaning, optionally.

It's price, member and time priority. You can internalize in the order book at the bid and offer. We can do it for you. We can even prevent those trades from going to clearing and settlement. You opt for it, you pay for it. It will be at a lower cost compared to your clearing and settlement costs, but we will charge for this service. This is what we are going to offer, and we have a lot of customers and intermediaries requiring the service. They are assigning it rates and it should be implemented by the 1st of November.

Second service. They have to report -- again, I mentioned transparency. They have to report those trades to their home regulators and they have to publish those trades, so we're going to offer services along those two lines, trade reporting and trade publication, not only for Euronext and the European securities, but also for the overall global European securities, even the ones that we are not trading today on our platform. So global service to help them be MiFID compliant.

It represents also opportunities on the fact that, as mentioned earlier by Hugh Freedeurg, there is a code of conduct which is a code of good practice allowing the trading platforms, the clearing and settlement institutions to open up. It means to allow connection from non-domestic exchanges to them and for the different clearinghouses to make to different CSDs, different custodians.

So we will have opportunities to expand and to trade non-NYSE Euronext securities in Europe. And we are going to take advantage of this. It means also that more and more over time we are going to look very similar over the coming few years to the U.S. type of competition.

We have a lot of routing mechanisms here in the U.S. in between trading venues. Even though in Europe the best execution policy is relying on the brokers, nothing prevents us as an exchange to provide these routing capabilities and the best execution service for them. That's one of the fields we are exploring and they are more than demanding of this, and obviously this has a cost and they will pay for it. It is so complex. They would like to have someone taking charge of it.

Last but not least, and I mentioned MiFID is different than Reg NMS. MiFID is allowing competition from banks and brokers towards exchanges. It also allows exchanges to get the buy side. Buy side have the right to become members of exchanges, and not only by getting the broker-dealer status. They can become direct members of exchanges.

Are we going to do it? The answer is not simple. If you want to do it, you have to be sure that you are delivering a service which has value. Today, the brokers and banks are providing more than just execution. Exchanges are just providing execution only and this is the neutrality and best thing we have today. So we have the opportunity. I'm not sure we can answer yes or no today.

We have to analyze and we are analyzing. We are looking for the customer demand for it and we have to be sure that we can provide the right service for those buy sides.

Other growth opportunities. I mentioned diversification is important, so I mentioned two different products, warrants and ETFs, but also [stock] borrowing and lending. We know that borrowing and lending, it's a non-regulated market, it's a huge opportunity, it's a huge market, by the way, which has a lot of manual processing, which is not very efficient. It doesn't mean that brokers are not finding liquidity. They find liquidity, but it's not transparent. No one knows who's borrowing, who's lending. No one knows if the price is the right one.

So we have acquired 51% of a trading platform which is bringing together borrowing and lenders on European securities. We're going to do two things with this platform. We're going to connect it to the clearing. Again, this is very important, so you can offset your positions, you can short-sell and borrow securities and it will be net zero capital requirements on the clearinghouse.

Second main thing to do is to expand the network of this company to access all NYSE Euronext members. So, again, you see that we can leverage on the Euronext customer base, and this is very important. It's a primary platform providing three different types of mechanisms, portfolio optioning, limit order book, obviously the same way as we can do with price and time priority and by the (inaudible) trades. So this is really quite key, it's very flexible, it's Internet-based, and we can have it ready on the screens of the customers by the end of this year.

The second growth opportunity we are looking at is Luxembourg. Again, Luxembourg has not merged, do not want to merge with the NYSE Euronext Group, but they have very strong listing capabilities because they have very good tools. They can list products in less than two days.

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They have a very efficient process that is based in between the regulator, the issuer, the exchange, and they have a huge amount of products, mainly investment funds and bonds.

So we have created a partnership. It's named European Economic Interest Grouping. In fact, it's just a legal entity which is just lower than the joint venture. It allows us to trade on our platform and they have transferred all their securities, bonds, equities, GDRs and investment funds on our platform. This has been launched the 2nd of May, so it's already there, and we are going to use their listing tools on corporate bonds.

Again, it's a way for us to expand the range of products available for the customers. We don't have a cross-membership in the same way we have it within the Euronext exchanges. But, again, simplifies the process for our customers to be able to trade those securities. They're going to use the same clearinghouse, so they will be in the same model. Their products will be available, and we'll have an opportunity to develop the bonds and the corporate bonds.

So these are just two examples of how we can expand. I believe we will do more in the future. This is really the key element beyond the equities, is to redevelop the diversification philosophy, what we have in Europe. Any questions, I'm ready, guys.

QUESTION AND ANSWER

Unidentified Audience Member

You talked about 40% of your volume currently comes from customers outside the Euronext zone. Is this sort of the vital liquidity pool that you're going to seek to leverage as you go after different cash equity markets outside the Euronext zone currently, in a post-MiFID world?

Roland Bellegarde *- NYSE Euronext - Head of European Cash Markets*

These are the volumes coming out of members located mainly in London. They are trading -- volumes are trading on Euronext securities out of London or sometimes Germany or Italy, but the bulk of it is out of London. That's where the people are talking about major customers driving a lot of volumes and the Turquoise projects in those banks being the major risk for us.

Those intermediaries have on our platforms around 30% of the volumes generated from those members. I'm not going to go after those customers, because they are already there, and they are the ones having a global activity, so they are trading all the Euronext securities through our platform.

These customers, they are the leverage-only (inaudible) to trade the non-Euronext securities. Again, the model we have built, they love it, because we are harmonizing. We are making the European landscape unique, simplified, standardized, mainly for the ones which have a global strategy and not a domestic strategy. So they are pushing us and they're asking us, "okay, why don't you expand and do for us what you have done for us within the Euronext land somewhere else?" The question is, if we do it, we have to have the right clearing and settlement arrangement and the liquidity provisions for them to help us in developing the overall liquidity. The complexity is that your liquidity cannot shift easily. It shifts if your trading model is not efficient.

If your trading model is efficient, which is most of what happens in the different exchanges in Europe, they all have a kind of limit order book, it's difficult to shift this equity unless the market is really dominated by 80% of a few members that are going to shift globally their equities. That's not the case. Not any single exchange I know in Europe has less than 10 members, representing 80% of the volumes.

So you're right. Those members are going to be our support. They are the ones that are waiting for the integration across Europe, but we can't exclude that this is just mechanically let those members use the platform and list the securities. It will work. It will work. It needs more refinement and analysis to be sure it's going to be efficient.

Unidentified Audience Member

Roland, one of the trends we've seen in the United States cash equities markets increasingly has been that your bigger customers, the broker-dealers, are increasingly becoming your better competitors. We saw the announcement from Project Turquoise a couple months ago in the

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European market. Can you share with us your thoughts about competition from the broker-dealers and how you potentially prepare for that headwind?

Roland Bellegarde *- NYSE Euronext - Head of European Cash Markets*

I think it's one of the important items we always analyze. The U.S. markets have been in a way very efficient in terms of infrastructure on what we name post trade. It means clearing and settlements, and very different market structures in terms of trading. That's why ECNs came in in a very efficient way, and then the markets are becoming more and more efficient in the U.S.

Europe is the reversal. We have very efficient trading limit order books in every exchange, and we have a very fragmented and inefficient post-trading infrastructure across Europe. It worked because every single country has its own volumes and own domestic markets, so if you trade in, let's say, in Austria, everything is very efficient, as long as you trade Austrian securities as an Austrian domestic investment. But if you start trading securities from another country, then you are lost, then it becomes very expensive, because no links have ever been built for you to be able to clear and settle non-Austrian securities.

The fact that very large banks, which have a global view, which have a global or European perspective, want to compete. It's not about -- they claim it's about fees, but don't forget that fees are not the bulk of their costs. The costs, when you are trading, is mainly the market impact. And that's why I believe that this competition is going to be very difficult for them. It's how do you prevent the market impact. The first intermediary getting out of an existing efficient pool of liquidity, he has to face these 80% costs coming out of the market impact.

Someone has to take away these market impact costs. Maybe you can reduce your trading fees by 50%, but they are still very limited compared to the overall market impact. So I think the challenge is for them to find a solution to avoid this market impact. And it's not easy. It means that if you believe that you can just get together and say, okay, we have a large consortium, we are going to move all the liquidity in one day, don't forget that you don't own the order flow.

Even very large banks do not own the order flow. The order flow is owned by the customers, side by side. They are not ignorant. They know where their trades are going. They have the orders - they are directing those flows. So you can't just say that 30% market share of those banks will just shift away from one day to another, it's not in their hands. They have their proprietary volumes. They have their algorithmic trading. Part of it could be directed somewhere else, but then it's much more complex to move away your own customers, because the customers know where the liquidity is, and they will ask for it, and that's a protection provided by transparency.

The more your system is electronic, the more you have an access even indirectly to the buy side, the more they appreciate your liquidity, the less they are willing to get away (inaudible) just for reducing the cost of someone in between. So an efficient market model, an efficient pricing mechanism. When I say efficient, it's not low. It means designed to attract and keep liquidity. It means protecting you to the market impacts. These are the clear elements for us to have protection, which at the same time makes it difficult for us to compete in the post-settlement realm.

The last question. I think I have to go.

Unidentified Audience Member

In the past couple of years, we've seen a 1 to 2 percentage point decline in the revenue per transaction. Can you tell us what's behind that and then what would be your expectation for any changes to pricing with MiFID?

Roland Bellegarde *- NYSE Euronext - Head of European Cash Markets*

In the past, what happened is the fact that the average price per trade going down is based on three effects. First one is the volumes. The sliding fee scale principle was already there from 2001, so it went down due to the volumes increase. So if you divide it, then the price goes down. The second effect, when we completed Euronext, we had to harmonize the trading fees on this model, so you had to -- harmonization never goes up. It has to go down in certain ways, unless you shift the model very frequently.

So the effective trend is that the average price per trade went down is based on those three effects, but I believe that the bulk of it is out of the volumes and the sliding fee scale.

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What will happen in the future for MiFID. I think it's not about MiFID itself, because I am a firm believer that we are not going to change the fees only by panicking. This is not what we should do. We just have to analyze the competition, their strengths, and before changing your fees -- changing your fees, it's a ritual of just competing on prices and nothing else. You have really value-added services on them, and I do not intend to change the fees only because they are somewhat starting to trade my securities.

I need to know exactly what they are doing, what is their added value, how they can really attract the volumes. If someone stays below -- let's be honest, below 25% market share, they will never survive in Europe. Difficult. And I have not seen anyone getting to 2% market share on our securities in the existing environment today, so it's not sustainable in the long run. They have to have something which is much more efficient either in terms of clearing or settlements or in terms of paying liquidity, which is an unknown zone, by the way, because the payment for the order flow, this is not very clear in Europe.

In the U.S., it's allowed. In Europe, it's a very vague zone. The regulators have not yet stated if it's forbidden or allowed. They said inducement should be transparent and you should tell your customers what you get from your different intermediaries, but they are not really very clear on that point. So I don't expect that MiFID is just mechanically going to bring prices for the customers down.

However, I think that, as you mentioned earlier, we have today retrocession fees coming out of clearing, that we have to include in our trading fees, because it's transparent, it's known, nothing is hidden. They know those fees and it's about what we have to do for next year. It's a transfer of what we had as a legacy from the clearing in the trading part.

So we should expect a change on that side. We're reverting back these retrocession fees on the trading side. Today they remain fees collected by the clearinghouse on behalf of the exchange. So don't be surprised if you see a change in the trading fee schedule, it's only a transfer of what we have today on the clearing side.

Yes. Thank you. It's Cathy or it's the break?

Gary Stein - ***NYSE Euronext - Head of IR***

We're going to take just a quick break. We'll start up again in about five minutes. If you need restrooms, they're towards the elevators where you came in.

(BREAK)

PRESENTATION

Cathy Kinney - ***NYSE Euronext - President and Co-COO***

Hi, good morning. I'm Cathy Kinney, President and Co-Chief Operating Officer of NYSE Euronext. And this morning it's my pleasure to cover two of the businesses of our company, the Global Listings business and Market Data.

The NYSE Euronext brings the strongest listing offering to issuers. It also is the most successful listing business, and I think that success comes from a couple places. First, we have the leading global exchange brand. We have about 4,000 companies trading across both platforms. We are the premium or premier global marketplace. We have the largest cash equities marketplace, valued at just about $30 trillion. That's the value of all of the companies that are traded across both platforms. We're the leader in IPO capital raising.

If you look at the number of IPOs that have come forward, and I think earlier today we showed you that we raised last year $68 billion. That was by far the largest marketplace in the world, and, as you saw from the chart earlier this morning, capital raising is coalescing in three centers of the world, New York - NYSE Euronext - London and Hong Kong, but we certainly have over the last several years been the dominant player in capital raising across the globe.

We also provide the deepest pool of liquidity as a function of us being the largest cash equities marketplace. We're also quite liquid. If you measure our liquidity based on average daily trading value, we are twice as liquid as our next competitor, which would be NASDAQ. And the liquidity value is about $122.5 versus NASDAQ at $53.6.

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So if you look at, as I said, both the size of the market, the brand value of the market and the marketplace itself that we offer, this is the strongest listing offering in the world. We have a very stable and growing revenue stream. We'll talk a little bit more about that in a minute, and one of the very good parts of the revenue stream is that Euronext and the New York are very complementary.

We basically have an annuity stream as part of our continued listing program, whereas Euronext's revenue stream was driven largely off of IPOs and the actual initial offering, as opposed to its continued listing stream.

We have now as part of our portfolio a broader geography and more choice of entry for issuers around the world. In addition to that, we can also offer a larger cross-section of companies, particularly small and mid-size companies, an opportunity to be associated with NYSE Euronext.

We have a very clear strategy for growth, which I will go into in a minute, and I think it's also very important to say that we have a very seasoned management team. We have fully integrated our management team across four regions of the world. We have the Americas. We have Europe. We have emerging Asia and then developed Asia. And so we will be covering these four regions.

Noreen Culhane will be running the Americas, and she will be the anchor here in New York. I will be relocating to Paris, running the entire program from Paris. Martine Charbonnier will be running Europe, and she was from the Euronext team.

Madhu Kannan will be running emerging Asia, so that's India, China, as well as the Middle East, except Israel, and Nao Kasuga will be in Tokyo, running developed Asia for Korea, Japan, Australia and New Zealand.

So I think both the offering itself and our business give us a great deal of optimism about success. If you look at how we define our brand, I'm going to only point to two metrics, there are many on this chart. First, that we have 79 of the largest 100 global companies in the world as part of our complex and part of our platform.

And the second is that 51% of the 2006 Fortune 100 Fastest-Growing Companies are actually listed on the New York Stock Exchange. So when we go out to companies and talk to very high-growth companies, I think they're very surprised by the statistics, but I think it also gives you an idea of the breadth of the platform, but also the success of the platform.

This slide demonstrates our market leadership. We focused on IPO capital raised, and clearly I think we have unquestionable leadership here. And we've measured it in two dimensions, first, on the left axis, the capital raised, and along the bottom the average daily trading volume, or value. Excuse me.

And I think it's important to say it's one thing to have a liquidity event, an IPO capital raising, but it's another thing to have a liquid market for that security after the actual liquidity event. And so we measure ourselves on two dimensions, and I think you saw earlier that for '04, '05 and '06, the exchange respectively raised $68 billion, $69 billion and $68 billion across the globe, and thus far in 2007 have raised $26 billion.

So I think the important message here is two parts. One is the consistency of performance for us in helping companies raise capital. Two, I think that the average daily trading value, as I mentioned earlier, is two times our nearest competitor globally, and, number three, I think that if you were to take apart the other market centers for capital raising, London and Hong Kong, I think you would find there is a concentration in each of those markets.

London, in the case of London last year, dominated by Russian IPO raising, capital raising. And in the case of Hong Kong, two deals, ICBC and one other - the two deals were abut 70% of the entire capital raising in Hong Kong last year, so there's a clear concentration.

As I mentioned earlier, I think one of the most important parts of our listing program is that we have choice not only of geographic listing, but also of listing venues, and I think it's this breadth that gives us a lot of dimension and a lot of attractiveness to issuers around the world. We are going to be in our new integrated organization talking to issuers about four possible products.

Now, I want to just say that most of the time, when we get to an issuer who is considering a capital raising event or a transfer, they have a pretty good idea of what geography of the world they may want to be in or what marketplace they want to list on, because the things they focus on are first the size of their company, the financial strength of the company, their access to investors.

So we are going to be in a consultative mode with these companies about four different products, first, the NYSE, and I'm not going to read you all of the information there. Two is Euronext itself, NYSE Euronext, which is actually the large platform in Europe for large European or

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international companies, NYSE Arca, which is the new brand that we've been building since our merger with Arca that's designed and targeted to compete with NASDAQ for small and midsize companies, and then Alternext, which was Euronext's marketplace for small and midsize issuers.

So we have a great opportunity around the globe to really appeal to a very large cross-section of issuers with four different offerings, or four different points of entry. And there are going to be many opportunities you'll see and where we're going to be targeting ourselves.

I want to just cover the key drivers for the business. First, annual listing fees provide a very steady annuity stream and are amortized over 10 years. The original listing fee is initially deferred and recognized over that 10-year period. The drivers of the business are first the number of issuers and the shares outstanding. You saw from the prior chart, I gave you the pricing model for each of the four products that we'll be talking about with issuers.

And you can see in there that we really focus on having a breadth of issuers, as I said, over 4,000. And we focus on the size of the companies, for sure, but most importantly we want a breadth of industries.

I think today some of the competitors, particularly NASDAQ in the U.S. markets would largely be identified with technology. However, the New York Stock Exchange in it's TMT (or its technology, media, and telecoms) area is one of its largest representative industries and I think that we are much more proud of the fact that we have breath of industry across the globe.

We're very proud of the geographies, the size of the companies that are listed in each of those 4 products and as I said the trading value and the trading volume in each of those markets.

With respect to IPOs, I think you know the statistic. Consistently over the last several years we have actually achieved 90% of the qualified proceeds of the IPO space in the U.S. We're very proud of that. We have transferred 154 companies to the New York Stock Exchange over the last 5 years with only 5 going in the other direction to NASDAQ.

I mentioned earlier that there's a complementary fee structure between the NYSE and Euronext and of course that would be an opportunity for us to do two things. To continue to look at the fee structures, to continue to enhance our company and revenue stream but also and as importantly to try to use fees as a way to try to drive potentially dual listings for companies so that they will consider listing not only in Europe but also in the U.S.

I think the other statistic that we're very, very proud of is our retention and in the case of the New York Stock Exchange we have 99.9% retention among our companies. So they come to the New York Stock Exchange and in the case of Euronext as well they stay here. Not only that, new IPOs are coming here by in large when they're qualified to do so and number 3 we have almost 100% retention of qualified carve-outs and spin-offs of our currently listed companies so people re-buy the brand when they have experience with the brand.

I think there are some other factors though that clearly are affecting our business right now from a listings perspective. First, very, very active M&A activity which is a daily event. I won't go through all this.

Delistings and transfers. I think that you know that the SEC just modified its rules for companies who would like to de-register from the U.S. and so you've seen a number of companies announce their intention to de-register which also is preceded by a delisting. Thus far, we've had about 20 of those announcements. We don't think that it's -- we think those are going to be isolated. Either people have lost their strategic reason to be here or perhaps the volume of trading in the ADR is not where it needs to be. And I think that we've seen a number of going private transactions or private equity and of course regulatory requirements -- SOX continues to be a factor but we've continued to have a very successful IPO calendar this year from all around the globe including 5 listings from China.

Let's talk about the strategy and opportunities for growth and I'll do that quickly. We are very focused on maintaining the annuity stream but also growing and expanding through our addressable markets. As I mentioned earlier, I think that we do not see the pressure on pricing in that annuity stream. We think that we will still be able to earn that premium and one of the strengths of our ability to earn that premium are the things that I talked about earlier. The strength of the brand, the strength of the market.

I know there was a question earlier today about market share and does that affect listings and I think it's very important to say number one, that the New York and Arca together still have the largest market share for our listed companies. So we have -- we certainly heard some noise from companies but that's mostly noise that's planted by our competitors but when the company actually knows the facts and see the facts that issue has gone away.

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More importantly, the performance for the companies when they come here they expect a deep, liquid market which they get but they also expect lower volatility which they get. So when I mentioned earlier that we had moved a number of companies to the New York Stock Exchange, two that we're particularly proud of. Red Hat was one that moved late last year and then we had another company that moved also this year from NASDAQ but in both cases those companies -- the volatility was actually reduced by about 40%.

So while there's competition among markets clearly, the quality index of the market has held up. The market share for the both of us is the strongest of any trading platform and the issuers are still getting excellent performance and deep liquidity from our marketplace.

We want to maximize the brand association. I think it's very important to say that listings and a successful listing program mutually reinforces the power of the NYSE and Euronext brand.

We want to maintain leading market share in existing markets and also expand and grow so I talked about the IPO stats. I think it's important to say that the New York Stock Exchange now has with the merger with Euronext an offering for those companies that choose not to register in the U.S. and I think that's going to be very important and so we will be working with companies depending on where they want to be raising capital around the world.

As I mentioned, both Alternext and Arca gives us more breadth in terms of the kinds of companies that we can actually bring to the NYSE and Euronext platform with both Arca and Alternext and obviously, we're going to continue to drive the transfer business which we have been very successful in this year.

The listing business also helps us drive new products because of course there are downstream effects to an effective successful listing program. Those downstream effects are the revenues that are generated from transaction fees and the revenues that are generated from information products which we'll talk about next.

We are in the process of analyzing the standards for all 4 products to make sure that they are symmetrical and that we actually have an opportunity to maintain the highest standards but at the same time help attract the greatest number of companies to our list. I think you'll remember when we set the standards for Arca, we did not go for a 100% overlap with NASDAQ but rather we went to the highest level of companies in the (inaudible) when we were competing with NASDAQ for two reasons. One, we wanted higher standards for Arca, which we already had; and two, we wanted companies that eventually could evolve and mature to a point where they could be listed on the New York Stock Exchange.

We're also going to be as I said earlier looking at our fees. One, we want them to be complementary but we want to be able to use the fees as a driver to get more listings. We obviously want to expand and explore opportunities for expansion with listings.

So, for example, we created a strategic relationship with Tokyo and one of the principle things in that strategic relationship is to work on listings. How can we cross list? How can we mutually recognize listings so that each of the marketplaces grows and expands and we grow the pie for the company not only in terms of their access to shareholders but in terms of the depths of liquidity and the information that's driven from the trading in all of those liquidity pools?

We have a goal of raising $20 million in listing revenue as part of the synergy plans and we're focused on four areas down the side. I'm not going to read all of this to you but simply say to you that we will be focused on IPOs, global IPOs and principally from emerging markets. As I mentioned earlier, we have 5 listings from China already this year. We have a rich pipeline and we're very excited about and more importantly we're excited about the performance of the Chinese companies that we have listed. There is a great opportunity however for Euronext to have an international listing for Chinese companies when they want access to European investors. There's a very rich pool of retail investors in Europe and we want to have those companies access those investors.

We will continue to go after smaller IPOs in all markets domestic and in the case of Europe as well as in the U.S. and there is a great opportunity to list smaller companies on Alternext.

Transfers. We talked about that. I think there's an opportunity here though because I think there are a number of U.S. companies on LSE and AIM which we would hope would consider dual listing on Euronext and Alternext and we think there are NASDAQ companies that we will continue to work on of course for NYSE and Arca but emerging market issues. There are a number of them on LSE and Luxembourg, particularly Indian companies and Taiwanese companies on Luxembourg that we are going to go after to consider dual listings on Euronext.

These changes we talked about I'll just close by saying companies come to the New York Stock Exchange and NYSE and Euronext for 5 reasons.

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One, they want to be listed -- first of all generally they want to raise capital. Two, they really do want to have a marketplace that has the deepest liquidity pool and the highest market share. They actually want the broadest access to investors. They want the greatest brand, most visibility and the best services. And they know when they're coming to any four of these product choices that they are meeting the highest financial and governance standards around the world.

So there's a great deal of association with quality and I think when you talk to the issuers, they're choosing to come to all 4 of these products for that reason. We're very excited about this program. I think it's been very successful as I said, it has a lot of downstream effect.

Let's just transition for a second to the market data product. Market data is run two parts. Miguel Marques is running the global platform and Ron Jordan, who is here this morning, is running the U.S. business for market data. I'm showing here the -- how we derive the market data revenue but I want to just say at the very beginning that information is one of the strategic assets of this combined merger. Information is a key business driver for NYSE Euronext and again it has many important downstream effects.

First, information attracts order flow. Second, it generates revenue; and third, it reinforces the brands and that's why information is so important to us. As you can see, we generate our revenue from a couple of very key areas.

First, real-time trades and quotes which are represented by the Tapes as you see here - A, B, and C. Second, that we derive our revenues from proprietary products that both sides generate. Third, this business is now global as I mentioned. We have market data businesses in both sides, both Euronext and NYSE and in the case of Euronext they have 2 additional products. They have an indices business and later last year -- late last year they bought Hugin and Companynews, which they're integrating which is an information products as well as an IR service.

As you can see, there has been growth in both the number of terminals and the number of subscribers for Tape A and for the NYSE business. It's very interesting you would be -- I know that you would probably expect this but there's a great deal of overlap in terms of both the subscribers or the distribution model for market data globally but there's also a concentration of subscribers. Principally, both of us make the majority of our money from the institutional or the more professional traders.

Let's talk about the key initiatives from the U.S. side for the moment. First of all, you're probably all very well aware that there was a change in the context of Reg NMS. There was a change in the revenue sharing formula which we have indicated there. We expect that impact of that change of formula to be immaterial.

The SEC recently has received a filing from us in response to the Net Coalition. This is to make available our information. We have filed for a monthly fee of $100,000 and I think that is very responsive to the Net Coalition. We're very optimistic that we're going to receive approval from the SEC on that hopefully shortly. But also in that process is another important filing that we have which is a whole series of these for the ArcaBook and the Last Sale product. So all three of those. The filing for Net Coalition; the ArcaBook and the Last Sale products are all pending with the SEC but we're very optimistic to receive approval shortly.

One of the key drivers in the growth in the market data business will be the growth and development of proprietary products. We have gotten lots of interest from users on quantitative information products. There are certainly going to be synergies that we can drive both on the cash side as well as multi-asset classes which I think was one of the really key drivers of this merger and then of course bundling and cross-marketing. All of the products that each of us have across the entire platform both in Europe and in the U.S. and so that's underway right now.

We also have a very active program of monitoring and auditing underreporting by those users of our market data service and we've been very successful in recovering fees from companies and from firms that are using our data.

I am going to pass over the European side. You can see as I mentioned earlier most of the revenue and it's true on the U.S. side as well comes from the real-time products. The corporate news, index services, and media are a small piece of the European model but obviously have a lot of opportunity for growth.

On the European side, some of their key initiatives are corporate actions and having machine readable corporation actions. There are a whole series of MiFID related services that they intend to provide as MiFID comes into position later this year and also they expect to be developing a presence for corporate news which is why they purchased both Companynews and Hugin last year. There a whole broad range of services that we can provide to issuers both - listed and unlisted - and we're looking at the cross-selling opportunities both in the U.S. as well for those. I think there's a potential for growth and we're looking at new information products particularly in the construct of the regulatory environment in Europe.

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I'm going to stop there and maybe there are some questions from the group. Yes sir.

QUESTION AND ANSWER

Unidentified Audience Member

One question, please. Is there any possible pressure on the annual listing fees from the harmonization of initial and annual fees you are intending to do or will it be more like revenue neutral for the combined group?

Cathy Kinney *- NYSE Euronext - President and Co-COO*

Actually -- we don't see pressure actually. We see the contrary because we start from a different place. As I mentioned, Euronext largely makes their money on the initial fee. We make it on the annuity stream for the continued fee so we would be looking at ways to make the -- continue to have those be complementary but to look at whether we have all the fees aligned correctly.

So for example, Euronext went in the direction that NASDAQ went which was that they had for-fee services. We will likely look at bundling the services the way we have done for the New York side and what the effects will be on fees and the consequence of bundling those services to issuers. So again, they will continue to be complementary but there's some opportunity to have additional revenue from both sides.

But the second important -- I think important change would be to use the revenue stream to use the fee schedule to drive dual listings in both markets. So, if we approach an IPO for example in China, and try to get them to access the investors both in Europe and the U.S. we could through a combined fee invite a dual listing in both markets. Now to be sure, there's some challenges from a regulatory perspective on getting those fee changes but I think you noticed that Euronext has both a domestic fee schedule and an international and we think on the international side there will be some opportunities that we can seek very quickly.

Unidentified Audience Member

Overall, you're trying to make cross-border trading easier on cash equity side and you're -- going forward if it's going to be easier and easier to do cross-border trading. Doesn't that take away the attractiveness of dual listings across the board?

Cathy Kinney *- NYSE Euronext - President and Co-COO*

I don't think so. I'll tell you -- I'll give you a couple of reasons why. First of all, I think the time zones make it interesting to have multiple access points to investors on their time zones. Number two, you have the currency representation in each of those markets. Many investors in their home markets want to trade in the currency and the time zone in which they live; and number three, I think that the brand visibility that you get through the association in each of the time zones will be very effective for the companies.

Also, many companies have strategic reasons to want to pay their employees potentially in the U.S. in dollars and so they'll list the product in or have it listing in the U.S. I think Duncan probably talked about it earlier -- I hope he did. You know today in the U.S. we trade the ordinary. We're working very hard to find a way to trade the ordinary of the international listings that we have trading in the U.S. I think that would enhance the liquidity in the products both on the U.S. side and outside the U.S. and I think that would also reinforce my view that a dual listing would be very valuable.

Unidentified Audience Member

Thanks. One more on listing. Could you explain the benefits of a dual listing? The accounting changes that the SEC is looking at to allow internationals to report in IFRS instead of GAAP. Is that something that New York is excited about it? Maybe you could -- I think maybe say something about the target dates.

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Cathy Kinney - ***NYSE Euronext - President and Co-COO***

Thank you so much for asking that. I think we're very excited about that change. I mentioned earlier that Sarbanes-Oxley had been -- made some of the listing opportunities a little bit more challenging in the U.S. but the SEC has just put out its rulemaking for the changes for 404 which I think will certainly reduce the ongoing costs for companies to maintain their listing in the U.S.

But the second very important change for international companies will be we expect rulemaking this summer not on convergence but mutual recognition of IFRS for companies that will be listed in the U.S. So I think that's just to support the gentleman's prior question we'll support the dual listing action so it will be less expensive if companies don't have to converge their financials number one.

Number two, I think this rulebook will become an interesting discussion for U.S. companies because I think there'll be two rules. One is IFRS in 2008 for international companies and then a question by the SEC as to whether IFRS will be used by U.S. companies and so I think that there is an indication that IFRS will become de facto standard if a company chooses to do that and I think you are going to see a number of U.S. companies with operations outside the U.S. who have to do IFRS for those very large divisions or businesses -- perhaps choose to use IFRS as their global accounting standard.

So I think this plays exactly to the question that was asked. It will enhance the dual listings. I think non-U.S. companies or international companies that are already in the U.S. will want to maintain their listing in the U.S. because there is a valuation premium that we still enjoy as a function of the dual listing which is another reason I didn't put on his question about dual listing. So I think that we're very, very excited about it. I think the SEC has moved very quickly and we're expecting that for 2008 which I think is very exciting.

Unidentified Audience Member

If I could just switch over to market data. And there is lots of letters to-ing and fro-ing between the SEC and SIFMA and the exchanges on the overall size of the for-fee pool and whether or not it should be what it is or whether it should be changed. Where is that now and what is the potential implications that the SEC should just take a good hard look at because I think there is one regional exchange that's arguing it should be substantially lower than what it is.

Cathy Kinney - ***NYSE Euronext - President and Co-COO***

This is a question that comes around every couple of years. I think you probably are all aware that the SEC had a roundtable several years ago. The full question was asked. It was put to rest and the revenue stream moved on and the SEC actually adopted it as part of its NMS strategy and new formula in response to the last review of this question. I think this question will continue to be asked as long as we're in this business. I think that the revenues that are generated reflect the costs of assembling and disseminating the information. People pay for this and it is one of the important, as I said, business drivers of all of the markets and I think we will come to the same conclusion that we came to the last time when this question was asked and answered. One more question here.

Unidentified Audience Member

I may not get this exactly right but I think the LSE in their last call mid-May was talking about international listings and how many they've added; something like 180 over the last 4 or 5 years. I'm sure some of them have gone to AIM while combined year Eurex and Euronext have lost 220. Are those statistics somehow misleading or is there a particular reason why they would have gained more international listings than the other two major markets?

Cathy Kinney - ***NYSE Euronext - President and Co-COO***

I think it's -- you always have to dive into the statistics and the information so I'll just give you our view about this. Number one, you are absolutely correct that most of the growth for LSE has been on AIM, number one. The LSE main market has lost more companies than they have added over the last several years and if you get a chart you can -- I can get you a chart that will show you that. And number three, I think that LSE has been out promoting a listing platform as a lower standard not a higher standard to be met and they've also enjoyed the success of attracting Russian companies who seem to have agreed that there's an appeal to that.

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So I -- you know from our perspective we're happy to share the statistics with you. There's been growth across all of our platforms, number one. Number two, Alternext now has 100 companies. It's only been in existence for 2 years but it's at a much higher level and the most important part of why Alternext is different in my opinion and will be more successful than AIM is that they do a much better job and have much higher regulatory standards of actually approving those supporters that bring the companies to the platforms -- that has not been necessarily the hallmark of AIM. So we're happy to share some stats with you that I think will put to rest your question.

Okay. Thank you very much.

PRESENTATION

Gary Stein - ***NYSE Euronext - Head of IR***

Okay. We're now going to turn the presentation over to Jerry Putnam who is going to talk about both U.S. equity options as well as technology.

Jerry Putnam - ***NSYE Euronext - Vice Chairman of Technology & Product Development & Options***

Good morning, everyone. Thanks for coming. As Gary said, I'm going to cover the U.S. equity options and technology portion of the presentation, but for those who know me I'll talk about anything else you want to talk about even if I don't know anything about it.

So starting with the options business. Options volumes have continued to grow. There's great year-over-year growth. The same continues into 2007 and I think as most of you know we are -- we have an options business. That came as a result of when Archipelago bought the Pacific Options Exchange back in September of 2005. We run the options business from Chicago. Although we have a trading floor that continues to operate out in San Francisco and a group of people out there. They're actually doing development work on the system.

The reason for the trading floor in San Francisco is that we make money on it and there are certain trades that are for regulatory reasons and because of their complexity that still make sense to do on a floor. So as long as we make money at it and we have a very, very good business there we'll continue to operate that floor.

From an integration standpoint we've taken the headcount in San Francisco from 300 people down to about 72. It's obviously driven a big part of the profitability in that business in addition to the fact that we have big, big growth in overall options volume. We run the matching engine out of New Jersey or the New York area like we do with all of our other matching engines and that's to be closer to our customers from a latency standpoint.

Currently, we trade 2,000 issues on our platform. I think from the technology perspective and this was when we bought the or talked about buying the Pacific Options Exchange there was a group of us in my office trying to figure out one, I wanted to be -- I wanted to expand or we wanted to diversify our business but what we were going to be in the options business and what could be our competitive strength and we felt that from a technology standpoint that we could actually differentiate ourselves because the existing exchanges at that point with the big challenges with all of the increased volume in U.S. equity options they're always struggling with quoting volume.

So my view was that if we could come up with something that basically -- call it unlimited bandwidth -- I mean it's not unlimited but relative to everyone else if we had unlimited accessibility to our system couldn't we differentiate ourselves in that way and that's basically what we've done. So we've rolled out the new platform in the second half of last year. It was completed in October of 2006. The platform itself is -- leveraged -- we basically leveraged the NYSE Arca matching engine so the concept of having derivatives trading on the same quote base as equities we've proven that here. That's one of the things that we see as our overall -- in our overall business at NYSE Euronext is actually an opportunity on the synergy side but we've proven that you can do that. So from the same code base we run both the -- all of the equities business. In fact, the bond business on the NYSE as well as all of the Arca equity business.

As I mentioned, the technology was designed for high performance and scalability. Our quote rate in the current configuration is 1 million single-sided quotes per second which is multiples of what the industry does as a whole. We have order throughput of 30,000 per second; 10,000 orders per second per matching engine and that's how we scale it. We run three matching engines today at 10,000 a piece and I mean, ultimately this would never happen, but you could run 2,000 matching engines -- one for each equity option that listed in the world if there was that sort of throughput demand for it but that's how the system scales.

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We have pieces of the options spread out across three engines. If demand requires that we put a fourth one in they're cheap – cheap, inexpensive Sun boxes that we actually use to run this thing. Industry - Arca, again, our competitive position was this capacity and quote capability and what we've been able to do once we've built that was to eliminate certain speed bumps that other exchanges have put in place because they have throughput issues. They put speed bumps in -- things like charging cancellation fees. So a lot of the other exchanges charge you to change your mind on a trade, but we don’t because we don't have the capacity constraint. We're able to actually offer that for free and it gives us a competitive position.

Our market structure is unique. I think a lot of people asked the question when we got into the options business. Are you guys going to be a flat open ECN? We started out with a good stable of lead market makers and we believe that you need to have a lead market maker in a lot of the options issues so we've maintained that but we've modified our market structure. It is unique. On the front end -- so front end. We have a 60/40 allocation model. 40% of the order goes to the lead market maker. The other 60% goes to auto price time basis. So unlike the other exchanges where a lot of them are pro rata on the balance of those splits, ours is straight price time.

Again, I mentioned no speed bumps or cancellation fees. There's also a low cost of entry for market participants. So new market makers, which we have quite a few that have joined us, we have made the hurdle rate low for them to get in to keep a physical floor for the complex and brokered products.

We do automated trade routing for our customers. I guess it's no surprise from an Archipelago perspective that we would do that but it is unique in the options business. Another thing is we changed our pricing for the penny pilot stocks so in our equities where we pay people to provide liquidity on the system and then we charge participants who take liquidity we've added that model in the stocks that are trading under the 13 options that trade under the penny pilot with good success which I'll get into in a moment.

And then finally, quote mitigation which has been a big issue, I think this is one of the things that the industry has put up as a barrier to the penny -- to pennies in options. We have a sound quote mitigation strategy which just really, really works so I think as the debate goes on about whether we should expand the penny pilot or not that's going to play to our favor. In the penny pilot specifically -- so for those who aren't familiar with this back in January the SEC mandated that 13 options would trade in pennies and that was down from either nickels or dimes or higher spreads. We've had that running since January and on the NYSE Arca platform we've seen a 35% growth in market share on any given day. We're still encouraged that we're going to continue to do well there and expand our business.

As I mentioned earlier, the SEC with this pilot -- it's set to expire in July. We've written a white paper. We have strong evidence from that. In fact the industry -- my competitors will tell you no, no, no -- the worst fears because they don't actually want to see it go pennies as quickly as we would like to see things move to pennies but the pilot has been a great success. We think that the SEC will expand. It should expand and investors have benefited and we're really well positioned to take advantage of an expansion of the program.

Finally, just a list. I mentioned that we have a stable of market makers, some real household names here like Walleye and Master Blaster Trading in addition to Morgan Stanley, Credit Suisse. So we have -- across the PCX business some of the real established names but there are some -- the point is there's some real up and comers that are moving into the marketplace and they like our system. They like doing business with us and we continue to see that list grow and it's an important part of driving the market share in our new model.

I'll move on to -- let's move onto technology now. I'll go through -- this will be the intermediate to advanced presentation, I think most of you know these details. The market model on the NYSE, it's a combination of all electronic. In the case of Arca, mostly electronic. In the case of the NYSE, the NYSE floor.

On the European side, Euronext is all electronic. One difference between the U.S. and Europe is the multiple market center routing. Reg NMS reinforces that need to be able to interact with competitors in other market centers. We think that that will be relevant in Europe and we're well positioned because of the experience we have here in the U.S. to react to any competition that might emerge there.

Our IT organizational structure today is we have two different models. On the old NYSE group side it's all managed in-house. Once we bought AMEX’s position in SIAC we brought all of our technology in-house. All of the Arca development was already in-house and we run nearly all of it from here with certain exceptions like the business systems. But on the Euronext side, the primary activities are outsourced to a joint venture named AEMS. Architecture and demand management -- all of that is obviously done by the business at -- in-house at Euronext.

We've both operated commercial organizations. Before I got here, Sector, the commercial arm of SIAC had been in existence for years selling services to broker/dealers based on technology that was developed for both the AMEX and New York. In addition to this, the SFTI network

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which all of our customers are connected to in the U.S. But after I got here we bought a company called TransactTools and they were providing the technology for Archipelago's front end -- the customer gateway into our system and plus a bunch of other pretty interesting software solutions for broker/dealers. We acquired them last year so we have a larger, and I would say a more sophisticated, division there.

On the Euronext side, AEMS does all of the commercialization of the technology that's deployed by Euronext both on Connect and on NSC -- the cash trading systems. Obviously, you know hybrid. You know NYSE Arca and NSC which is the cash/warrant/structured product platform in Europe.

On the derivatives side, there's the NYSE Arca options platform and then the very powerful and sophisticated Liffe Connect system in Europe as well as another product, BClear, and then on our side MatchPoint and Bonds. And then finally on the market data systems we operate both through the Consolidated Tape Association, which I think Cathy was talking about that some when I came in, and then we also have a pretty big suite of proprietary data products on the Euronext side, the Euronext market data solutions product. It's all proprietary. They don't have the regulated market data organization that we have here.

I know you're all interested in the technology related synergies that we've talked about. I'll tell you exactly where we are. We have identified -- we have hard numbers on about $225mm of the $250mm which we promised to deliver over three years realizing our three years didn't start in January because the deal didn't close in January but we have ourselves to about $225mm of that.

The low hanging fruit here -- low hanging in the sense it's the biggest -- it's the easiest to identify, largest pot, but it's going to take the most amount of work is going to be transforming the NYSE trading system. So it's been around for decades, modified over decades and that is where a large part of our money is spent so we have -- that work is being done first. It is the hardest piece of it. It is underway so all of those who know me here -- we've talked about this over the last six months I guess. That work is underway and actually we've got one piece of it installed not on the matching side, but one piece of that, the very first piece of this complex went in earlier this week. The next big step is the Common Customer Gateway which is the new -- actually I shouldn't -- I'm getting ahead of myself here.

So we're at $225mm of the $250mm. I'm sure we're going to find the other $25mm, plus the other $25mm and as you go on, and I've now experienced a much larger organization than the one that I was involved with in the past -- it's a lot easier to find chunks of money because it is so big. So we continue to focus on it and I think we'll continue to deliver on the savings.

As we get into the platform of the future, I just mentioned the common customer gateway which was really -- there was a step that was taken this week. It's minor relative to what's on this diagram here. The first big step is to migrate all non-NYSE Arca platforms to the Common Customer Gateway and the reason why Arca's not being migrated is because Arca is already on it. It's basically -- the Arca front end that's been modified to speak NYSE floor protocol.

Later on, we'll add the NSC system to that. We'll add the Connect system to that. The idea behind this is that once you have a single customer facing technology in front of our matching engine, which we've done before at Arca, migrating from different technologies in the equities world. We did this in the options world. It allows us to make changes on the backend of the system without impacting the customer.

So the key here is -- one, it makes it faster. Two, it doesn't aggravate your customers and we have a lot of changes to make so we'll have a way for customers to talk to us through a single technology. That technology knows how to switch orders between the old system and the new system. This is again what we did with the Arca platform as we did migrations there. So the idea is to make it as seamless as possible for our customers. So that happens in this quarter. We'll start to roll the CCG. There's a bunch of customer notices that are going out and, I am confident, while there's still a lot of work to do on the protocol translations for the different trading systems but the core technology exists and is working.

The next thing that we'll look to do is introduce the Liffe Connect system to the U.S. market, and migrate NYSE hybrid to a new multi-product universal equities platform, which is a very big step in the savings which is going to come from here. I think again all of you who know me know that we've talked about this before. We've been working on this. It's beyond -- it's well beyond the planning stage. It's at the implementation stage. We have a clear path. People are working on it. We've integrated a team from SIAC along with the old Arca team so those folks have all been working together now for a number of months and they're in the process. The next step to this is to get a team in Europe to do the same thing so that we can have a global single equities trading platform.

We'll look to do that on the derivatives side. At the moment, the derivatives don't have -- I would say the derivatives platforms -- the NYSE Arca platform is functional and it is cheap to run, and with Connect -- where it is -- this isn't where the big immediate savings will come from. It's going to come from again working here, so later we'll move to a universal derivatives platform so you push that out further in your calendar.

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Beyond that, we talked about consolidating networks. Today we operate SFTI in the U.S. The team in Europe is working with the SFTI folks to get ourselves to a single network across the platforms. There's a lot of excitement from customers in Europe over the SFTI network and in fact we are now migrating all of the Arca customers onto SFTI. You concern yourselves with disruptions on things that are working well – but migrating customers to SFTI, one, gives them a better network. But, they have to do something. Two, we found out the thing performs as well or better than the existing network but we have to get people to do work for something that they may not see the immediate benefit on, but that is actually underway as we speak.

And then finally, we've talked about consolidating the two data centers in the U.S. and two data centers in Europe. The European plant is much further along than the U.S. because the U.S. plant calls for us to most likely change some of our footprint on where we are so we are working on but have not finalized the U.S. piece of the strategy yet.

Gary made me do this. This is like bringing in your homework and showing what you did last year. I think you guys are more interested in seeing what we're going to do this year but we did accomplish a lot. We got an A for this. Capacity upgrades on the Arca system. The NYSE system. Our Reg NMS was a huge project that we had to do both for Arca and for the NYSE. Final rollouts of the hybrid system.. We've got the options platform going where we wanted -- although that was completed in the fourth quarter of last year, there's still a lot of ongoing work with that.

On the European side, Liffe Connect had a major upgrade that was done in the third quarter. NSC has now been upgraded to a Linux platform which makes it much faster and cheaper to run, and the market data system in Europe as well has been upgraded to a Linux platform which has made it much faster and cheaper to run.

Finally, -- does everybody have this? Everybody has this right? We're not going to go through this in any detail but just so you have what the timing and what we're looking to do within those timeframes. The big things to look at. Project X. Everyone's focused on it. This is the NYSE system transformation to a modern, brand new platform including the common customer gateway in the 2008-09 timeframe. We'll then focus on getting the U.S. platform and the European equities platform on the same code base. As I mentioned earlier, derivatives is not as critical in my opinion as the work that needs to be done in converging that is those two platforms. So that will wait for the backend.

Another item worth pointing out is the operations and support model as you look at what we have with QA teams in Europe and QA teams in the U.S. Operations teams in Europe, operations teams in the U.S. running three shifts each when you really -- because we have the benefit of different time zones we can consolidate those things and get actual better performance out of them. So for example, a QA team working in Europe on a trading system that's going to be operational in the U.S. handing that off to the U.S. team after they're done with European working hours. We're really working -- modeling that and looking to put a -- consolidate those groups so we can get some real efficiencies out of that. The rest of it you guys can just look at on your own.

So I think that is it before we get to the financial highlights, so I'll open it up to questions.

QUESTION AND ANSWER

Unidentified Audience Member

Hey, Jerry, can you just put a little more color around this common customer gateway? So are you saying that for example a DOT order will no longer be a DOT order? These will be NYSE's orders and Arca orders and will go through a common platform? And the second part of that is will the actual matching of AutoEx orders in hybrid be the Arca engine or is that still -- is that a price related point?

Jerry Putnam - ***NSYE Euronext - Vice Chairman of Technology & Product Development & Options***

Okay. So the answer to the first question it's tricky because -- no, it won't be a DOT order but if we say and there's people on the Internet listening to this thing so we're not eliminating DOT so every time I say it's not a DOT order anymore it's a CCG or -- so some of it's marketing so people understand we're not eliminating the ability to electronically enter orders to the New York Stock Exchange and in fact, we don't want to eliminate the formatting. There's some protocols that are faster than others. We'll make FIX available to our customers who want to take advantage of the speed and we'll leave the old formats in place for those who don't want to make the changes right now.

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So sending an order to the New York Stock Exchange will be the same thing as it always was. It is essentially what we generically call a DOT order which is and if you really look at the system DoOTisn't even -- conceptually there's other pieces to it. So you can think of it as a DOT order. It's sending an electronic order to the New York Stock Exchange.

What was the second question? I forgot already. Okay. On the backend, yes that's what we're doing so the big work that needs to be done, the heavy lift here is there's so many things that are -- there's pieces of the system. It's not just a matching engine but there's Super DOT. There's another system called PSS and various regulatory systems here and also the customer reporting systems rely on these other pieces in order for them to do their business everyday. If you just turned them off these things wouldn't work so eliminating them is the key to eliminating the expenses.

The last thing we need to do and we will do is on the backend upgrading the matching engine so it's higher performance to -- let's call it Arca-like because the actual matching engine in the end, although a big chunk of it is Arca code, there are pieces of it that are really attractive that are on the NSC platform. There's certain fail over capability that's very attractive. Work that we would have done anyway but it's already been done so it will be a bit of work -- as I said we want a European team as well as a U.S. team and it will be a combination of these people with the expertise to do this. So in the end it won't just be Arca. It will be a hybrid if you will of the existing two systems. But that plan is in action.

Unidentified Audience Member

At what point then will you be able I guess write-off some of this legacy technology? Where is there a break point in this?

Jerry Putnam - ***NSYE Euronext - Vice Chairman of Technology & Product Development & Options***

The exact timing of it -- I know some of the timing on the calendar here you know that I've shown you so as we get to those -- I mean Nelson and the gang can talk to you about when they're going take a write-off for turning something off but the timing of it I think you actually have to have it turned off so that's the calendar.

Unidentified Audience Member

Thank you. First of all, a question on the options business. I think you have got to 12% on the penny pilot and NASDAQ is going about it organically. They think they can get to 20%. You guys have a big head start. How long until you get to the 20%?

Jerry Putnam - ***NSYE Euronext - Vice Chairman of Technology & Product Development & Options***

We're going to 120%. I mean I don't know. Pick a number, they’re at zero. I know what it's like to get from zero to one. So I mean I -- and it's hard for me to answer that question because NASDAQ, they probably should have said 40%. I mean you could pick any number you want to. They're at zero. We're at 12%.

I think that the results that we've seen in our market share gains in the penny pilot stocks are really encouraging. I imagine somebody is going to copy the provider/taker pricing model because it works. I mean you motivate the liquidity -- the environment is you pay someone. Make their economics better for providing liquidity and then you have the best execution role, so you've got to trade with the marketplace that has the best price while the economics are better for making liquidity than another which one is going to have the best price. So we'll see what happens with that but the model right now -- it's unique and we're really encouraged by the results and we'd like to see and all of you can help. Write letters to the SEC and tell them to expand the penny pilot program. It happens to be good for investors because they're getting cheaper executions so we've got that benefit in addition to being really good for our business.

Unidentified Audience Member

And then the second question on the equity trading platform. It seems pretty clear that Arca's going to be a surviving platform assuming that's the gateway to NSC and hybrid will kind of get rolled into that. What happens to the ATOS JV that handles the NSC platform right now?

Jerry Putnam - ***NSYE Euronext - Vice Chairman of Technology & Product Development & Options***

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Well, that's something that we're looking at now. I mean there's the business there in addition to providing us with technology and services there's a -- the clearing business where LCH is a customer, others. There's also a division called the Capital Markets Division which provides software services to broker/dealers so there's a big business there. How that works out in the end is something that we're working on as we speak. I mean obviously it changes.

Unidentified Audience Member

(inaudible - microphone inaccessible)

Jerry Putnam - ***NSYE Euronext - Vice Chairman of Technology & Product Development & Options***

You know, I wouldn't jump to the conclusion that it -- I wouldn't jump to that conclusion. I mean they -- no, I wouldn't jump to that conclusion. There's a big business there that exists without NSC as it's main -- as it's main. Today Euronext including Connect is 50% of the business. So coming from someone that had a business like one year did $100,000 in revenues total there's a couple of hundred million dollar business there. So it's a real viable business, Rich.

Unidentified Audience Member

Jerry. On the penny pilot. So it appears a lot of the volume increases have been in the ETF -- in the three ETFs. Not the extension of the penny pilot, but I guess do you feel like the penny pilot is representative of you know what we'd expect to see across if it was rolled out widespread because most of the volume increases look concentrated that's one. The other one -- at one point you said your personal opinion was that you might be able to get to one platform some day, the Arca platform or let's say one platform. Is that -- I guess that's something beyond '09 I guess?

Jerry Putnam - ***NSYE Euronext - Vice ChairmanC of Technology & Product Development & Options***

Okay. So the volume increases first. What we see is the busiest options tend to have the largest impact in terms of where these volume increases are and that streams revenue. I mean ETFs are a great -- because the arbitrage is so simple. You can do the math on them. It makes it conducive to better prices so it's possible to provide them in those option classes but I think that the good news is the heavier the volume, the tighter the spread the more pennies are relevant and we get paid on volume, not on market share. So my point of view is I do think it is for the busiest options indicative of what you'll see when it gets spread across all -- when once it's spread to all options.

The second question on -- this is a completely different question. I already forgot.

Unidentified Audience Member

(inaudible - microphone inaccessible)

Jerry Putnam - ***NSYE Euronext - Vice Chairman of Technology & Product Development & Options***

No, it's not a dream of mine so it's not just my opinion, maybe me misspeaking. I mean the company's vision is a single platform and this year we'll get a big chunk of the NYSE platform onto the universal equities platform and the final piece will be the backend matching engine which already exists in the Arca world today and then next year move to NSC to get it onto that platform. My point was that universal derivatives platform can wait until the backend of this work because there's not as immediate benefit to us.

Unidentified Speaker

(inaudible - microphone inaccessible)

Jerry Putnam - ***NSYE Euronext - Vice Chairman of Technology & Product Development & Options***

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Oh that. Sorry, that's the question. In my opinion yes, but is it worth doing it? That's another question. The Connect system and I don't know enough at this stage to say for certain. I mean we've proven that you can do it but would it be worth trying to put Connect and NSC and NYSE on the exact same code base. It's going to be a question of what's the benefit versus the cost of doing it. I mean it's a rewrite in some ways although Connect and Arca and NSC work very similar in terms of how they're architected and the code base. They're very similar. The NYSE hybrid system is very different so the answer is theoretically yes. Is it worth it? Well, we've got a lot of work to do and when we get to that point in time we'll see. We'll be a few years out from now.

Unidentified Audience Member

Thanks. Duncan mentioned that there was some thinking going on with respect to Arca's pricing. Can you tell us anymore about that, please?

Jerry Putnam - ***NSYE Euronext - Vice Chairman of Technology & Product Development & Options***

You know, I don't -- no I'm only kidding. I think I know. Well, tell me specifically what he said. I think that we've always had this question. Are you guys thinking about pricing? The answer is yes we're always thinking about pricing because it's a competitive environment. My point of view is that we've been able to because we have great stable of liquidity providers to stick with our pricing.

Unidentified Audience Member

Obviously it's built to attract liquidity providers and I think the question is always well what about the other side? Who's using that liquidity if it's so expensive, right?

Jerry Putnam - ***NSYE Euronext - Vice Chairman of Technology & Product Development & Options***

Well, there's this great rule NMS that we fought so hard against at Arca that the NYSE fought so hard for that says that if you're the best price you have to trade with it so that's who takes it. You want to buy stock at $0.14 and it's offered on Arca, you've got to buy it before you can buy it at $0.15. So my point of view though is if you were to change it you've got to be certain you're going to make it up on the other side -- otherwise it's not worth changing.

Unidentified Audience Member

Have you evolved your thinking at all about the difference between -- with regards to Arca at one price formula and a segmented price formula?

Jerry Putnam - ***NSYE Euronext - Vice Chairman of Technology & Product Development & Options***

Change our -- a one price formula. I'm not sure what that means.

Unidentified Audience Member

Something that would give a tiered pricing, volume discounts. You know make lower pricing for people that it was more important for.

Jerry Putnam - ***NSYE Euronext - Vice Chairman of Technology & Product Development & Options***

That's another thing we think about all the time and we think about cross-platforms pricing. So yes, we think about it. I think there's some benefits. One of the issues though with tiered pricing if you just put it in the NYSE market is having -- you end up with one customer in the end if you do that and we've changed that model to get ourselves out of that situation so I think that my argument or my voice in this would be that you need to look across products when you're a diversified multi-product company instead of just one marketplace. So the answer is yes. Yes and no. So yes for the broader -- as really the whole business. No just in one marketplace.

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Is that it? Good. Thanks everyone. Let me turn you over to my friend and colleague Nelson Chai.

PRESENTATION

Nelson Chai - ***NYSE Euronext - CFO***

Thank you everybody for coming. I think as I speak to everybody out here and Gary and I spend a lot of time meeting with everybody here. People always ask when are you going to do an Analyst Day so we're happy that we could do this today. Please recognize our deal closed literally two months ago. So this is about as quick we probably could have gotten everybody together here. We didn't want to steal Rich's thunder because we know Rich has a big exchange meeting over the next couple of days so we thought it was important to get out as soon as we thought we were able to do.

Today, it's great for me because the real content was everybody that presented ahead of me and obviously there was some questions for John but I think what this chart hopefully shows you is that today you've actually had the opportunity to speak to and listen to the management team that's actually running the business or the majority of the business. So Hugh came in and spent some time talking through the derivatives side or the Liffe side of the business. Roland on European cash. I think Duncan had a good discussion with everybody here regarding kind of what our plans are on the U.S. cash side of the business. Cathy talked through listings and market data.

What I touch upon in the software and technology side, just so you know on our P&L so you understand it. It's largely driven by GL Trade. As everybody I think knows we own 40% of GL Trade. In 2006, there was roughly a $250 million type business and we consolidate the business and then we roll out the minority interests so the net impact to the company is roughly $11 million or so. So we capture both the revenues and expenses so you know that.

On the regulatory side and I'll talk a little bit more as I update everybody on where we are with the NASD deal. There's roughly about $200 million of regulatory fees that we received. Most -- $140 or so is really gross Focus fees and those are the fees that are associated with a member firm regulation we'll talk about and so we'll talk through a little bit about what that impact is but that's what that is. And then the Other tends to be just kind of floor fees as well as some of the licenses that Duncan talked about previously.

So I think today you got a good sense of really what's driving the needle here for the company. I think Cathy talked through the recurring revenue business on the listings side and I think you've got a sense for the growth that we're going to be expected at going forward on the trading side of the business.

In terms of the fixed expenses, you can see here it's really driven by headcount and again, we consolidate the GL Trade side of it so in the slide I'll back it out but it gives you a sense of exactly kind of where we sit. Within the Reg side of the business which again I'll mention again there's about 420 or so that are part of member firm regulation and so as we complete that transaction those people will move over to the new regulatory arm for our venture with the NASDso you can see here kind of what's involved.

We put out a pro forms first quarter '07 number. We did it to try to help everybody here because we understand if you consolidate the businesses, there's some puts and takes, there's some differences between IFRS and U.S. GAAP and so we put this out there. The couple of comments I would make are the bullet points. The first has to do with the change in some of the benefits or the cost savings we take -- took in New York which benefited us by $13 million and this had to do with a charge on the benefit plan. It was partially offset by the fact that in the first quarter, I think everybody heard the first quarter conference call, we were paying -- we were basically eating the costs of routing to away markets and as everybody knows we are not doing that anymore.

The LCH.Clearnet income is reclassified as held for sale. I think people -- I think Jean-Francois mentioned what was going on there and we are again reducing our stake in LCH down from 26% to 5%. What this results in is a pretax margin of 27% and if you actually back out the liquidity payments and some of the routing charges it's closer to 35%.

And then lastly the quarterly results actually includes some revenues and expense impacts from these three things here. I will tell you these businesses are largely breakeven and relatively small. I think the combination of all of them is probably less than $10 million U.S. and they are breakeven.

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You heard us talking about cost savings. Rich asked Hugh about organic cost savings within Liffe. I think on both sides, both NYSE and Euronext, now NYSE Euronext bring together a culture where we've taken a pretty aggressive stand in terms of trying to deliver cost savings. This a good proxy for how we approach and you can see the reductions on the NYSE side. We use the starting point there because that was really right before the NSE Arca deal was announced before we made commitments to the marketplace regarding what we were going to do on that integration.

And then you can see as Jean-Francois and the management team of Euronext has developed Euronext what has happened there and the benefits that they have had as they integrated the Euronext businesses and so you can see here that again as you think about the combined numbers about roughly 3,700 employees, I think you hopefully will take from this that we'll continue to look for ways to be as efficient as we can.

Jerry mentioned earlier the $250 million of savings that we put out almost a year ago in our SEC filings. On the other $25 million that we talked about, I would tell you we are in very, very good shape. We have a very focused task team that's actually led by Joost, who's my counterpart and the Deputy CFO, who's working with a bunch of folks both here as well as over in Europe to identify these savings. We've already identified most of them. They're largely coming from what you'd call the standard G&A bucket and then there is some of it again that will reduce some of the headcount if you will as we're taking outside of technology.

The real goal really is to try to develop shared service centers. It's really to try to leverage the staff if you will. While we will -- there will be some reductions at the business level. Again from our perspective those are businesses that we do want to invest and grow.

The other things I would mention and just because I have you here is on the NASD deal we are working to try to finalize the deal. I think people know the NASD sent out a proxy in December and so we are working through with them to try and close the deal sometime this summer. And what that will have the affect of doing again it will take that $140 million of gross Focus revenues and shift it to them. There is a recapture if you will as part of our discussions with them where you'll recognize some of them but they will also have to take all the costs associated with roughly 470 employees as well as office space and other costs if you will. The deal is structured to be kind of break even for both sides. Again this really is done as a benefit to the industry and we think that it is beneficial. I think all the member firms appreciate the fact that we are trying to move towards one regulator of all the member firms.

The tax rate that we see for the first quarter again is 34.5%. We don't necessarily see that changing necessarily from the long term perspective. I think people understand quarter to quarter there can be some variation in it. Interest rate. Everybody knows here -- we put in place the commercial paper program here it's -- we think it's very favorable from an interest rate perspective in terms of LIBOR plus or minus a few points.

On the foreign exchange side of the business as now as you know -- basically half of our business is overseas but we report in U.S. GAAP, there will be an impact as we report quarter-to-quarter. We will try to clarify what that is. I think people know that the Euro gain versus the dollar is roughly about 6% I think or so and we will track that. We obviously are starting to talk about that internally and spending some time thinking through that but again nothing to report other than we understand that that will be something that we will have to address as we announce quarterly earnings.

And then on the shares outstanding you see here the one thing I would note for everybody is that we are about to put out a press release. They've halted trading of Euronext in Europe. So not, NYSE Euronext, but Euronext in Europe because a Dutch court has ruled I guess this morning regarding the buyout procedures for the squeeze out of the remaining shares. So people understand here when we did the -- when we closed the deal at Euronext there was roughly 2% of the Euronext shareholders that didn't tender. It's roughly 2.6 million shares. They will get EUR94 per share which is the combination of the cash as well as the pro rata of the shares or the conversion of the shares.

This will occur -- and now that has happened it will occur sooner than later and the rough costs of this to us will be about $329 million of cash. So if you see on your BlackBerry, if you get a note that they halted trading of Euronext in Europe that is the reason why. It's actually for us a good thing because again we just wanted to clean this up and move forward.

In terms of the balance sheet. I think you see here that we're strong and I think everybody's seen this before. This is the December number. I can tell you that the numbers continue to be very, very strong and I think people understand here that we have a fair amount of financial flexibility.

With that and John's going to come in in a few minutes. I don't want to steal his thunder but I'm happy to answer any questions. You know the one thing I would say is just to follow-up on some of the questions I heard during the day I mean regarding the question about Arca pricing and Duncan's comment there we do look at. It will be based really -- driven on the cost benefits of making any changes on the pricing. We are very, very conscious of who are customers are and who's providing us order flow today but again as Duncan continues to take a real deep dive on the U.S. cash business to the extent we thought it would be a material impact for us I think we will continue to think through it.

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Somebody asked about capital raising in AIM and the way we really think about it is in terms of where do people go to raise capital globally? And if you look at 2006 and you've seen -- I've put up the chart - Jean-Francois put up the chart earlier, it's chart 10. Last year $68 billion was raised here. Roughly $47 billion -- $44 billion each was raised in London on the main market and in Hong Kong. Now Hong Kong was really helped by a couple of large Chinese national companies that went to the market and stayed in Hong Kong.

And then of course there are regional markets. Somebody brought up AIM. So while there are a number of markets, the total of all the money they raised last year was roughly $18 billion and then NASDAQ, which we would view as kind of a domestic player here, again had about $18 billion too. So from our perspective this is still the primary market. If you look at the pipeline and as you continue to watch our announcements for foreign companies particularly from India and China coming here you'll see that we do believe we are in the leading position and we think that will continue to grow.

And then the only other thing, Rich, on your question regarding costs is yes. There is going to be organic cost cut opportunities. We will look for efficiencies particularly as we employ technology. Particularly as we continue to work closer together as we will find those efficiencies and that will be there and as you kind of answered that but we will always look for those opportunities.

Now I'd open up to questions. Roger?

QUESTION AND ANSWER

Unidentified Audience Member

Hey, Nelson, this is just a follow-up on the costs question. As you think about as Jerry was saying, you've hard identified $225 million of the $250 million on the technology side. How much of that is cost savings that were not originally anticipated? In other words, there were probably things that you found that you didn't think about and there's probably other things that were in your original numbers that you maybe haven't gotten to and identified?

Nelson Chai *- NYSE Euronext - CFO*

Yes. And the way we do it here is a year ago when we did the Euronext deal I think everybody understands it was a very publicly played out deal. We went -- we completed our secondary the first week of May. I think everybody remembers that. It was 2006 and we quickly went and Jean-Francois and the senior management team of Euronext met with us and what you do is create a deal hypothesis if you will. And I think we were clear about -- at that time we spent and we consolidated our technology costs and if you looked across both companies the consolidated number was roughly $630 million U.S. give or take and so then what we did is we created a hypothesis or roadmap of what we think we can get to and that's where the $250 million came out.

So certainly as you go through time and through the period what you're doing is you're proving or you're disproving a hypothesis. The good news is now that it's moved from that stage to an actual tangible action plan and while we won't communicate here what -- how much we're going to save by the work that we're going to do in the U.S. versus in Europe, I can tell you we actually have the specific numbers now.

So in terms of what's different, I think there's commonality and a lot more commonality in terms of actually how we go to the customer particularly in the two cash markets. I think there's mutual respect for how both of the technology platforms are working for our respective customers and again not just us looking to ourselves, but us talking to the customers. I think that we have a better sense of the complexity of the Liffe Connect platform that is run out of Hugh's organization as well and so there's always going to be puts and takes. I don't think it's changed necessarily but the overall thesis if you will.

Unidentified Audience Member

Three questions if I may. First of all, as you said LCH.Clearnet income has been reclassified but when will it be sold and what you will do with the probably -- proceeds from this deal because it's roughly a EUR400 million gain I estimate? Secondly, you said your Euro exposure will be not

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hedged on a quarterly base. Do you do something on an annual base then? And last but not least if the SEC allows IFRS as an accounting standard could this be optional also for NYSE Euronext?

Nelson Chai - ***NYSE Euronext - CFO***

Well I guess the first question was -- LCH. In the terms of the LCH side there is an agreement within the LCH boardroom about our plan. I think we've made some public comments on it. I don't want to comment much beyond that because there's a vote coming up in the middle of June and then to the extent that it is approved within the Board of LCH we do expect payment sometime in the third quarter. In terms of what we would do with the money. I think it puts us in a good position to -- you know we are interested in continuing to expand our business and so we would definitely look towards that.

The second question was -- the hedging. What I said is we didn't hedge in the first quarter. We're going to spend a lot more time thinking through the hedging process if you will but it's an important note for people who are reading our financials on a quarterly basis to understand that there is going to be an FX component of it and there may be more on that as we think in the future.

And then the last thing was on IFRS. There is an opportunity and there is an opportunity in that at the local country level today. Euronext from a regulatory standpoint fills out the file and they file an IFRS so from that standpoint it would make a lot of sense for us. I think we will still continue to report overall in U.S. GAAP though.

Unidentified Audience Member

Thinking about the financial position of the company and your slide on the balance sheet. As we're in this like increasingly dynamic exchange landscape how important is maintaining the S&P double rating to you in the company and if that were to change in the drop is there anything operationally we should be thinking about that how the business is affected?

Nelson Chai - ***NYSE Euronext - CFO***

Well, Diane Hinton is here who's from S&P. I'm sure she's interested in the answer. But our perspective is that the rating is where it is so we're not lobbying for a rating. We don't think exchanges should have -- get to junk bond status. I mean I think we should try to maintain investment grade if you will. To the extent an opportunity came across and you've heard me say this before that we thought was kind of end game related we would take a swing and we think we're in a financial position to do so. We think that we are far enough down the integration path at Euronext to do so.

So you've heard us say for the past year that we're really just focused on Euronext. The question for us is do we think we can walk and chew gum, which is can we continue to integrate the business and also do that and we believe we can today and we've made a lot of progress. We've spent a lot of time together, the joint management teams. The integration process is working well and as we continue to spend more time, it continues to work better. So I think you will see us take our balance sheet power and use to grow the business both organically but also probably consolidation.

Unidentified Audience Member

(inaudible - microphone inaccessible)

Nelson Chai - ***NYSE Euronext - CFO***

Well, no but the rating -- if the operations change and they didn't continue to give off the same amount of cash yes but I think your question asked is the other way around. So again, I don't think we see the business changing. We think and you heard Jerry talk about it as we continue to go down there. I mean because in all these businesses the technology is so interlinked -- these applied technology type businesses are great for generating cash flow and I think you see that.

Mr. NASDAQ has a question in the front row.

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Unidentified Audience Member

Conspiracy. The -- just what we take away from today as far as the timing of the synergies, it would be your $25 million looks done by '07 from the chart?

Nelson Chai - ***NYSE Euronext - CFO***

In terms of when it hits though it's going to happen over the course of the year so it will hit us next year. On Jerry's stuff, we're not going to be as specific but we're going to say that understanding the guidelines we sent out we feel comfortable we'll get there by the end date. If you look at the -- and everybody can go back and look at the last year's SEC disclosure on it, there the year one impact was actually negative because we had a fair amount of restructuring costs in the first year. So again, we feel comfortable on the end date. I think there's going to be some movement in between both in terms of the gating of when the costs come in but also in terms of some of the one-time costs associated with getting there. So we don't necessarily see the end date changing. It's going to happen in kind of two big buckets.

Unidentified Audience Member

So to model it out then it is that simple that your $25mm by the -- granted '07 --?

Nelson Chai - ***NYSE Euronext - CFO***

Run rates for '08.

Unidentified Audience Member

For '08?

Nelson Chai - ***NYSE Euronext - CFO***

Yes.

Unidentified Audience Member

And then we just take the run rates off add that on to Jerry's -- ?

Nelson Chai - ***NYSE Euronext - CFO***

I think yes.

Unidentified Audience Member

Okay.

Nelson Chai - ***NYSE Euronext - CFO***

Yes. The question is and we can work with you a little bit more offline in terms of how much you're thinking about for '08 versus '09 because you have to make the split. You can't just take $250 out of '08 and say because Jerry says. I think it's going to stage in as we get through the U.S. process first, which Jerry talked about, that's going generate some savings. He didn't say how much. And then the second part of it is as we continue to consolidate and integrate the European market with our own market here that will be kind of step two.

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Unidentified Audience Member

On this slide (naudible)?

Nelson Chai - ***NYSE Euronext - CFO***

Yes, you can integrate those yes (inaudible). Any other questions? Rich has another one.

Unidentified Audience Member

As long as we -- no one can have the (inaudible) -- but so you said -- you hadn't --now this moves it away from the financials but you said at one point you're quoted as saying that in ICE, that ICE put itself in play in regards because they were bidding on the CBOT and I guess the question is did that -- I think there's been confusion among investors on exactly what that meant.

Nelson Chai - ***NYSE Euronext - CFO***

Yes, and basically I was at the Fox-Pitt Conference and the question came up and it was really just my thoughts on what I said which I at the time thought was interesting moves that they're making, but my point was the structure they proposed really gave -- they gave up the majority of the company so I was really just alluding to the facts behind the proposal more so than anything else. Any other questions? John will be in in a minute. All right go ahead. Want me to do something else while I'm up here? Yes, go ahead.

Unidentified Audience Member

Can you just clarify just coming back to the cost synergies. The things that Jerry was talking about, the restructuring of the NYSE trading business. I mean that's really sort of Arca related. Can you merge back to the numbers you'd talked about around Arca with these synergy numbers? I mean it's kind of always been a point that's confused me about where the crossover is because this stuff you'd be doing regardless of whether you bought Euronext?

Nelson Chai - ***NYSE Euronext - CFO***

It was and I guess from our standpoint as we were trying to explain to people the cost savings we thought as part of the Euronext deal was we wanted to make sure we didn't double count. So we took out the first $100 that we talked about as part of the NYSE Arca deal and then we said, okay what's remaining? And that's how I got up to the $630 million of combined technology savings between Euronext and NYSE and so you're right, we would have gotten some of those savings on our own. However, at the time in which we did it was a combination of doing both and at the time we can say that we weren't sure which way we were going to go from a technology standpoint. Both were good and we're still going through that process now so it's hard to say. If you have gotten as much as the $250mm as we talked about and again we're not going to get $250mm from the U.S. side. It's going to be split.

Unidentified Audience Member

So just the follow-up. The fact that you basically identified almost everything at this point --?

Nelson Chai - ***NYSE Euronext - CFO***

Jerry said $225mm of $250mm.

Unidentified Audience Member

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-- yes, that's the vast majority of it and I've heard a lot of things here today that you're still -- they're still very much sort of in the periphery of thinking about of things. It just sounds to me that there's definitely a lot of opportunity beyond what you talked about and I mean at what point do you think you can come back and sort of re-access these numbers probably?

Nelson Chai - ***NYSE Euronext - CFO***

Well, I think -- first of all I mean as you know we don't give guidance out so we're trying to be as helpful as we can be. I think the initial numbers that went out were really deal related and were an important part of the component of the deal particularly because we were in a contested deal if you will with Euronext in terms of dealing with a lot of constituents over there and so we gave a little bit more guidance than we typically would give. I think as we get closer to it we will be more upfront about it and talk more about kind of the timing of it as it comes through but at this point we're not in a position to do it today.

You've got to remember again we are not that -- two months from -- I guess two months from probably today to close the deal and so now we're spending a lot more time together. There was some reason why until the deal close while there is a lot of work going on particularly on my front and on Jerry's front -- on the business fronts we really started spending much more time together since April 1st and so those discussions are going to be fruitful and create a lot of opportunity and have a lot of things going on here but it would be premature to come out here and make definitive statements about we're going to be X, Y and Z.

Unidentified Audience Member

It's to accounting. On the old SIAC which you now own 100%. Is there still any costs -- I know Sector is for-profit but is there any cost recovery still involved with SIAC where automatically expenses equal revenues?

Nelson Chai - ***NYSE Euronext - CFO***

When you say expenses -- SIAC is now 100% owned by us so the expenses are all the expenses and then the only costs -- the only revenues we have are any third party so there are still some third party business. We'd like to think it is profitable but it's probably more breakeven.

Unidentified Audience Member

And then going forward quarterly releases we will still be able to break out and see everything that we're seeing in regards to Euronext, Euronext Liffe, Euronext Cash and you don't break out NYSE, NYSE is what it is but as far as Euronext still see?

Nelson Chai - ***NYSE Euronext - CFO***

You'll likely see segment in U.S. versus Europe and then we will try to give as much of the key metrics we can on the respective businesses to help you get there but that will be what you see in the end of July. Last question.

Unidentified Audience Member

Just to get in the weeds a little bit. When you look at Euronext compensation on a quarterly basis it looks like in the fourth quarter every year it bumps up by EUR10 million. Is there some reason for that? Well, not so much some reason. Can we expect that to continue to happen really?

Nelson Chai - ***NYSE Euronext - CFO***

Actually I'll have to look at that and come back because I don't know what the answer is specifically to that one. I think we've looked more at comp on an annualized basis if you will but we haven't spent time on the quarter-to-quarter. So I'll look at it and get back to you on that.

Okay. With that, I guess I get to introduce John Thain who I think everybody here has at least has known or heard speak and John gets the opportunity to close and then obviously answer any questions you might have

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PRESENTATION

John Thain - *NYSE Euronext - CEO*

Well, first of all, thank you for coming and spending the morning here. It's a great turnout and it seems to me the best thing for me to do is to answer questions and try to cover any particular topics that over the course of the morning that either you didn't get answered completely or you want to test and see if I can say the same things. So why I don't simply open it up for questions. You guys, is there a microphone there? There's at least three questions if you could hand the mikes out so we can do them consecutively.

QUESTION AND ANSWER

Unidentified Audience Member

When Hugh talked about the clearing -- kind of your thoughts on clearing. I just want to get a sense for -- he basically said if the Justice Department agreed on a CME/CBOT deal and allowed that to go through a vertically integrated clearing perspective that you guys would then in your U.S. initiative look to do that I just want to see if you thought the best way to do that would be organically or de novo in-house or through acquisition?

John Thain - *NYSE Euronext - CEO*

So what was the last part of your question?

Unidentified Audience Member

Would it be -- would you build the clearing in-house like ICE is trying to do -- everybody thinks that going to take 2, 3, 4, how many years or through acquisition?

John Thain - *NYSE Euronext - CEO*

Well, let me just answer the question a little bit more broadly which has to do with the futures business in the U.S. As we've said before we want to expand our derivatives business in the U.S. and we certainly will expand the distribution of Liffe's products into the U.S. but I think -- and we can also introduce new products into the U.S. But I think it's extremely difficult to compete head-to-head particularly if the Justice Department allows the current clearing and margining arrangements to stay in place as Eurex discovered, it's very difficult to compete head-to-head in the existing contracts so I think if we're going to develop a bigger presence in the U.S. in the areas that are currently in existence, I think it has to be by acquisition.

Unidentified Audience Member

The Street is very interested in seeing you do something with commodities trading. You're talking about the shrinking of your trading floor. Has there been any discussions with the ICE about possibly offering them some space because it seems as though the NYMEX isn't interested in having them there?

John Thain - *NYSE Euronext - CEO*

ICE itself. You mean the NYBOT?

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Unidentified Audience Member

Yes, exactly.

John Thain - ***NYSE Euronext - CEO***

No, there hasn't been any discussions about that because of course ICE itself doesn't have a trading floor. Well the answer is no -- we have not had any discussions with NYBOT about that.

Unidentified Audience Member

It's kind of a related question but could you step back and give a broader kind of strategic thought on where your priorities are, be they organic or through acquisition in terms of the additional products? It seems like you're going after a lot of different products and a lot of different geographies kind of all at once and how do you kind of prioritize that given that you are multi-product and global exchange but do you see OTC derivatives being more important than Asian equities. How do you kind of think about that?

John Thain - ***NYSE Euronext - CEO***

So sure. Let's go back to the basic strategy, which is I believe that there will be a small number, probably three or four of large multi-product global exchange groups and we intend to be the leader among those large multi-product global exchange groups. So if you look at what we've done so far, we've taken the largest cash market in the United States as I'm sure you've heard -- you know the market value of the stocks that trade here is several times larger than any other cash market in the world, and combined it with the largest cash market in Europe so we have two of the three main currencies in the world, dollars and euros as well as the Liffe business and of course the options business in Europe. So we've got the U.S. We've got a position in the cash business on the New York listed side. We've got a position in the over-the-counter market. We have a position in the options space here and of course we're trying to develop a business in the fixed income side.

In Europe we've got cash. We've got futures and we've got options and so geographically the areas where we need to be is in Asia and in the three places in Asia that we are at the moment -- one is Japan both because of the size of its economy and the size of the Tokyo Exchange market and of course the yen is the third main currency at the moment. And we have a strategic alliance with the Tokyo Stock Exchange. The Tokyo Stock Exchange is scheduled to go public in 2009 and I'm optimistic that at some point between now and then we will get the opportunity to make an equity investment in the Tokyo Stock Exchange.

The second place is India where we have 5% of the National Stock Exchange in India and I'm optimistic that we will continue to expand our presence there and the third place in Asia that we need to be is China and China at the moment does not allow foreigners to -- or foreign entities to own pieces of their exchanges but I'm hopeful that China will like they did with their state owned businesses allow minority strategic type investors in there at some point in the not too distant future.

If you look at our mix of business the -- between cash, options and futures, the place that we have the biggest hole which I was talking about is the futures business in the U.S. and so we do want to expand our presence on the options side and 12% market share which is about where we are is not big enough. We do believe that our existing platform will gain market share particularly as options go to penny pricing so we think we can gain -- we can use our existing platform there to gain market share there and as I talked about futures I think that although we will expand Liffe's distribution into the U.S. and we have the ability to introduce new products into the U.S. for us to get a significant position in the U.S. futures business I think we have to acquire something.

So does that give you -- and so it's not -- I think that from our perspective at the moment the Asian pieces are much more -- are much simpler for us to do because they're really just equity investments. They don't involve any management or management expertise really. They're just strictly equity investments. So I think from -- besides just the integration process and managing what we have, I think the focus of management will be on the U.S. derivative piece.

Unidentified Audience Member

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Just following up on that question. To be across all asset classes one would think you're going to be in FX and energy overtime. How would you pursue those specific markets -- particularly FX which is the largest financial market out there?

John Thain - ***NYSE Euronext - CEO***

Well, it's a more difficult market for us to get into. I think that's something -- we're really focused much more on securities right now and so I don't anticipate that's something we would necessarily get into right away.

Unidentified Audience Member

John, as I listened to your strategic priorities is it fair to say that in Europe the LSE would not be -- really fit into the strategy that you've outlined because you've got a pretty good presence there at this point.

John Thain - ***NYSE Euronext - CEO***

I want to be careful about addressing very specific companies or specific exchanges so I don't want to answer that exactly directly. But when we decided to merge with Euronext and they decided to merge with us, it's no secret that both of us were talking to the London Stock Exchange and the view at the time was that the combination that we created made the most strategic sense to each of us -- that being in euros made more sense than being in Sterling. That the presence that Euronext had in both the cash business in Europe as well as the futures business was a more attractive mix and that although London has I think the second best listings business in the world compared to New York's that the combination of NYSE Euronext would in fact allow Euronext to compete better with London for listings that didn't come into the United States.

If you look at 2006, the three big places for IPOs in the world were the New York Stock Exchange, London and Hong Kong and if I add Euronext onto that actually NYSE Euronext was the single biggest provider of IPO capital. New York itself was about $40 billion and Hong Kong and London were slightly more than that. NYSE Euronext combined were about $62 billion. And so we believe that our listings business combined with Euronext will be very competitive with London and -- what's interesting also if you look at the market for smaller companies NASDAQ and AIM each raised about $18 billion last year. So NASDAQ and AIM were about the same. So I think the answer to your question is we do not need to have a bigger strategic presence in the cash business in Europe.

There's a question here, question there. Why don't you hand out the mikes. Hand out that one right there.

Unidentified Audience Member

John, a lot's happened and a lot's been accomplished since you joined the firm. I'm curious. How do you -- what do you see as the greatest opportunities and the challenges the New York Stock Exchange and Euronext from now versus a year ago versus when you first joined the company and what's been the biggest surprise for you leading this organization?

John Thain - ***NYSE Euronext - CEO***

Well ,when I joined a little more than three years ago the New York Stock Exchange was private, not-for-profit. We only traded New York listed stocks and actually even less than three years ago a seat sold for under $1 million, which if you use that as the pricing for the entire enterprise there were 1,366 seats. So we've gone in a relatively short period of time from a one product, private, not-for-profit with something less than a $1.5 billion market cap to a $22 billion multi-product global company -- so I think we've accomplished a lot at least in terms of returning to the shareholder values -- the seat holders should be pretty happy.

The challenges of changing the culture of an institution and changing the way a company behaves is a challenging one and so we're moved from a not-for-profit mentality to a for-profit mentality – it has been challenging and the move to be -- you know I think it's fair to say the exchange was -- the New York Stock Exchange was a relatively sleepy, resistant to change, not very creative environment and I think we are now much more aggressive. Much more creative and I think frankly that we're leading the industry and that -- I think the cultural changes are probably the most difficult part of that but I think we're making very, very good progress. I don't think it's done.

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There's certainly plenty of integration challenges when you combine two organizations that have been separate and are 3,000 miles apart and so there are lots of management issues going forward to make sure that we deliver on all the opportunities that we have today and I don't want to minimize that. But I think those -- what are actually one of the biggest challenges -- I think the biggest challenges have been management and kind of changing the culture of the organization.

In terms of opportunities going forward, I think we're very, very well positioned to be the leader in our space. As I said, I think that -- as we look at the continuing consolidation that's going to take place in the industry I think the one place that we really don't have the position that we need to have is the derivatives space in the U.S.

And then I think the other place that's going to play out in the world is Asia, but it's going to take longer. Asia is going to be a slower development and so I would certainly hope that at some point over the next few years we're able to have equity stakes in Tokyo and equity stakes in China. I don't think it's likely in the very near term we're going to have complete consolidations in those marketplaces, but today you can trade NYX stock 13 hours a day. You could have bought it this morning 3 a.m. New York time in London or sorry in Paris and paid for it in euros and you could sell it today at 4 o'clock New York time and get dollars.

The fact that we're 13 hours a day you know eventually it will expand beyond that and so I think the development in the exchange space which historically had lagged really the marketplace itself was financial institutions where you already have global financial institutions. I think that's what's going to happen in the exchange space and I think we are very well positioned to be the global leader in the big, multi-product global exchanges.

Unidentified Audience Member

Two questions if I may. First of all, I have the feeling that you're preparing us for a deal on the U.S. derivatives side so is there a strategic premium to be paid if we look at the valuations. See if any investments orders or criteria this kind of deal and secondly as you're talking NYSE share price or NYX share price can now be traded in 13 hours. Are you doing something more to increase European liquidity?

John Thain - ***NYSE Euronext - CEO***

Well, let me answer the second one first which is I am not the -- it's very difficult to force liquidity to go any particular place and my experience is shares trade where they kind of -- where they want to trade. If any of you have ideas about how to push liquidity from one place to the other we can talk about that. We definitely want to expand our institutional owner base and really in the U.S. as well as in Europe so there's things we can do to market the shares but right now I guess we trade -- what -- 20% of our stock trades -- less than 20% in Europe. Well, maybe less than that, 10% then. So it would be better if we could trade more outside the U.S. I agree with that so we will see. I don't actually have great idea about what to do about that.

In terms of acquisitions and criteria for that the -- there's always a balance of the strategy and how compelling the strategic case is with financial impact. If you look at the two transactions that we've done, they have been both strategically compelling and financially compelling and I wouldn't say that we have any hard and fast rules about balancing those. We certainly want to do things that are value enhancing to our shareholders and we also want to do things that make strategic sense and I think the best answer to that is that both transactions -- both of the big transactions that we've done have done that and so I would expect that anything we could do in the future would be both value enhancing and strategically compelling.

Unidentified Audience Member

John, I guess the last five years starting with Arca and then coming a bit NYSE and now Euronext. It's been a company that's been I guess in a constant state of change and flux. You've been an operating company along with an acquisition integration company. I'm just -- when you look out over the next four or five years when does a company become predominately an operating company? When does the end game reach with those three to four global competitors do you think?

John Thain - ***NYSE Euronext - CEO***

It's a great question. The industry has been consolidating faster than we perhaps would have even wanted and so for instance the combination with Euronext came extremely quickly after we had simply become a public company and it looks to me like the pace of consolidation is going to

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be very fast. Well, you know what the transactions are, so it's seems to be that there are probably only a few more combinations that are of size anyways that are likely to make sense and so I would guess that we will become more of an operating company within the next couple of years.

But I think that the consolidation over the next couple of years is going to continue and I think we need to -- even though we have to be very careful that we're delivering on the synergies that we talk about when we do these transactions and we have to be very careful about stretching our management team because we obviously have to manage what we have. We also don't want to miss opportunities and as the consolidation takes place and if it takes place as quickly as it seems to be I think we have to take advantage of those opportunities when they come up and in the case of our combination with Euronext that was a situation that was very compelling and we made it work even though it was very quickly after the combination with Archipelago.

I would say that the integration process with Archipelago went very well so we do have I think quite good experience on integrating and managing change. Also, Euronext itself has a lot of experience. Euronext is also a relatively new entity and it consolidated four cash markets and then of course Liffe and it's done that really over the last I guess seven years in total and so they have a lot of experience as well. So I think the experience of our combined organizations to deal with integration allows us to be pretty aggressive at taking advantage of the consolidation. I think it's going to happen within the next couple of years. The one piece I think will take longer than that is Asia, but again that is not such a management challenge because I continue to believe that those will be primarily equity investments.

Unidentified Audience Member

Thank you. On the derivatives to get back there. Help me understand your strategic thinking on maybe an over-the-counter derivative player instead of an exchange or does it not really factor in that much?

John Thain - *NYSE Euronext - CEO*

Well, when you say an over-the-counter player, do you mean like the inter-dealer brokers?

Unidentified Audience Member

Yes. Something more like that.

John Thain - *NYSE Euronext - CEO*

Yes. There's a lot of focus on the inter-dealer brokers and I think that's -- I mean we're in the over-the-counter space anyway and there's actually a lot of growth on the clearing side and the opportunities on the over-the-counter space. I think in terms of inter-dealer brokers, it's a more difficult space for us because I think it really starts to compete with our own customer base and so I think it is less likely that we would do anything in that space. I think there's lots of opportunities for us from the traditional exchange space and I think that's where you're going to see us focus.

Unidentified Audience Member

Duncan talked earlier about I guess the future of the floor and the role of the specialists. You've been pretty consistent in valuing the floor but how would you -- what are you saying to like the people who run the specialist businesses and are facing some of the challenges that they've endured over the past couple of years with -- what do you see the future of the specialist business say three to five years out?

John Thain - *NYSE Euronext - CEO*

Well you know I didn't actually listen to what Duncan said but I think we'll be consistent in saying we continue to believe there's value to the floor and to specialists and brokers on the floor. I think it's pretty clear the specialist system makes most stocks trade in a less volatile way and I think that specialists are going through a transition right now where they're getting used to a more electronic environment and where they're figuring out how to make money in a different way than they had historically but I think they are in fact figuring that out and I think there will continue to be specialists and I think they will continue to be able to earn a return because I think they add value.

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And the same thing is true with the brokers on the floor. I think there will be fewer of them in terms of the number of brokers on the floor but the ones that are there will be able to handle a large number of orders because of the electronic capabilities we give them and they really do add value in terms of execution of particularly larger blocks of stock or less liquid stocks, and they can definitely beat the VWAP or if you take your orders, especially in any kind of size or any kind of illiquid or less liquid stock you chop your order up and send it into via a computer, well the brokers on the floor are going to be able to do better than that. And so as long as they add value to their customers and as long as the specialists add value in terms of how stocks trade which they do I think they will continue to exist and we're going to continue to have a floor.

Unidentified Audience Member

On the discussion of the European cash equities business today it was suggested that you guys would consider direct access to the buy side for the cash equities business and I think that would be really pretty controversial here in the United States with the relationship between the cash equities exchange and the brokers. But it strikes me that while we're on either side of the Atlantic and two different exchanges these are much the same broker customers. Can you talk about that at all?

John Thain - ***NYSE Euronext - CEO***

Well, we're very sensitive about disintermediating our own customer base and so we would not necessarily do anything that disintermediated the big broker/dealers. That being said, a number of the big buy side players -- particularly the hedge funds are doing it themselves. And so to the extent the big hedge funds have their own broker/dealers or have direct access that's a fact of life that's developing in the marketplace and you know I think that although it's not really us that's doing that,to the extent that the big hedge funds beginning to get direct access, I don't think we would discourage that and that certainly seems the trend that the world is going to. Again, that being said, the big broker/dealers still provide us with the vast majority of our order flow. So if you look at the top 10 broker/dealers they supply a very significant percentage of our order flow and we are not going to do anything to disintermediate them.

Unidentified Audience Member

John, I just want to come back to the issue of the floor. Duncan's talked about some of the discussions he's been having with the sale side community that they say they want a vibrant floor. I think when you talk to the traders on the sale side, I've certainly had this experience that they seemed overwhelming say there is no liquidity on the floor anymore and they prefer to trade with NASDAQ and ECNs. It's seems like there's somewhat of a diverging message coming from sort of top level executives versus the actual traders that are directing order flow and I was just wondering how much of a perception issue you think there is you need to work through to rework this floor market structure.

John Thain - ***NYSE Euronext - CEO***

Well, I don't think it's true there's no liquidity on the floor. If you look at our fill rates, our fill rates are actually higher today than they were before we introduced hybrid and anytime somebody wants to do any kind of trade of size yes, they send it to the various dark pools and ECNs and it all ends up here because they don't get filled there and so I just don't think it's correct there's no liquidity on the floor. We continue to trade the vast majority of our stocks here and it -- and NASDAQ trades about 15% of our stocks. We, between ourselves and Arca, trade 65% of it and there's 15% that gets internalized and 5% goes to the other regionals. So I just think it's not correct that there's no liquidity here. As a matter of fact -- although some people route stuff around different places it still ends up here.

Unidentified Audience Member

I should have clarified. First of all, it's more of a perception issue for sure and I think the comment is really more about price discovery. Obviously, there's liquidity because there's order flow coming to the floor from a price discovery standpoint. I know that's something that Duncan's spending a lot of time trying to bring that back.

John Thain - ***NYSE Euronext - CEO***

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Well, I think the main place that we -- that we want to attract back to the floor are blocks where it's certainly true that blocks are not being traded on the floor -- blocks are being crossed in the third market and that undermines that price discovery process and I think it's a negative for the people executing the blocks in the third market. They don't get the benefit of the price discovery if they do that. So if you don't bring a block onto the floor you don't get to see what kind of contra side interest there might be and so I think that part is true and we are trying to attract those blocks back onto the floor.

The only other thing I would say about when you talk to the sell side is the sell side is becoming bifurcated as well, so that there are a group of the sell side that only play in the electronic space and those guys are less inclined to use the floor or certainly less inclined to see the value of the floor because they're the algorithmic guys. They want the pure electronic executions. On the other hand, the parts of the sell side that are dealing with large positions or trying to get trade value I think there they really do see the value of liquidity. Any other?

Unidentified Audience Member

Jerry spoke about NMS and MiFID and I'm wondering if there are any aspects of MiFID that you think might work here and if there are any aspects of NMS that might work and if you permit an interesting point that while you were lobbying for NMS he was lobbying against it and I guess you're the CEO but he made a point that -- he even implied that he's actually benefited from NMS so if you could just talk about those two things generally.

John Thain - ***NYSE Euronext - CEO***

Well, MiFID is not really the same as NMS. MiFID -- I think MiFID is more similar to some the order handling rules that were before NMS and I think what NMS has done is primarily forced the electronic linkages between the marketplaces and made whoever has the best price more important because of course you have to route orders to whoever has the best bid or the best offer, and so I think it's refocused the need to have the best bid or best offer, which by the way we have the best bid or best offer by far than most in our listed stocks, and in some ways that’s good for us. But it does allow for new entrants to access the market relatively easily and so you look at someone like BATS. BATS can get into the marketplace and gain market share and they can be competitive if they can have the best bid or best offer so I think in some ways NMS makes it easier for new entrants to enter. But it's still having liquidity and having the best prices is a big plus.

What will MiFID do? Well I think that MiFID in Europe, and I think it's a relatively true that Turquoise in Europe right now -- the exchange in Europe -- and this is true for Euronext as well as the other exchanges, have very little competition and that's great for them and great for us so you look at the margins on the Euronext side. There is very little competition in the European exchanges in their domestic markets. I think that will change. I think there will be more competition over time. Turquoise is one of them. MiFID will permit more of that and so I think you will see more competition developing in Europe that will inevitably put downward pressure on pricing in Europe but I think that's also going to take time. So I think that's a multi-year process.

Unidentified Audience Member

John, there have been questions in the past I think we asked this last year too with respect to how long you plan to remain at the helm. It sounds like you still have a few things you want to accomplish here. Can you give us an update on your thoughts?

John Thain - ***NYSE Euronext - CEO***

When I started here, I foolishly made the comments -- somebody asked me what -- I came here at a very difficult time in the Exchange and you know, I was the President of Goldman Sachs at the time – it wasn’t like I was looking to do this job and I took a bit of a pay cut too. So somebody asked me at the time well -- what do I view -- how long I think it would take to do this job and I said I thought it was a three to five year job and it's true I did say that. And by way, it's already been three years. There is lots to do. There's no magic to those numbers and so there's nothing and assuming the Board doesn't want to get rid of me -- there's no reason why I have to go do anything else and I like what I'm doing so there's nothing that says there's some magic window that ends at some point in time, and as you said there's lots to do and there's lots of challenges and as long as it's fun and challenging I'm going to stay here.

Unidentified Audience Member

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Speaking of challenges there's mergers to do. There's market share to be concerned about. There's major integration, cost cuts to do. What keeps you up at night besides analysts asking you the question of three to five years?

John Thain - ***NYSE Euronext - CEO***

Well, those are a pretty good list of things. I think that -- I'll answer it this way. What keeps me up at night is usually because I have some work to do. The biggest concern -- I think the biggest challenges we have to be aware of -- we first have to make sure we maintain our strategic position so we want to make sure that as the industry consolidates that we participate where we want to so we don't want to miss out on important strategic pieces. The second challenge is we have to do a good job in managing and integrating what we have and delivering on the synergies that we said. And the third is, and I'm sure you've heard this, we get paid in the U.S. on transaction volume, not on market share and so our overall transaction volume year-over-year in New York listed is up about 12%. I still do care about market share and I don't like the market share erosion that's been occurring and so we're working on that.

So I would say strategic positioning, integration, and market share are the three biggest concerns. They don't really keep me up at night but those are the three big things. I guess the other one that you always have to worry about here is, and you can see this when you come in here, this place is still a target for terrorism. That's why we have such a high degree of security. That's an ongoing risk you always worry about. All right. Anything else?

All right. Let me just say it's a fantastic turnout here so I just want to thank you all for spending the time. As we go forward we want to be as open as possible. We want to be able to answer your questions as well at least as openly as we can and so please whether it's through Gary or Nelson or any of us channel questions into us as you have them. Thank you.

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