

**Cost & Revenue  
Survey 2005**



**September 2006**



## WFE Members

(as of September 2006)

American Stock Exchange	Istanbul Stock Exchange
Athens Exchange	Jakarta Stock Exchange
Australian Stock Exchange	JSE Limited
Bermuda Stock Exchange	Korea Exchange
BME Spanish Exchanges	Ljubljana Stock Exchange
Bolsa de Comercio de Buenos Aires	London Stock Exchange
Bolsa de Comercio de Santiago	Malta Stock Exchange
Bolsa de Valores de Colombia	National Stock Exchange of India Ltd.
Bolsa de Valores de Lima	NASD
Bolsa de Valores do São Paulo	NYSE Group Inc.
Bolsa Mexicana de Valores	New Zealand Exchange Ltd.
Bombay Stock Exchange Ltd.	OMX
Borsa Italiana SpA	OMX Copenhagen Stock Exchange
Bourse de Luxembourg	Osaka Securities Exchange
Bourse de Montréal	Oslo Børs
Budapest Stock Exchange Ltd.	Philippine Stock Exchange
Bursa Malaysia	Shanghai Stock Exchange
Cairo & Alexandria Stock Exchanges	Shenzhen Stock Exchange
Chicago Board Options Exchange	Singapore Exchange
Colombo Stock Exchange	Stock Exchange of Mauritius
Cyprus Stock Exchange	Stock Exchange of Tehran
Deutsche Börse AG	Stock Exchange of Thailand
Euronext Amsterdam	SWX Swiss Exchange
Euronext Brussels	Taiwan Stock Exchange Corp.
Euronext Lisbon	Tel-Aviv Stock Exchange
Euronext Paris	Tokyo Stock Exchange
Hong Kong Exchanges and Clearing	TSX Group
Irish Stock Exchange	Warsaw Stock Exchange
	Wiener Börse AG

Every effort has been made to ensure that the information in this Survey is accurate at the time of printing, but the Secretariat cannot accept responsibility for errors or omissions.



---

## MEMBER EXCHANGES' COST & REVENUE SURVEY 2005

### Table of Contents

SUMMARY.....	4
INTRODUCTION.....	5
1. OVERVIEW OF WFE MEMBERSHIP .....	7
1.1. Distribution of exchanges by region .....	7
1.2. Development of for-profit exchanges.....	8
1.3. Distribution of responding exchanges by legal groups .....	9
1.4. Distribution of exchanges by economic development .....	10
2. FINANCIAL PERFORMANCE.....	11
2.1. General Remarks on the figures .....	11
2.2. General performance .....	12
2.3. Equity capital.....	17
2.4. Pre-tax earnings and net income.....	18
2.5. Profitability (ROE).....	21
3. REVENUES .....	22
3.1. Total revenues breakdown .....	22
3.2. Details on trading revenues .....	26
3.3. Details on service revenues .....	27
3.4. Details on listing revenues .....	30
4. COSTS.....	34
4.1. Salaries and benefits.....	35
4.2. Administration.....	35
4.3. IT.....	36
ANNEX 1 : DEFINITION AND COMPOSITION OF MEMBERS GROUPS .....	37
ANNEX 2 : FURTHER INFORMATION ON RESPONDING MEMBERS .....	41



## SUMMARY

### ➤ MEMBER EXCHANGES' FINANCIAL FIGURES AND MARKET INDICATORS (2000 – 2005)

#### 2000 - 2005 Financial figures (USD billion)

	2000	2001	2002	2003	2004	2005	2004-2005 % change
<b>Revenues</b>	7,58	7,29	8,29	9,57	10,66	11,20	<b>5,0%</b>
<b>Costs</b>	5,58	5,75	6,60	7,82	7,85	7,55	<b>-3,7%</b>
<b>Net income</b>	1,95	2,00	1,59	1,75	1,94	2,76	<b>42,4%</b>
<b>Equity base</b>	6,85	8,28	11,77	13,49	18,46	17,95	<b>-2,8%</b>

#### 2000 - 2005 Equity market indicators (USD billion)

	2000	2001	2002	2003	2004	2005	2004-2005 % change
<b>Market capitalization</b>	31 125	26 905	22 834	31 326	36 863	40 974	<b>11,2%</b>
<b>Share trading volume</b>	52 362	38 314	33 117	32 968	42 266	51 052	<b>20,8%</b>
<b>Index (WFE average)</b>	-13%	-19%	-18%	38%	15%	10%	-

### ➤ 2005 COST AND REVENUE MAIN FINDINGS

- ⇒ Revenues reached a record USD 11.1 bn, up 5% compared to 2004
- ⇒ Profitability of exchanges reached highest levels:
  - Net income was up 42% and reached USD 2.7 billion
  - Average pre-tax earnings margin was 35%
  - Average ROE for the industry reached a new high of 15.4%
- ⇒ Costs were kept under control at USD 7.5 bn, down 3.7% compared to 2004
- ⇒ For-profit exchanges represented almost three quarter of respondents
- ⇒ Listed exchanges represented around 50% of total revenues and tended to outperform industry averages
- ⇒ EAME exchanges represented around 50% of total revenues and tended to outperform industry averages
- ⇒ Trading revenues remain the top contributor to revenues (37%) followed by services (30%)
- ⇒ Exchange rates' variation affected some indicators significantly



---

## INTRODUCTION

Attention should be paid to the relative difficulty of comparing financial figures among exchanges, and also over the years. Financial reporting standards differ from market to market, with some members using IFRS while others follow national GAAP standards.

Although most members' fiscal year is based on the civil year, some are not and they reported figures covering only part of 2005. When this occurred, they gave full 12 months information up to that reporting date.

Also, mergers and concentrations have occurred in markets in recent years, complicating the analyst's ability to make clear historical comparisons.

It is, for example, difficult to compare Euronext's figures on an historical basis, as the group has regularly been enlarged since its inception, with the additions of the London-based derivatives Liffe market and the Lisbon Exchange. The same remark could be made for Deutsche Börse with the acquisition of Clearstream. The fact that some exchanges report consolidated financial data while others continue to show figures for their exchange alone further complicates the picture of the group, even as the individual portraits remain clear when seen one by one.

Furthermore, the regular addition of new members to the Federation's membership also alters the multi-year comparisons. Most members operate cash equity markets, some have also developed derivatives markets. Only two members are only active on derivatives (Bourse de Montréal and CBOE).

The dollar exchange rate movements particularly affected figures in 2005. The US dollar was up 15% against the euro and the yen, respectively, in 2005. As these variations affect quite significantly the performance percentage from 2004 to 2005, a second variation indicator has been calculated using the 2004 change rates for 2004 and 2005 figures. This allows looking at variations regardless of the foreign exchange effect.

It should also be emphasized that the industry is highly concentrated, as the top 10 exchanges by revenues accounted for 73% of the total revenues in 2005.

As NASD and its former subsidiary Nasdaq are now two distinct companies, this year's cost and revenue survey takes only into account NASD figures.



---

This survey is based on the responses of 49 Federation members.

Athens Exchange	Korea Exchange
Australian Stock Exchange	Ljubljana Stock Exchange
BME Spanish Exchanges	London Stock Exchange
Bolsa de Comercio de Buenos Aires	Malta Stock Exchange
Bolsa de Comercio de Santiago	NASD
Bolsa de Valores de Colombia	National Stock Exchange of India Limited
Bolsa de Valores de Lima	NYSE Group Inc.
Bolsa de Valores do São Paulo	OMX
Bolsa Mexicana de Valores	Osaka Securities Exchange
Bombay Stock Exchange Ltd.	Oslo Børs
Borsa Italiana SpA	Philippine Stock Exchange
Bourse de Luxembourg	Shanghai Stock Exchange
Bourse de Montréal	Shenzhen Stock Exchange
Budapest Stock Exchange Ltd.	Singapore Exchange
Bursa Malaysia	Stock Exchange of Mauritius
Cairo & Alexandria Stock Exchanges	Stock Exchange of Tehran
Chicago Board Options Exchange	Stock Exchange of Thailand
Colombo Stock Exchange	SWX Swiss Exchange
Cyprus Stock Exchange	Taiwan Stock Exchange Corp.
Deutsche Börse AG	Tel-Aviv Stock Exchange
Euronext	Tokyo Stock Exchange
Hong Kong Exchanges and Clearing	TSX Group
Irish Stock Exchange	Warsaw Stock Exchange
Istanbul Stock Exchange	Wiener Börse AG
JSE Limited	

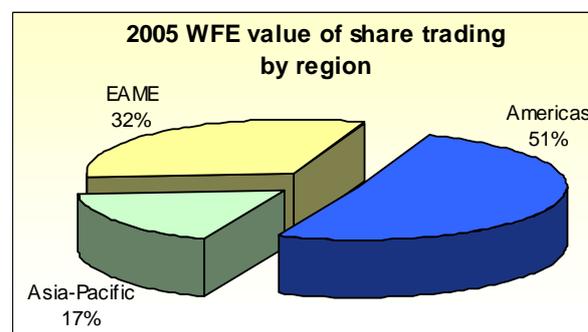
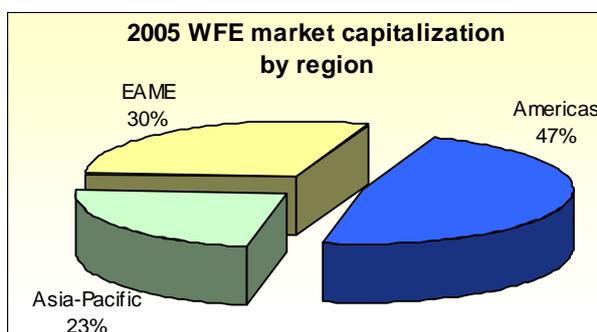
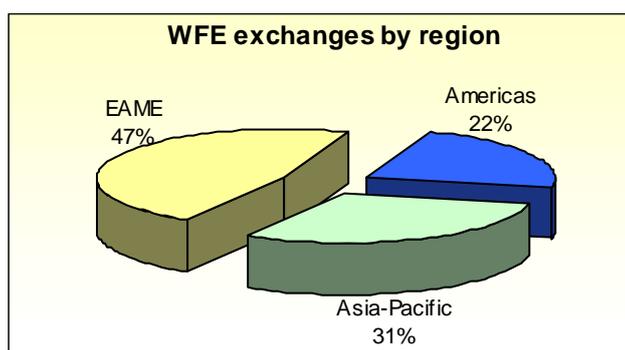
When information was missing, the Secretariat checked members' annual reports and financial statements, in order to include as many data as possible when available.



# 1. OVERVIEW OF WFE MEMBERSHIP <sup>1</sup>

## 1.1. DISTRIBUTION OF EXCHANGES BY REGION

The following graph is a reminder of how members are spread around time zones and their relative weight in terms of market capitalization and cash equity trading volume on the markets they operate. The Americas time zone represented 22% of WFE members, but 47% of total market capitalization and 51% of its total share trading volume.



The market capitalization and value of share trading percentages above are based on WFE total membership. When using market figures in other parts of the report, the figures used are based on the responding exchanges to the survey unless otherwise indicated.

<sup>1</sup> The lists of members by legal status, high/low income and top 10 markets are provided in Annex 1.

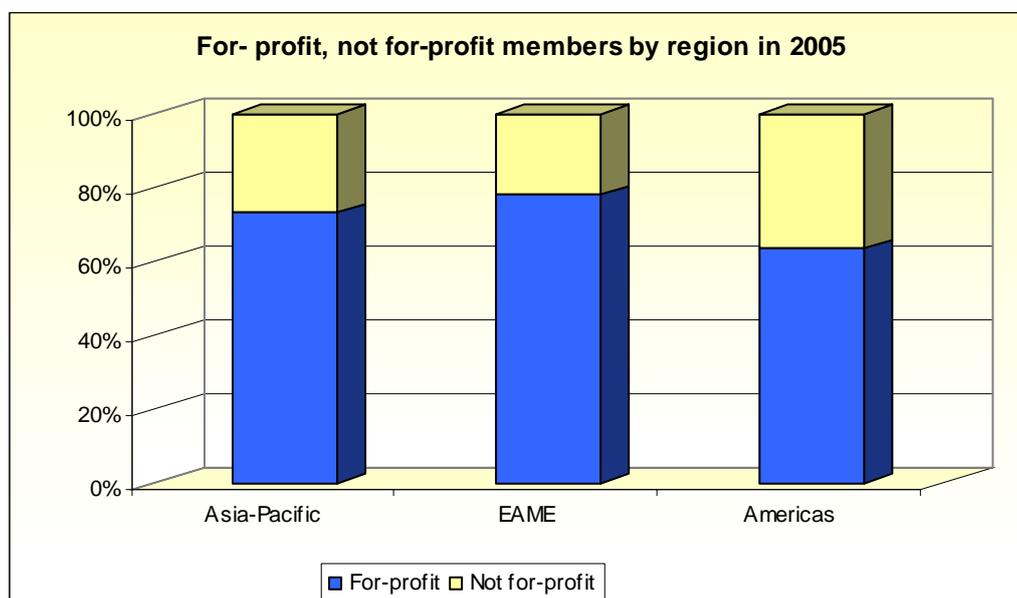


## 1.2. DEVELOPMENT OF FOR-PROFIT EXCHANGES

**36 Federation's members were for-profit entities in 2005**

73% of responding exchanges operated on a for-profit basis against 63% in 2000, and only 38% in 1998.

### 1.2.1 Distribution by geography



### 1.2.2 Distribution by market size

All of the largest equity markets (by market cap and trading volume) were run on a for-profit basis in 2005, except the NYSE at that time.

### 1.2.3 Distribution of exchanges' legal status by total revenues

Eight out of the ten largest markets by revenues were run on a for-profit basis in 2005, except for the NYSE and NASD.

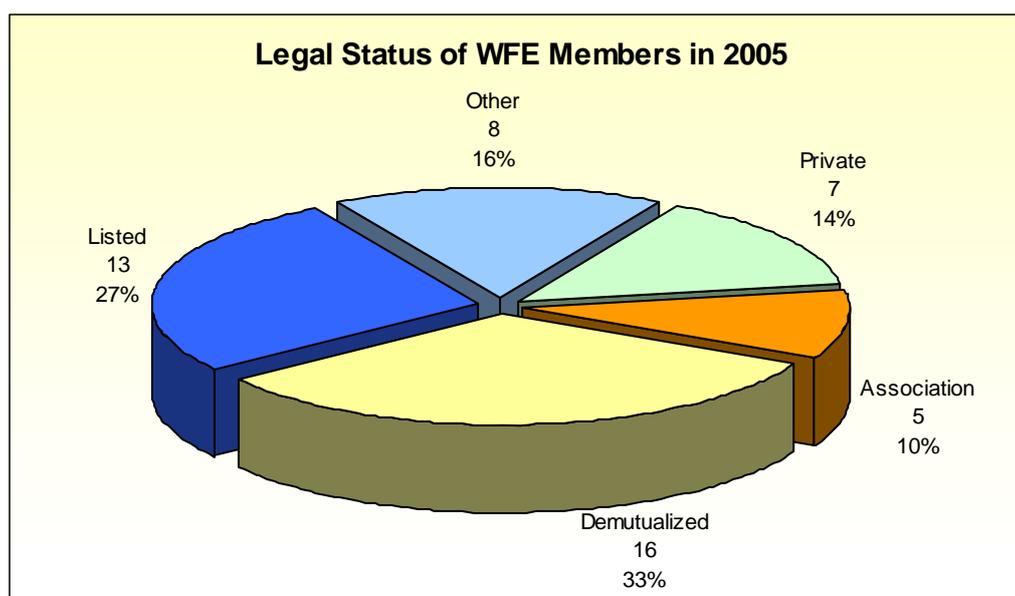
### 1.2.4 Distribution by economic development

In high income countries, about 90% of the bourses operated on a for-profit basis in 2005, a figure comparable with last year. In low-middle income economies, not-for-profit exchanges also represented the majority (58%), though they are less dominant.



### 1.3. DISTRIBUTION OF RESPONDING EXCHANGES BY LEGAL GROUPS

**Demutualized and Listed members represent the majority of members (almost 60%)**



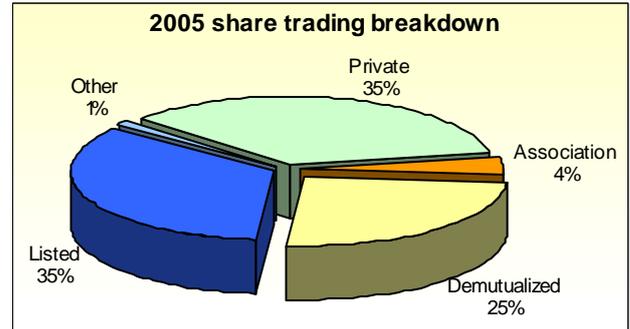
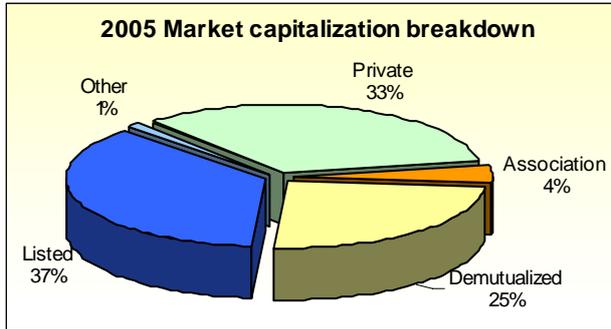
In 2004, changes in legal status concerned the following exchanges:

- Bombay Stock Exchange Ltd., JSE Limited and Korea Exchange moved from the “association” legal status to the “demutualized” one ;
- Ljubljana Stock Exchange moved from a private/limited legal status, and became a demutualized exchange.

These changes confirm the trend towards demutualization observed for several years.

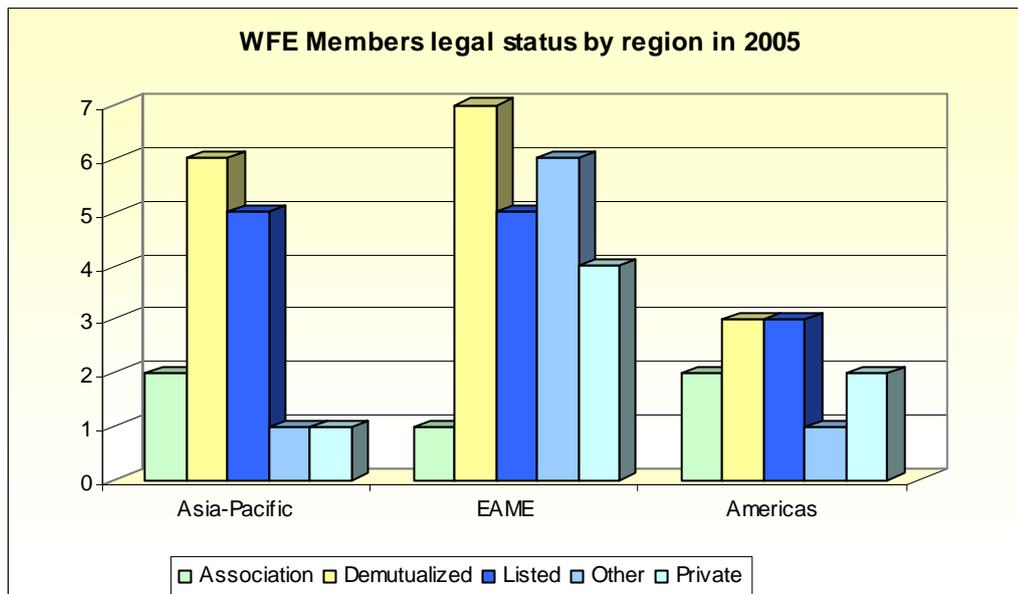
These changes affect the financial results quite significantly when comparing 2005 to 2004, as the sample is not the same. As a result demutualized exchanges’ performance is relatively outweighed in the current year report.

The weight of each group in terms of market capitalization and trading volume shows discrepancies compared to the number of exchanges in each group:

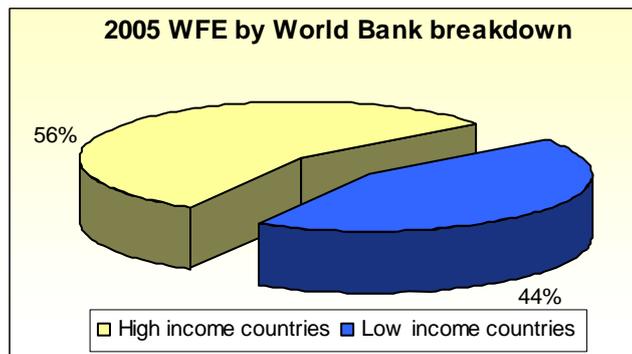


*1.3.1 Distribution of exchanges' legal status by region*

EAME still concentrates most of the responding members (23), compared to Asia/Pacific (15) and the Americas (11).



**1.4. DISTRIBUTION OF EXCHANGES BY ECONOMIC DEVELOPMENT**



This graph takes into account the Federation's 57 members.



---

## 2. FINANCIAL PERFORMANCE<sup>1</sup>

### 2.1. GENERAL REMARKS ON THE FIGURES

The presentation of the general performance (raw revenue and cost figures) for 2005 will be reviewed according to different categories. Exchanges' data were aggregated according to the following categories:

- Profit objective
- Legal status :
  - Private, limited companies
  - Demutualized
  - Publicly listed exchanges
  - Associations or mutuals
  - “Other” legal status

The definitions of these legal categories are explained in the annex 1.

- Regions :
  - The Americas
  - Europe/Africa/Middle East (EAME)
  - Asia-Pacific
- Size (top 10 exchanges by market capitalization, top 10 by trading volume, top 10 by revenues)
- Economic development (following the World Bank classification)

The reader should bear in mind that the percentages observed when grouping members these ways are quite constant when looking to other figures beyond the two revenue and cost indicators. The survey will then only emphasize and focus on specific breakdowns for essential figures, or when they diverge significantly from the general figures observed for revenues and costs.

---

<sup>1</sup> All financial and market figures are indicated in USD terms.



## 2.2. GENERAL PERFORMANCE

**Revenues were up 5% at USD 11.1 bn – Costs were down 3.7% at USD 7.5 bn**

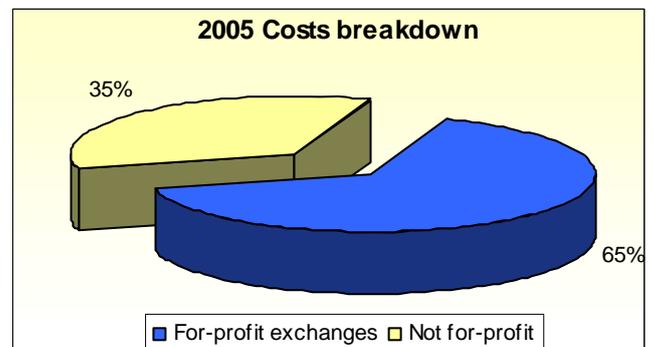
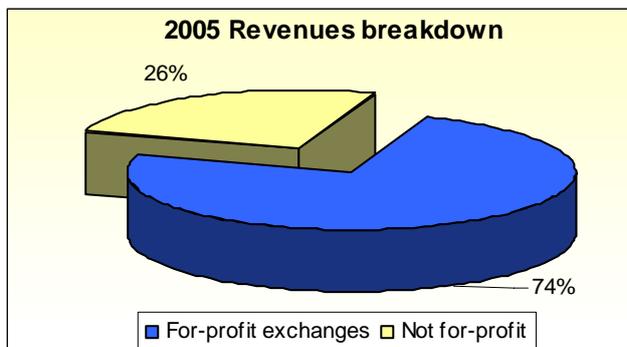
The total revenues in 2005 were up 5% at USD 11.1 billion compared to the previous year. Using the 2004 USD exchange rate for 2005 figures, in order to attenuate the dollar variation, revenues were up 13.9%. This good performance is in line with very favorable market conditions in 2005<sup>1</sup>:

- The total value of share trading volume was up 20.8%
- Total equity market capitalization was up 11.2%

It is noteworthy that costs were down 3.7% at USD 7.5 billion (but up 3.6% in constant USD terms). Exchanges continue their efforts to reduce their costs, or at least keep them under control.

### 2.2.1 *Review by profit objective*

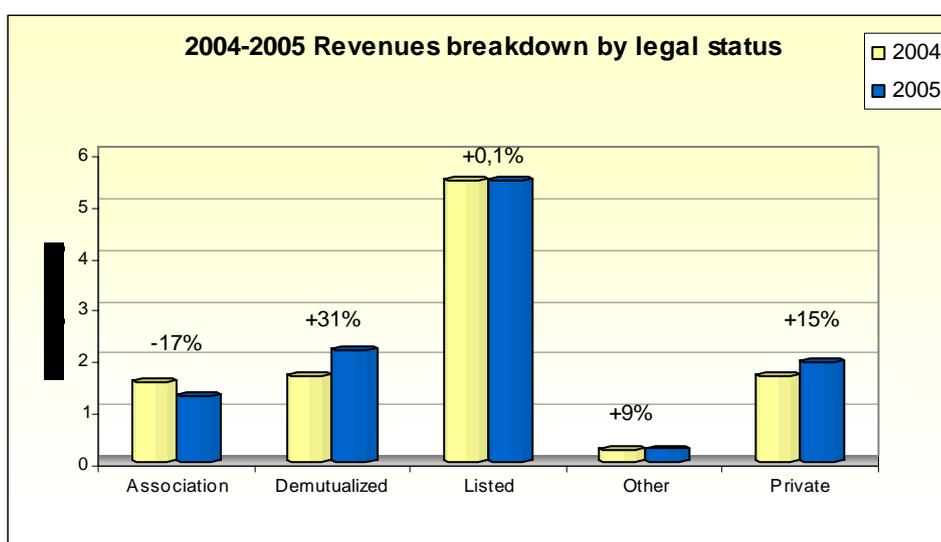
When splitting exchanges between for-profit and not-for-profit, the for-profit ones represent almost three quarters of the total revenues and 65% of the total costs. This is not surprising, as the largest members in terms of financial figures are for-profit. The discrepancy between the relative share of revenues compared to costs can be explained by the weight of NASD and NYSE which were not for-profit in 2005.



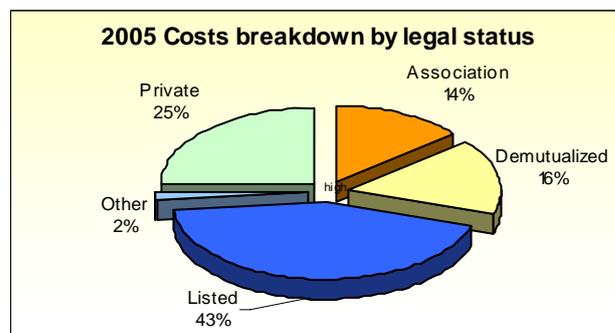
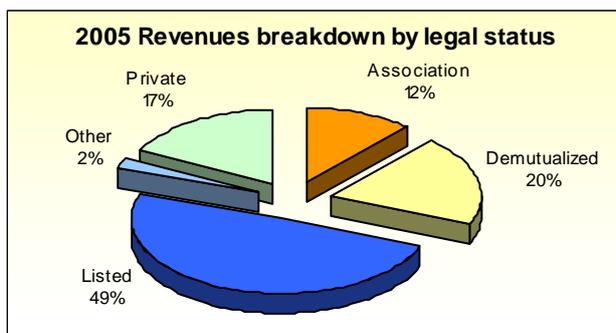
<sup>1</sup> See section 3 for more markets indicators.

### 2.2.2 *Review by legal status*

Demutualized and private exchanges had the strongest revenue growth in 2004, up 32% and 15% respectively. These variations are mainly due to the change of legal status of some members for demutualized exchanges. The private status performance is largely due to the good performance of NYSE and CBOE. In addition, the relative poor performance of listed exchanges compared to the rest of the group can be explained by the fact that the dollar was significantly up against the euro, the pound and the Swedish crown. Deutsche Boerse, Euronext, London and OMX represented more than 37% of 2005 total revenues for the industry. Their modest performance in dollar terms does not reflect the progression of their revenues in local currencies.



When looking at the weight of each legal status, the listed exchanges contributed nearly half of the total revenues and costs, respectively 49% and 43%. The quite important difference of the relative weight between revenues and costs of private exchanges can be largely explained by the NYSE's figures which in 2005 was still a not for-profit company and which alone represented around 14.6% of the industry total revenues compared to 21.5% of the total costs.



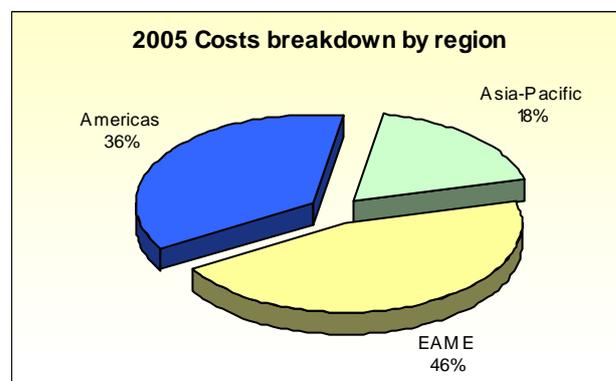
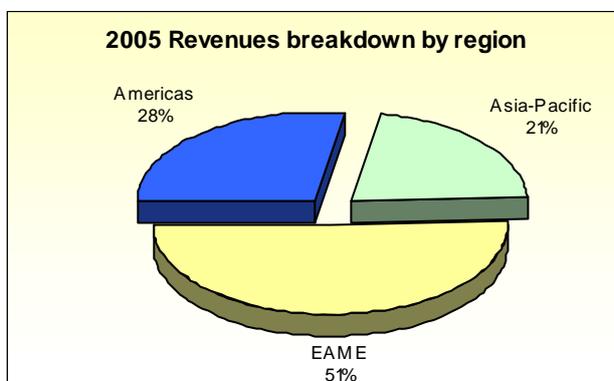


The fact that the exchange industry is very concentrated should be kept in mind especially when looking at legal status specific breakdowns:

- In the **Association** group, NASD accounted for 55% of revenues ; and when adding SWX, their combined share of total revenues in this group is around 78%.
- The **Demutualized** group has more members, but the combination of BME, Borsa Italiana, KRX ,and Tokyo Stock Exchange accounted for 68% of the total revenues of this group.
- The **Listed** group, which is the most homogeneous, is largely dominated by DBAG, Euronext and London Stock Exchange (69% of the total revenues of this group). DBAG alone accounted for almost 40% of the total revenues of this group.
- In the **Private** company group, NYSE accounted for 83% of this group’s total revenues.
- In the **Other** group, Istanbul Stock Exchange and the Stock Exchange of Thailand accounted for 64% of this group’s total revenues.

### 2.2.3 Review by regions

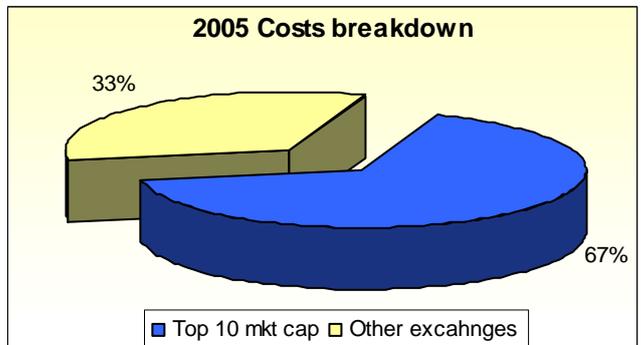
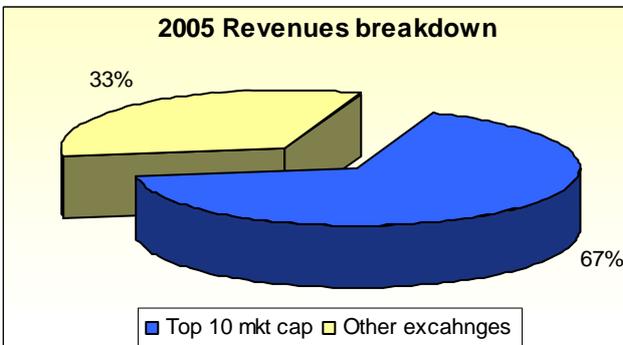
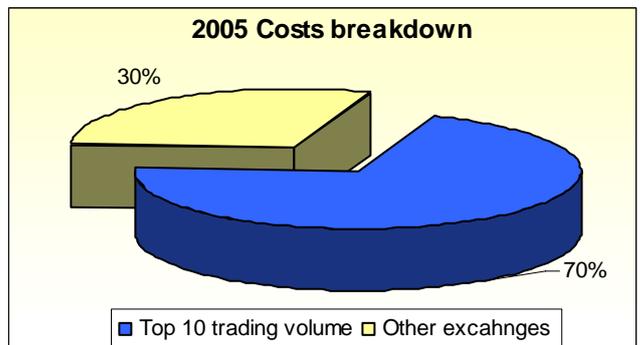
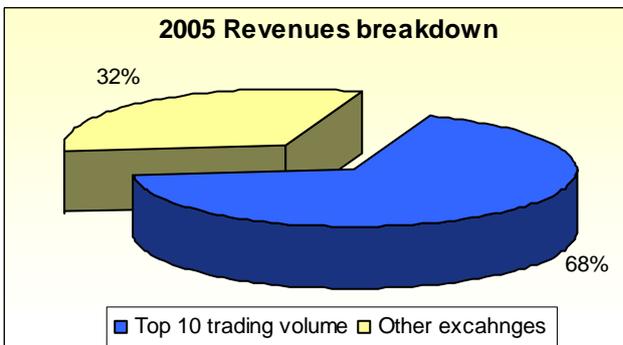
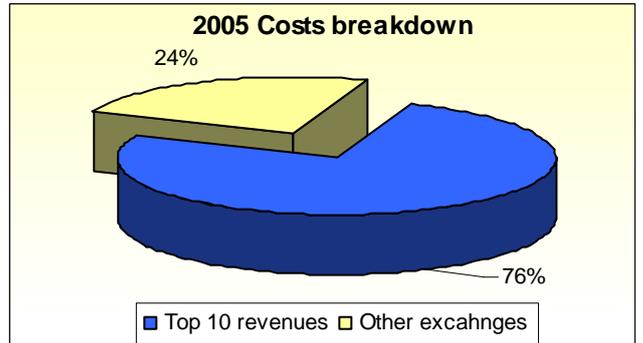
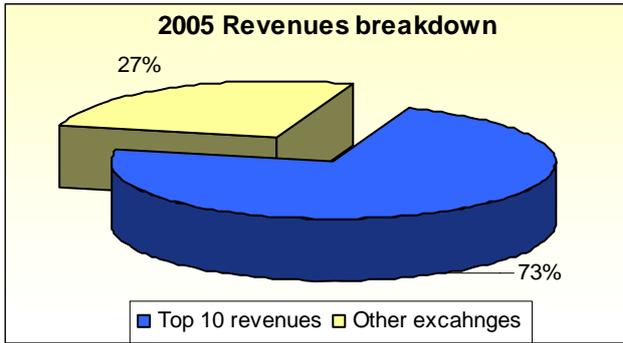
In terms of geographical repartition, the EAME region contributes around half the revenues and costs of all members. This is not surprising, as half of the ten largest exchanges by revenues are European<sup>1</sup>.



### 2.2.4 Review by size

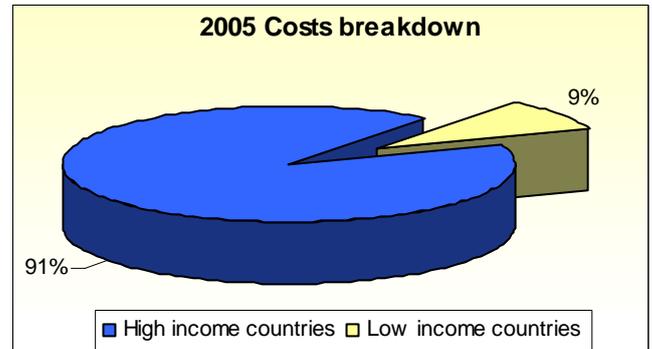
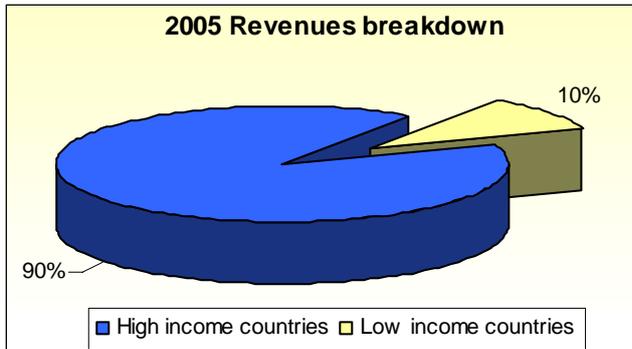
Breaking down revenues and costs by exchanges’ size show how much the industry is concentrated as the top ten exchanges in terms of revenues represented 73% of the total revenues and 76% of the total costs in 2005.

<sup>1</sup> As noted in previous years, this survey does not include financial information from affiliates such as the Chicago Board of Trade (CBOT), the Chicago Mercantile Exchange (CME), or the International Securities Exchange (ISE), and therefore considerably underestimates the relative size of the “Americas” exchanges. They are affiliates of WFE, and this survey covers members only.



### 2.2.5 *By economic development*

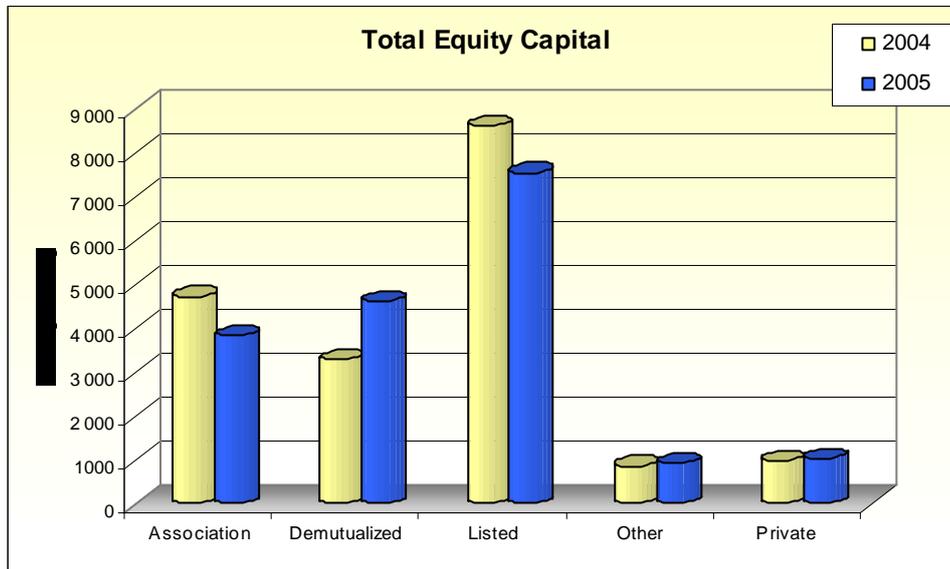
Exchanges located in high income countries generated about 90% of both total revenues and total costs.



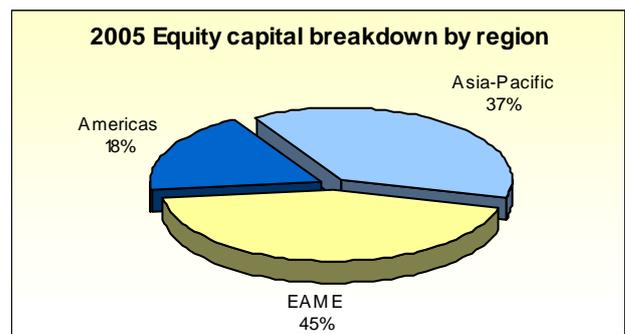
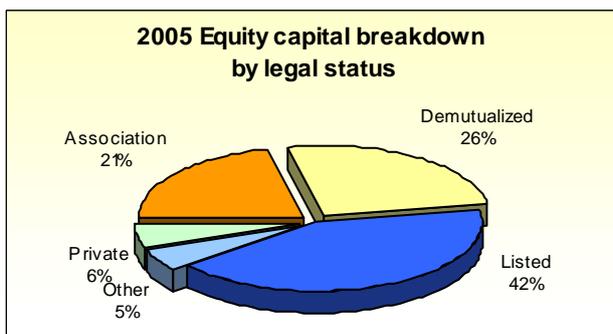


### 2.3. EQUITY CAPITAL

Total equity capital of members decreased slightly by 2.7% compared to the previous year, at USD 17.9 billion, but was up +4.1% in constant USD terms.



As noted in last year's survey, there is a high concentration of equity capital among members. Listed exchanges accounted for 42% of the industry total, and the top 10 exchanges by revenues for 63% of the total.

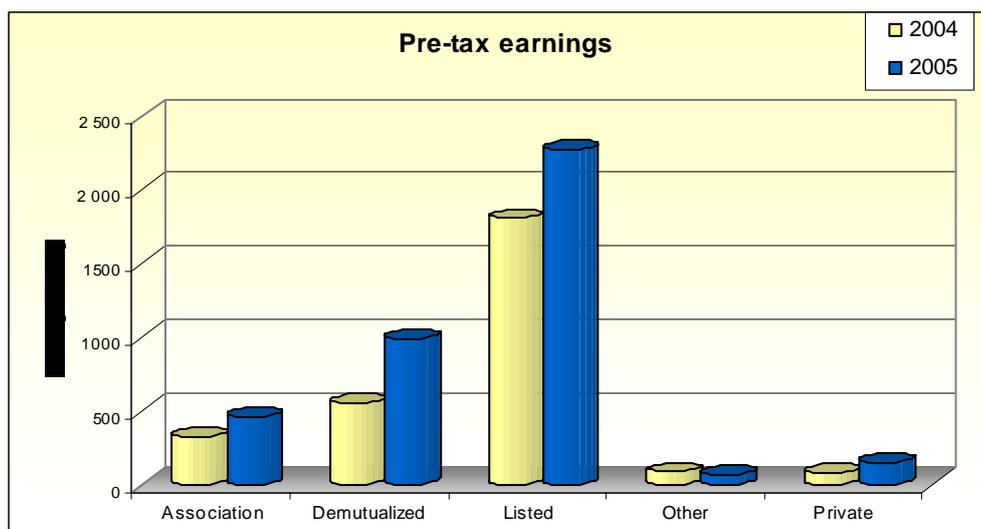


## 2.4. PRE-TAX EARNINGS AND NET INCOME

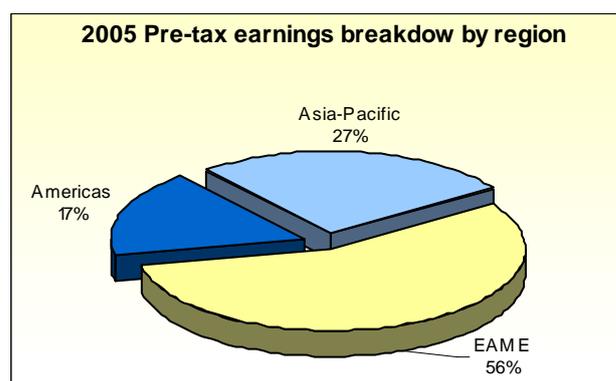
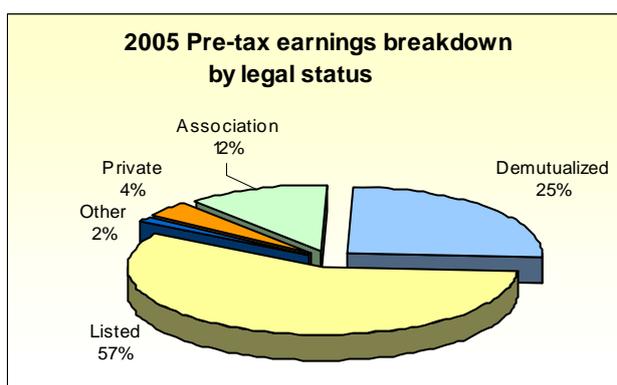
Profitability of exchanges increased at a much higher pace than their revenues, reflecting the industry mainly fixed-costs' structure. Clearly, more volumes were run through a relatively stable cost base.

### 2.4.1 Pre-tax earnings

Pre-tax earnings increased significantly by 38% between 2004 and 2005, and reached USD 3.9 billion. Without the foreign exchange effect, they would have been up more than 50%.



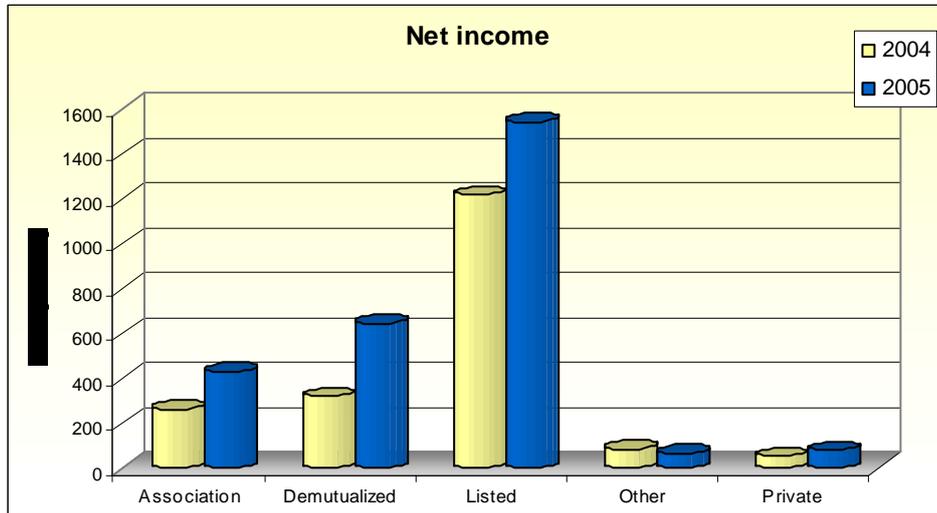
Listed exchanges accounted for more than 57% of the Federation's members total pre-tax earnings. The EAME region represented 56% of the total.



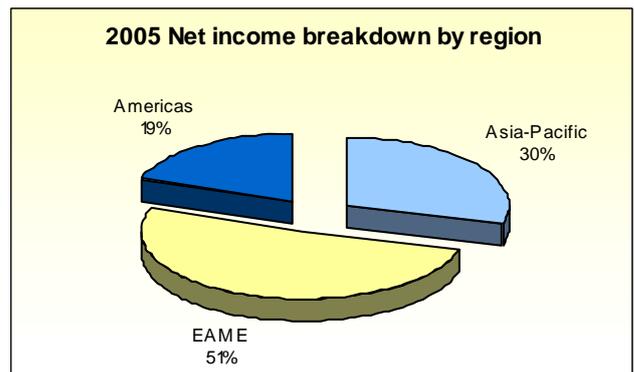
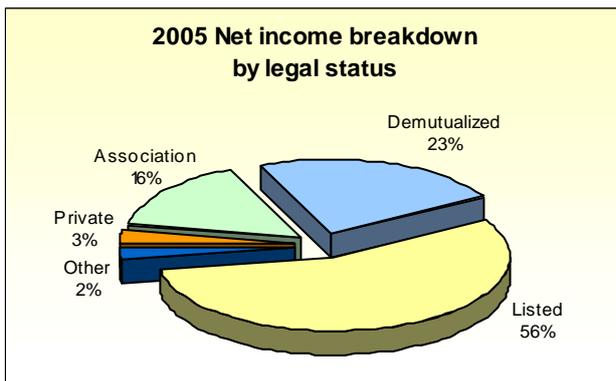


2.4.2 *Net income*

Net income saw a very strong growth, and increased by 42% to USD 2.7 billion (+54% in constant USD terms).



Listed exchanges accounted for 56% of the total net income. This is to be compared with their 49% share of total revenues. The EAME region represents 51% of the total net income spread across WFE membership. The dollar effect is quite significant as last year EAME and the Americas represented respectively 56% and 12% of the total. Without the foreign exchange effect (applying the 2004 USD rate for both years) the figures would be 54% and 17%.

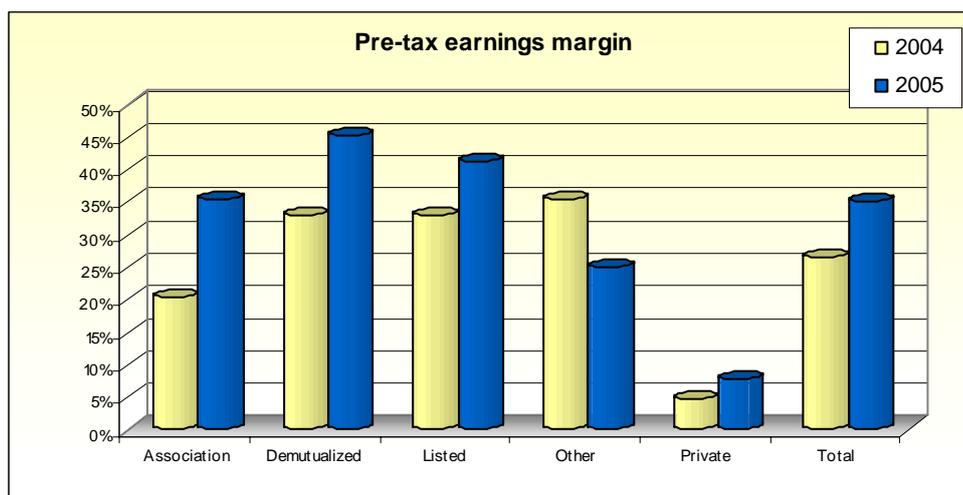




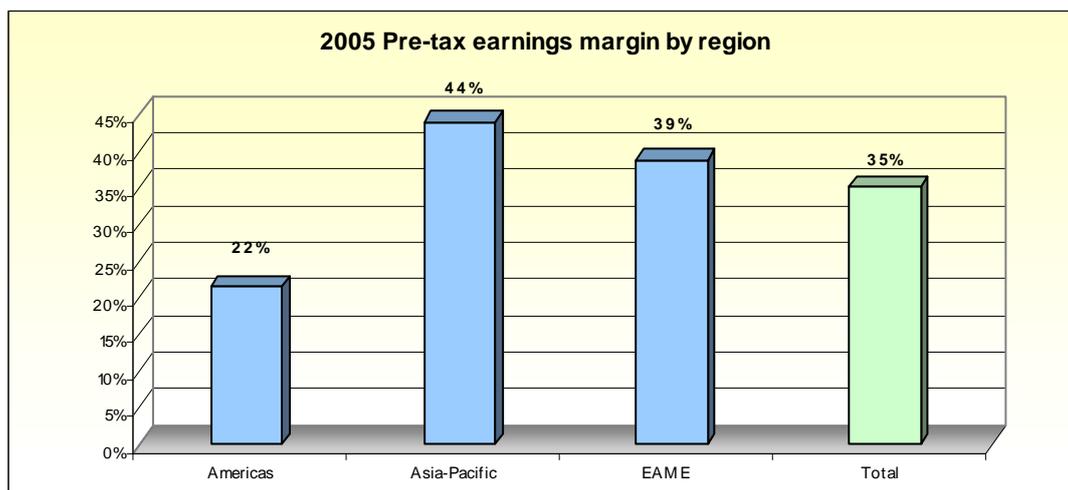
### 2.4.3 *Pre-tax earnings margin*

Looking at the pre-tax earnings margin (pre-tax earnings/revenues), the industry average increased from 27% to 35% in 2005. The increase is in line with the faster progression of pre-tax earnings compared to revenues.

Demutualized and listed exchanges outperformed the average margin, with impressive ratios of 45% and 41% respectively.



The geographical breakdown shows that the EAME and Asia-Pacific regions outperform the average margin.

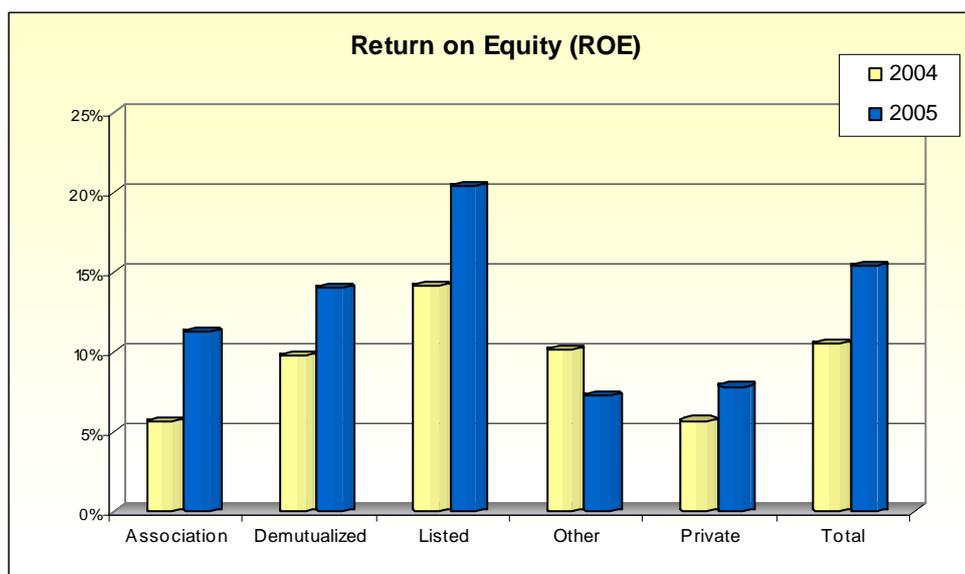




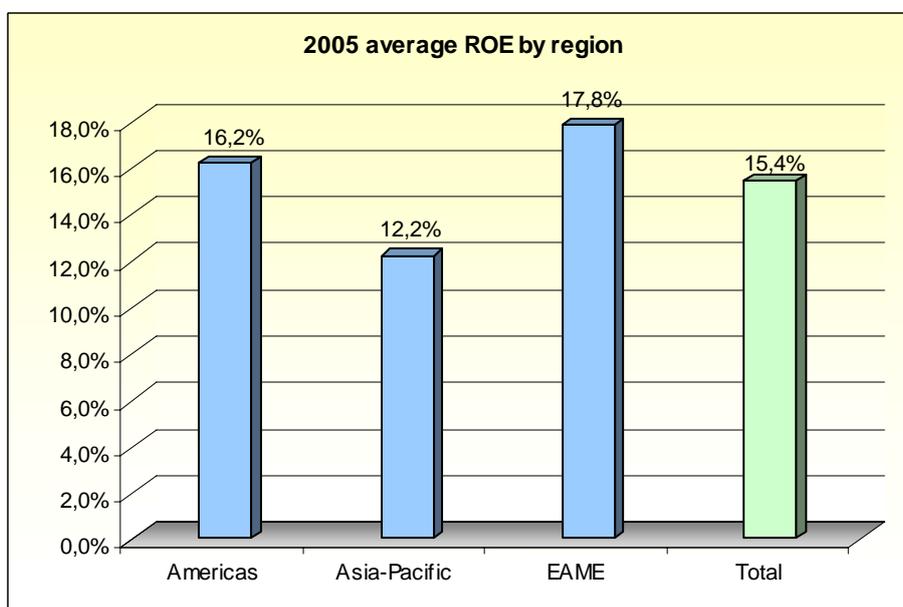
## 2.5. PROFITABILITY (ROE)

**The industry average ROE was 15.4% in 2005**

In 2005 the average ROE reached an impressive 15.4% compared to 10.5% in 2004. As one could expect, listed exchanges strongly outperformed the industry average with a 20.4% ROE. This is to be compared with a 2004 average ROE of 10.5% (14.5% for listed exchanges).



In terms of geographical breakdown, the EAME and the Americas regions outperformed the industry average. The relatively low performance of the Asia-Pacific region could be explained by the fact that four exchanges (Korea, Shanghai, Shenzhen, and Taiwan) have significant equity but relatively low net income. They represented 56% of the region's total equity base but less than 20% of the region's total net income.

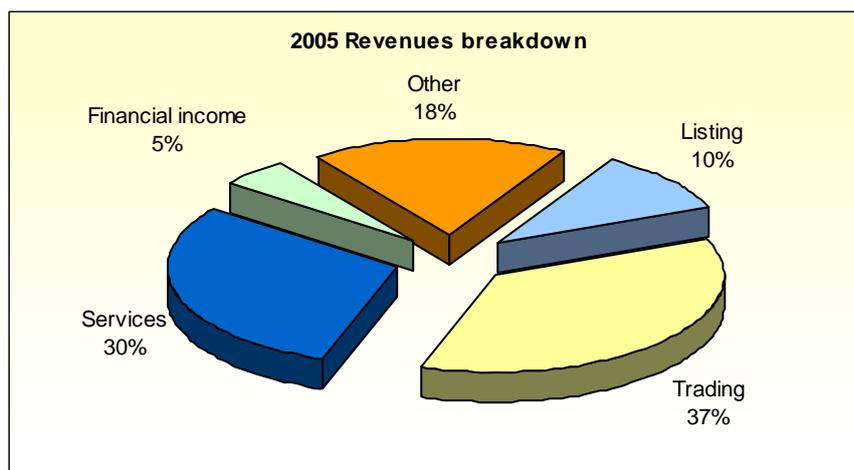




## 3. REVENUES

### 3.1. TOTAL REVENUES BREAKDOWN

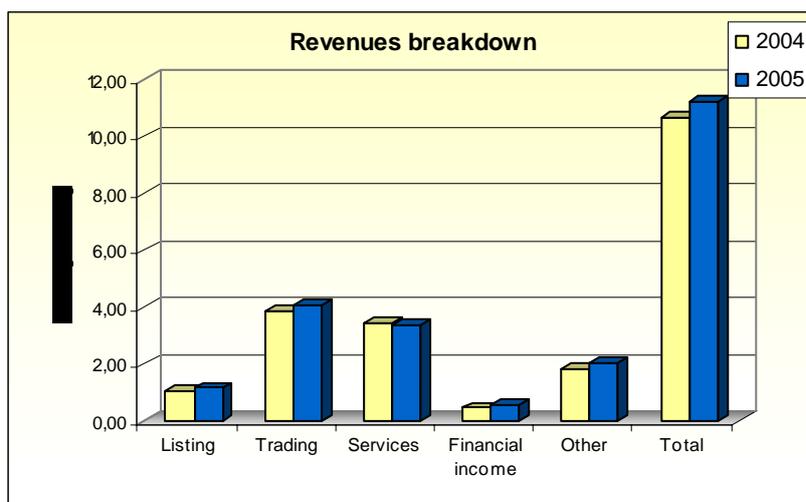
**Revenues derived largely from trading (37%) and services (30%)**



The 2005 total revenues' growth was due to the good performance of some of the main contributors to top line growth: almost +6% and +10% in trading and listing revenues respectively. As noted earlier, the dollar effect is quite significant; in 2004 terms, the total revenue growth would have been almost +14% with trading and listing revenues up 16% and 17%. Services were down 3% in 2005 (but up 7% without the foreign exchange effect); other revenues were up 11% and financial income 21%.

2005 Revenues breakdown (USD million)				
		% change 04/05 (USD)	% change (constant terms)	% of total revenues
Listing	1 168	10%	17%	10%
Trading	4 087	6%	16%	37%
Services	3 356	-3%	7%	30%
Financial income	554	21%	28%	5%
Other	2 035	11%	16%	18%

As regards financial income, it should be noted that the result is dominated by a few exchanges (the three largest in terms of financial income represent half of the total). The same applies to a less extent to the "other revenues" category.



### 3.1.1 General market performance in 2005

These results can be explained in good part by the strong performance of financial markets in 2005. Volumes, market capitalization and indices were all significantly up. Though the elasticity may vary, they are clearly correlated to the revenues generated by exchanges from trading and services revenues.

The following figures are based on WFE total membership.

Domestic equity market capitalization (USD bn)		
		% change 2004/2005
Americas	19 458	6,9%
Asia/Pacific	9 310	23,7%
EAME	12 206	9,6%
<b>WFE</b>	<b>40 974</b>	<b>11,2%</b>

Share trading volumes (USD bn)		
		% change 2004/2005
Americas	25 981	19,2%
Asia/Pacific	8 832	28,2%
EAME	16 240	19,6%
<b>WFE</b>	<b>51 052</b>	<b>20,8%</b>

Average index performance in 2005		
	(in USD)	(in local currency)
Americas	8,2%	7,6%
Asia/Pacific	17,3%	27,2%
EAME	8,1%	23,6%
<b>WFE global Average</b>	<b>10%</b>	<b>16%</b>



Market capitalization of new listings in 2005 (in USD bn)		
		% change 2004/2005
Americas	232	-9%
Asia/Pacific	575	16%
EAME	307	209%
<b>WFE</b>	<b>1 114</b>	<b>58%</b>

Number of newly listed companies in 2005		
		% change 2004/2005
Americas	822	-10,4%
Asia/Pacific	927	-10,9%
EAME	974	29,3%
<b>WFE</b>	<b>2 723</b>	<b>0,5%</b>

Number of listed companies in 2005		
		% change 2004/2005
Americas	11 222	0,6%
Asia/Pacific	18 956	7,8%
EAME	10 395	3,8%
<b>WFE</b>	<b>40 573</b>	<b>3,8%</b>

2005 figures showed a slight growth in the number of new listings but the size of IPOs must have been larger than in 2004 as the market capitalization of new listings was significantly up. This probably explains much of the growth of listing revenues.

It is interesting to note a significant discrepancy between the Americas and EAME. Though there was no specific question regarding the influence of regulation on new listings, this difference could be explained by the different regulations in effect in the EU and the USA.

The total of listed companies among WFE is up 3.8%, after a slight decrease in 2004 (-0.6%).

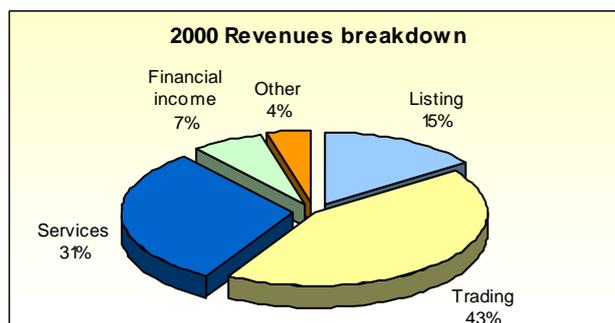
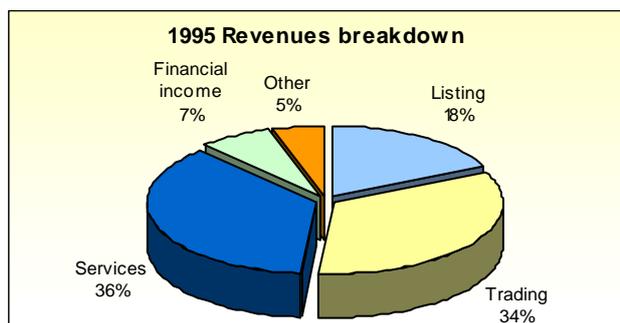
### 3.1.2 *Historical trends*

From 1995 to 2005, total revenues almost tripled (from USD 3.7 bn to 11.2), with listing revenues growing at the slowest pace (+74%) while trading and services at the highest pace (+222% and 144% respectively).

For the shorter period from 2000 to 2005, total revenues were up 65%. Listing revenues were up 13% compared to trading and services revenues (+39% and 61% respectively).

The historical perspective confirms the long term trends already observed last year: listing revenues are proportionally declining, trading revenues remain very important, and services have been growing constantly since 1996<sup>1</sup>.

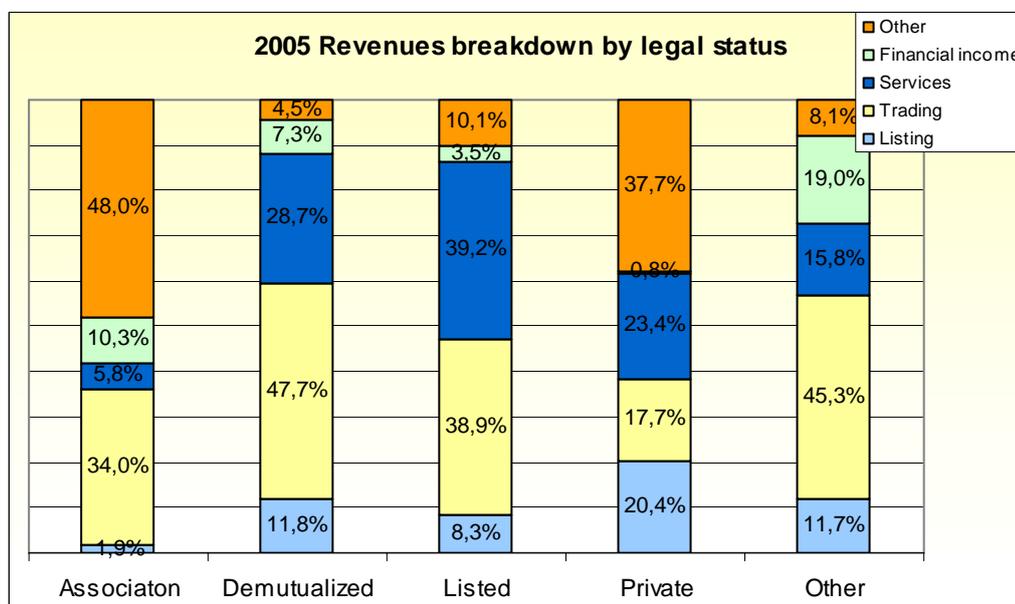
<sup>1</sup> The relative high level of services revenues in 1995 (36%) does not reflect its evolution, as it remained quite stable around 30% until 2002 and has increased since then. It is not clear, though, how some changes in the questionnaire structure at that time might have influenced the results. It seems to be nevertheless in line with the industry evolution where members tend to diversify their usual sources of income (trading, listing revenues as well as market data sales) and offer more and more diverse services.



### 3.1.3 Revenues breakdown by legal status

Demutualized and listed exchanges have similar revenues structures in that listings revenues are relatively small compared to others (11.8% and 8.3%). Trading and services contribute around the same proportion for listed exchanges (38.9% and 39.2%). Demutualized exchanges have the highest proportion of trading revenues (47.7% of the total). This figure can be explained by the fact that the Korea Exchange and Taiwan Stock Exchange corp. both have significant trading revenues in absolute terms, and also proportionally to their total revenues.

The very important proportion of the “other revenues” category in association and private company is explained by the importance of these revenues for NASD and NYSE, and their dominant weight in their respective legal status categories.



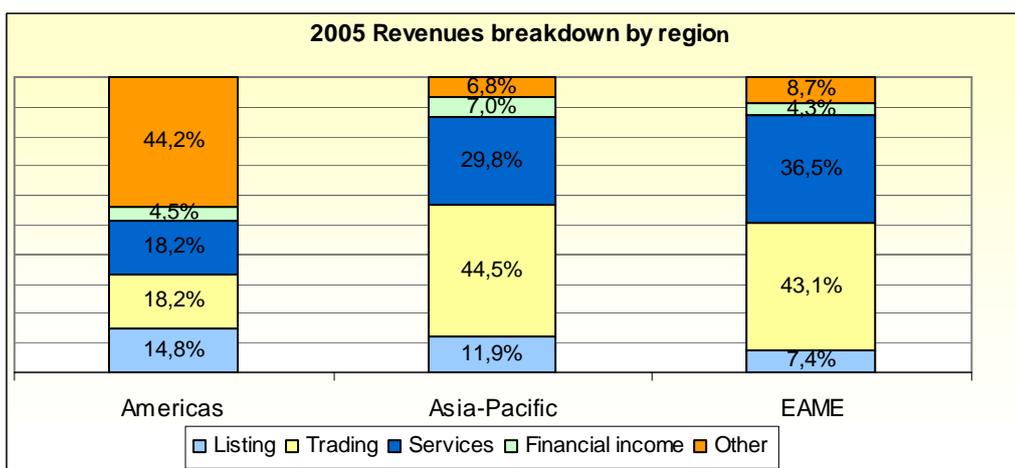
### 3.1.4 Revenues breakdown by region

The relative importance of the “other revenues” category in the Americas can be explained by the figures from NASD and NYSE (see above). Listing revenues are well above the industry average in the Americas, and this also reflects the relative weight of NYSE in this category.



As noted last year, Asia-Pacific distinguishes itself because of the importance of trading revenues. As explained above, this is due to the figures from Korea Exchange and Taiwan Stock Exchange corp., but as well from exchanges in Tokyo, Shanghai and Shenzhen, which also show a revenues structure where trading figures are dominant.

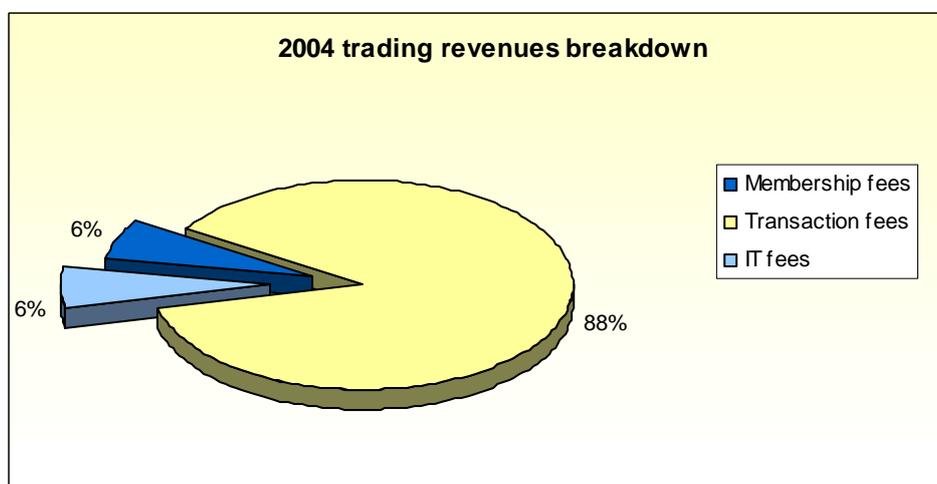
EAME revenues are spread as they were last year, with the lowest percentage of listing revenues and the highest for services. They directly operate some of the most divers industry businesses.



### 3.2. DETAILS ON TRADING REVENUES

Trading revenues were up 5.8% across WFE membership in 2005, whereas share trading volume was up 20% during the same period. Without the foreign exchange effect, the growth is almost 16%, more in line with the progression of share trading volumes in 2005 (+20%), though WFE exchanges are paying attention to the level of trading fees.

The breakdown of trading revenues shows them to be mainly transaction fees.



Transaction fees were so much the dominant component that the trading revenues breakdown by legal status or region gave roughly the same percentages.



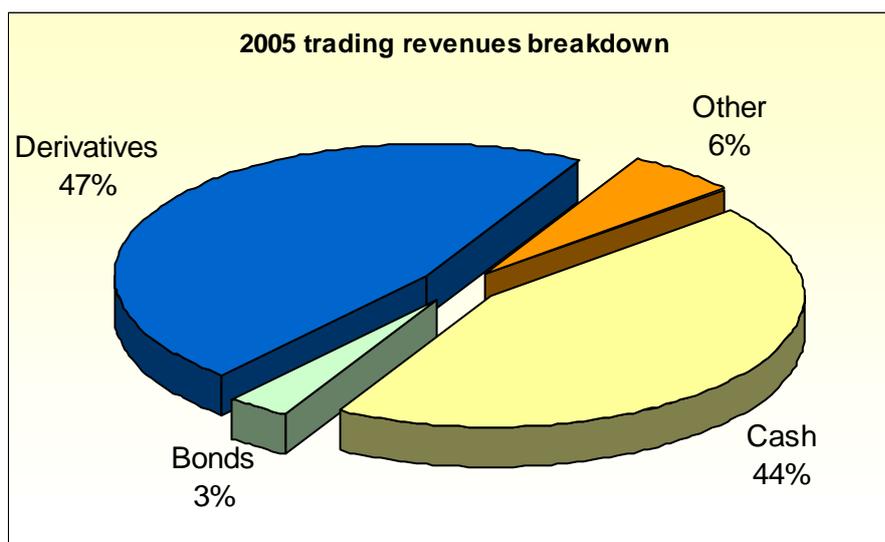
### 3.2.1 Trading revenues by Product

The results here give a good rough idea of the proportion of each products' weight, but it should be noted that like other detailed questions, only part of the respondents provided detailed figures here, and that the sample of answers does not represent all WFE members answering the questionnaire.

The trading revenues breakdown by product confirms the growing impact of derivatives as for the first time they represent the majority of trading revenues. Again, it should be noted that the sample here is partial, as it comes from two thirds of the respondents and covers more than two thirds of the total trading revenues reported. Given the fact that some major cash equity markets did not provide their detailed figures, it can be assumed that cash equity trading revenues are still dominant within WFE overall.

Nevertheless, the present figure is the confirmation of the derivatives segments' growth, which has been a constant factor for the last three years (no data available before).

Trading revenues from bonds remained marginal (3% of the total).



Due to the fact that some answers were missing, the breakdown by legal status and region are not significant.

### 3.3. DETAILS ON SERVICE REVENUES

As noted earlier, revenues from services were down 3% compared to the previous year (+7% in constant 2004 USD terms).

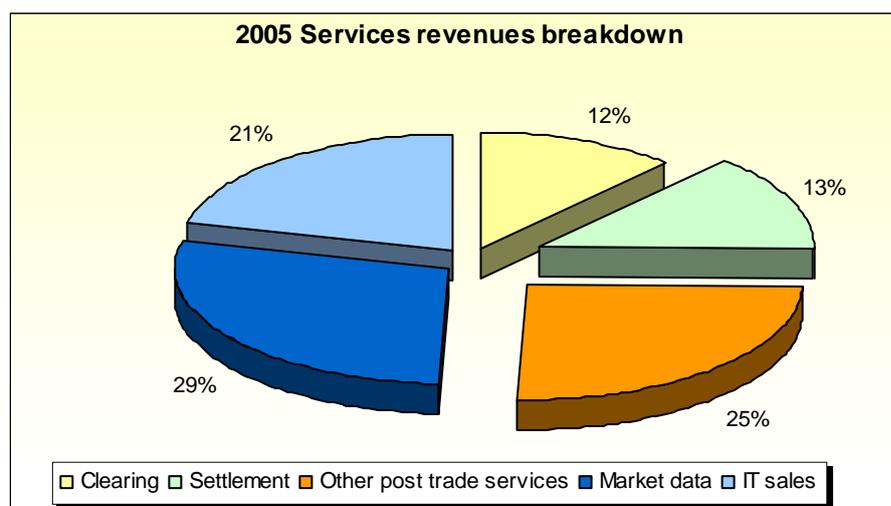
Post-trade services as a whole<sup>1</sup> (clearing + settlement + other post trade services) are actually the main contributor to service revenues representing more than 50% of this category (and more than 13% of total revenues). They were slightly down (-0.4%) in 2005 compared to 2004, but up 12% in constant USD terms. This is consistent with the fact that most of these revenues are generated in Europe, which suffered from the adverse FX effect.

<sup>1</sup> Taking these revenues as a whole make sense, since details of how revenues are spread between the three categories are not always available.



Revenues derived from market data still represent a large part of the services' category of total revenues (29%); they were up 2.1% compared to 2004 (+10.4% without the foreign exchange effect).

IT sales and services were down 16 % in 2005 compared to 2004 (-6.8% in constant USD terms). It is noteworthy to point out that this line of revenues is extremely concentrated among four exchanges: Euronext, NYSE, OMX and DBAG, which represented 91 % of this line of revenues. A decline in NYSE and DBAG figures, as well as the unfavorable exchange rate effect, explains this result.



Although it is difficult to outline long term trends due to the change of parameters among members, post trade and IT revenues have been increasing, whereas market data revenues have decreased in percentage terms since 1995.

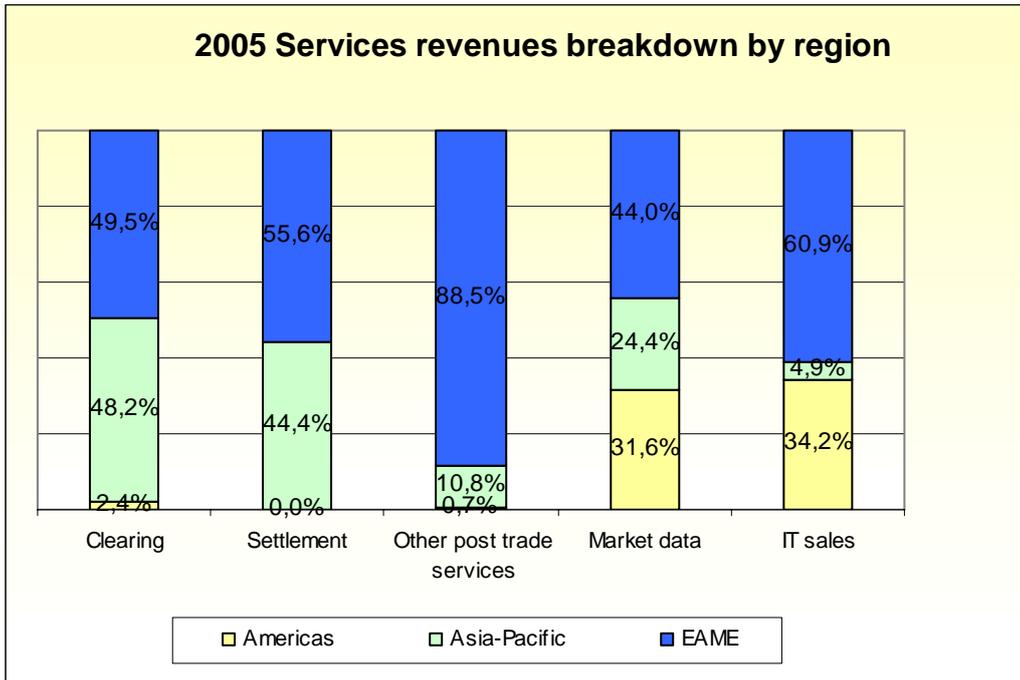
Market data, which was extremely dominant in 2000 (above 50% of total services' revenues), has declined sharply in percentage terms, whereas IT sales and services (less than 10% in 1995) and post-trade services (around 30-40% until 2000) have increased their relative share in this category of revenues.

### 3.3.1 Services revenues breakdown by region

The data available are not detailed enough to compute a meaningful breakdown by legal status.

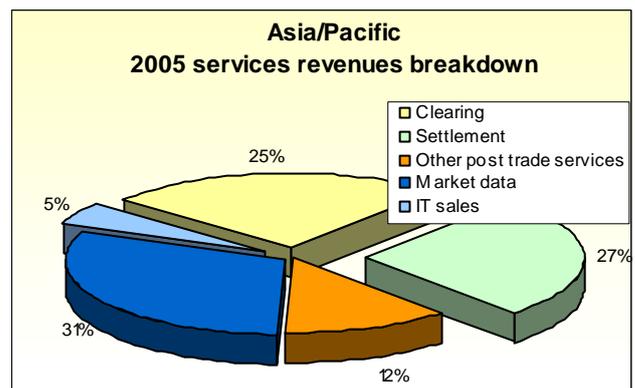
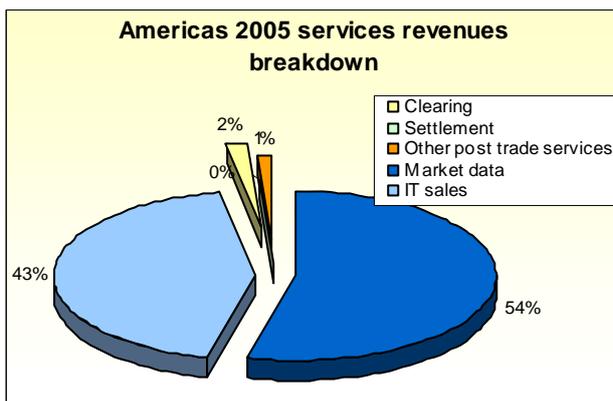
In terms of contribution to the services' revenues, the EAME region share represents more than 60% of the total and is particularly important in post-trade services and IT sales.

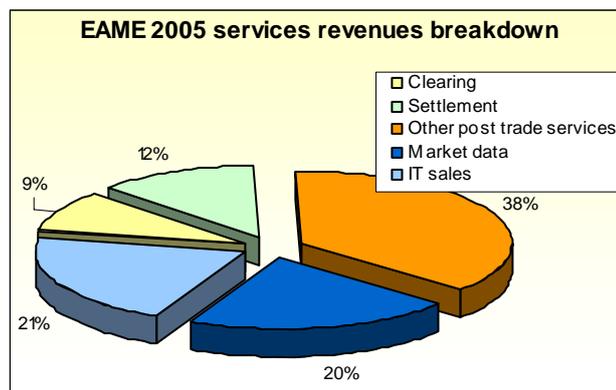
The growth of this line was moderate in all regions: +1.32% in the Americas, +1.93% in Asia-pacific (+8.45% without the change effect), -5.73% in EAME (+8.31% without the change effect).



As noted last year, the geographical breakdown shows important differences. The Americas revenues concentrate on market data and IT sales; this is clearly due to the organizational structure, where post-trade activities remain out of exchanges' scope of operations.

Asia-Pacific has the smallest percentage of IT sales and services revenues contributing to the total of all services revenues.

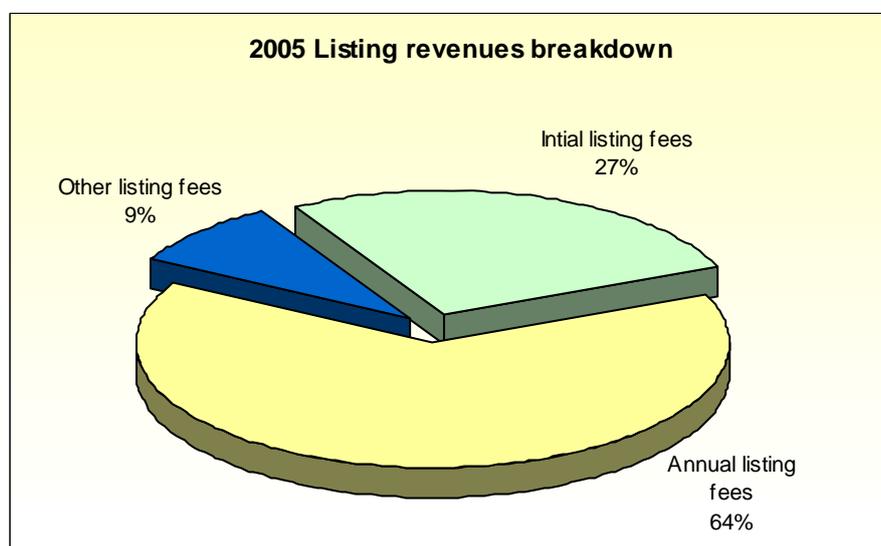




### 3.4. DETAILS ON LISTING REVENUES

Listing revenues had the most significant growth in 2005, +9.8% (+17.40% in constant dollar terms), which is clearly correlated to the good performance of primary markets that year (see above).

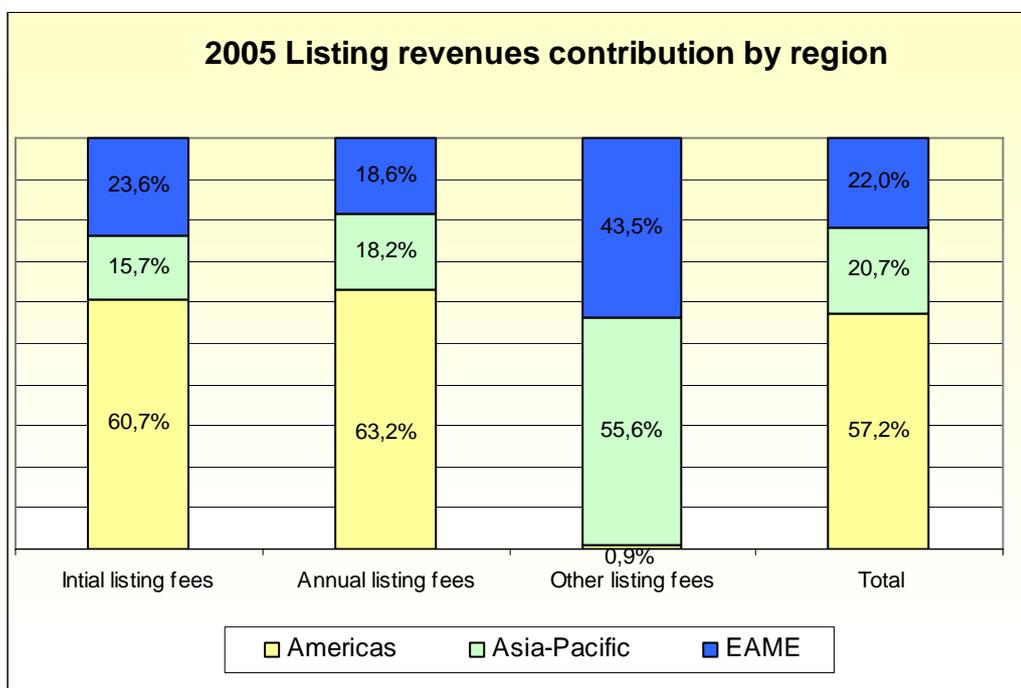
As usual, annual fees still represent the main percentage of listing revenues at 64%. They were up 8.5% in 2005 (+11.2% in constant dollar terms), but their share is a lot less significant than in 2004 where they represented 75% of the total listing revenues. The initial listing fees represented 27% of the total (compared to 12% last year) and increased significantly, they were up 13.5% (almost 17% in constant dollar terms).



The Americas are still the main contributor to listing revenues, as they accounted for 57.2% of the total in 2005. The two other regions have similar weights, whereas in 2004, Asia-Pacific was slightly more important than EAME (27% against 20%). All regions saw a strong growth of listing revenues in 2005, but it was more significant in EAME (+11.6% and +27.1% in constant USD terms) and Asia-Pacific (+11.9% and +21.6% in constant USD terms) compared to the Americas (+7.1% and +6.2% in constant USD terms).

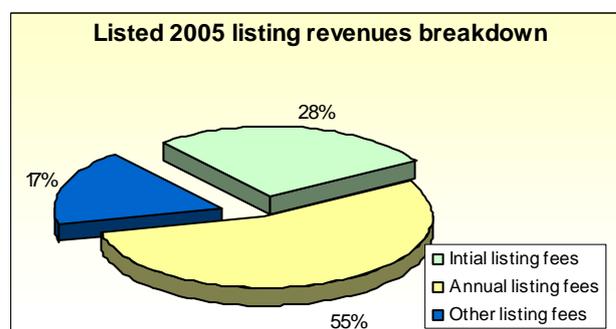
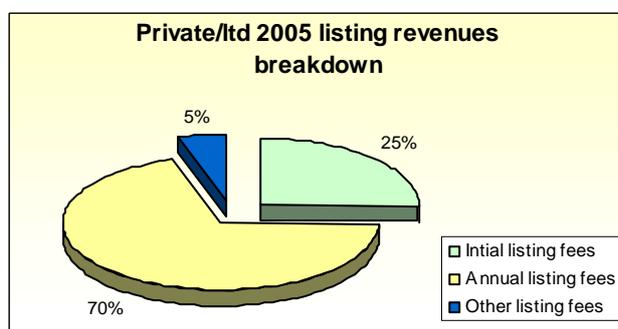


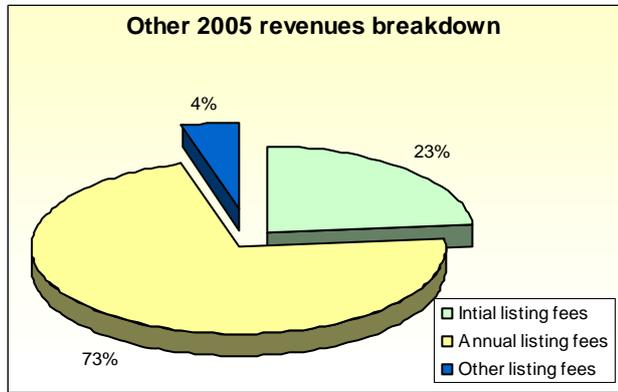
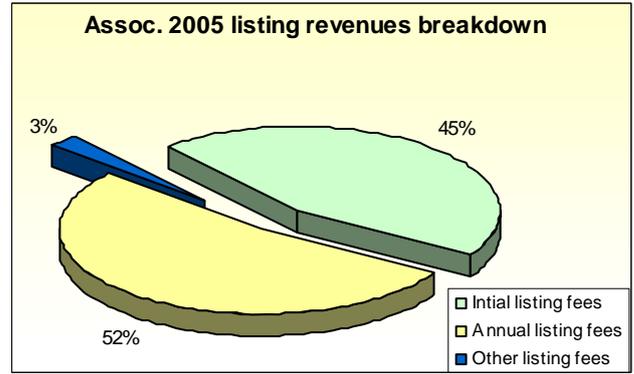
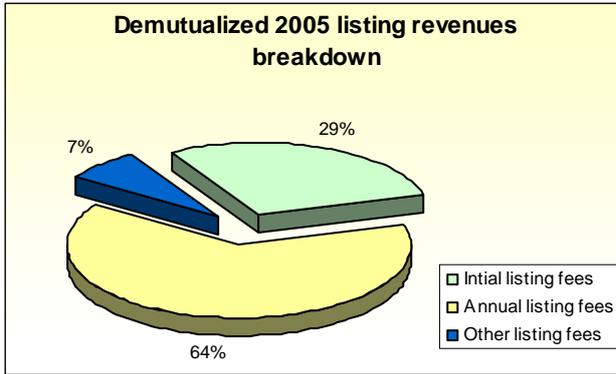
It also important to note that initial listing fees had a very strong growth in EAME (+38.8% and +56.2% in constant USD terms).



#### 3.4.1 Listing revenues breakdown by legal status

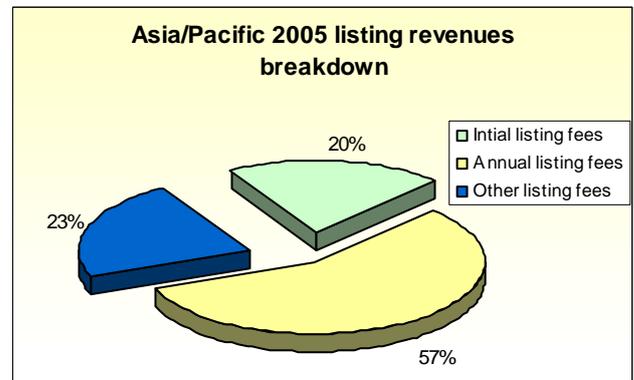
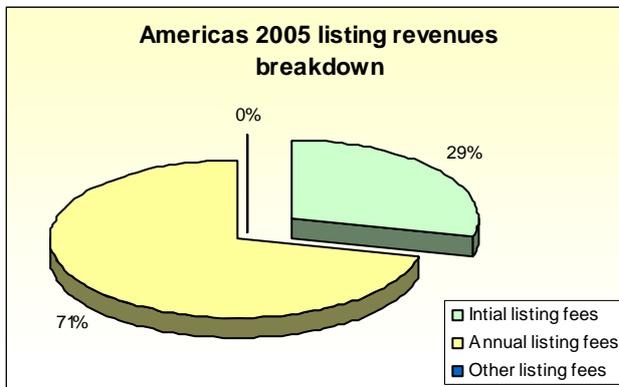
The results are quite in line with the industry average, although there are important variations from one group to the other. Due to the heterogeneity of exchanges within a group and the lack of detailed answers in some instances, one should be very cautious in interpreting the results. For instance, as the result of the extremely dominant weight of the NYSE in terms of listing revenues within the private group, the figures for this group are above all the reflection of the NYSE figures themselves.

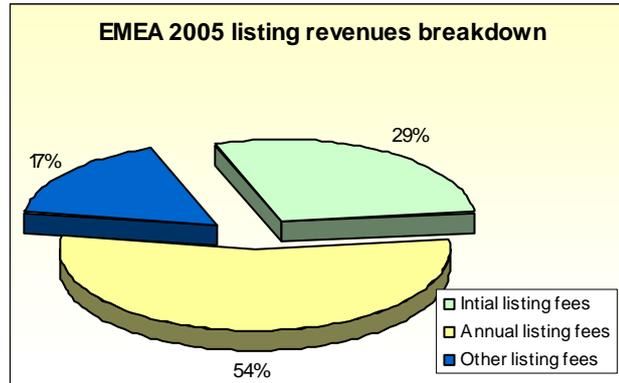




### 3.4.2 Listing revenues breakdown by region

The EAME region has the lowest annual fees by percentage, but the higher initial fees along with the Americas, which also have the highest annual fees percentage. The Asia-Pacific region has the most balanced input.

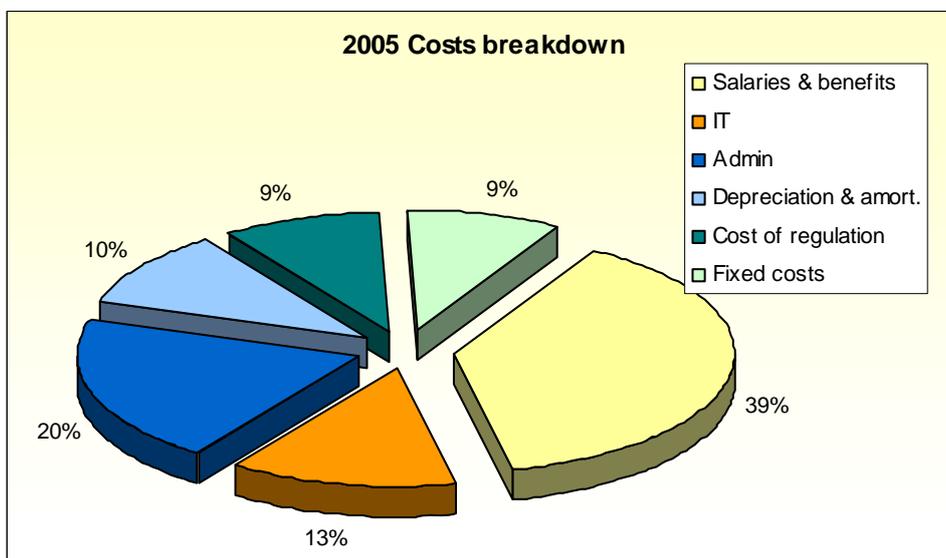






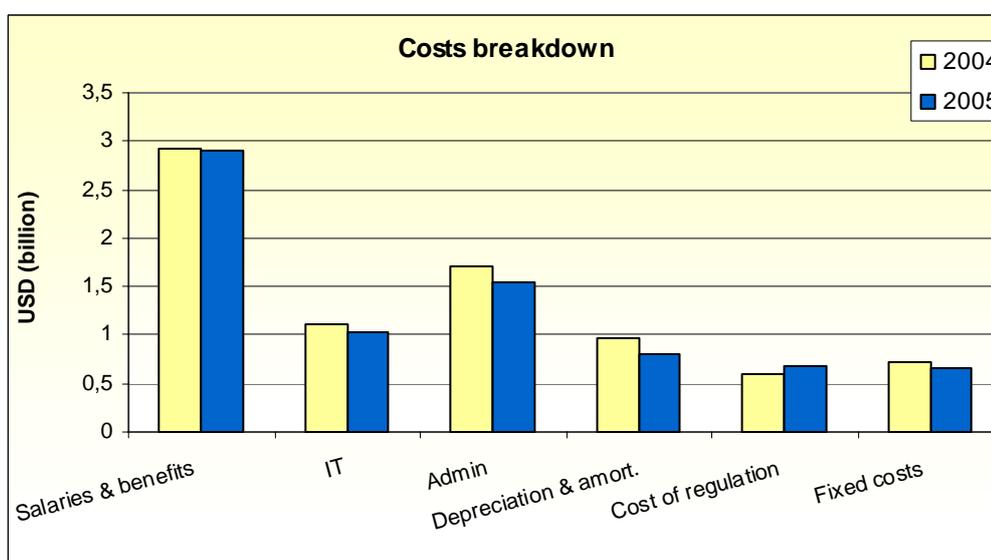
## 4. COSTS

Total costs were down 3.7% in 2005 (+3.6% in constant USD terms). Salaries and benefits represented the major share of costs for exchanges in 2005 (39%), followed by administrative (20%) and IT costs (13%).



The breakdown among various costs is constant compared to the previous years. Salaries and benefits remained the main portion of costs in 2005, 39% (compared to 37% the previous year). Administrative costs have declined from 21% to 20% of total costs, and IT has also slightly decreased its share (13% compared to 14%) during the same period.

As the graph below shows, all costs were down, except for those related to regulation, which were up 13.7% in 2005. This is mainly due to the Americas, as NASD and NYSE represent 82% of the overall costs of regulation. Their costs related to regulation increased significantly in 2005.





#### 4.1. SALARIES AND BENEFITS

Salaries and benefits were slightly down -0.7% (but up 6.6% constant USD terms). They were up 5.4% in the Americas, but down 5.1% in the EAME region (again, the foreign exchange effect is important, as they are up 8.9 in constant terms). They are slightly down in Asia-Pacific (-0.6% and +3.6% in constant terms). This is in line with the evolution of the number of staff. WFE exchanges employed a total of more than 25 000 employees (down 1.3% compared to the previous year).

Number of staff in 2005		
		% change 2004/2005
Americas	6 758	4,0%
Asia/Pacific	7 132	0,7%
EMEA	11 315	-5,4%
<b>WFE</b>	<b>25 205</b>	<b>-1,3%</b>

When looking at legal status breakdown, listed exchanges represent 41% of the total staff and 44% of the total salaries and benefits (down 4.1% compared to last year, but 8.1% in constant USD terms). Demutualized exchanges accounted for 21% of total staff, association exchanges for 16% (with NASD representing almost 60% of the total staff of that group).

As noted above, the top ten exchanges by revenues represented 76% of the total costs and 73% of the total revenues. Their share of the salaries and benefits is perfectly in line (75% of the total) but it is noteworthy that they only represented 55% of the total staff. Though it would be very approximate to calculate some sort of productivity ratio, the revenues generated per employee is clearly above the average while the cost of labor at these exchanges is also clearly above the industry average.

Similar figures are valid for the top 10 exchanges by market cap (43% of total staff against 67% of total revenues and costs – but only 62% of total salaries and benefits), and top 10 exchanges by share trading volume (46% of staff against 68% of revenues and 70% of costs – but only 64% of total salaries and benefits).

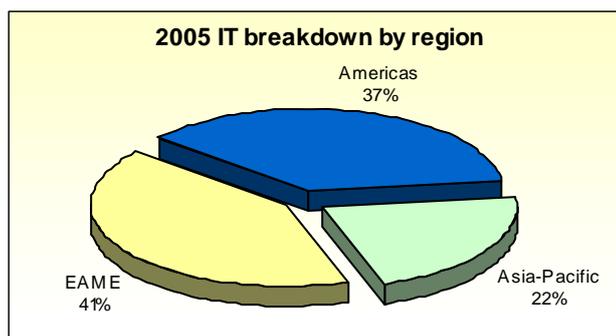
#### 4.2. ADMINISTRATION

Administrative costs were down 9.2% (+1.9% in constant USD terms) in 2005. This is mainly due to the EAME region, where costs were down 11.9%, whereas they were reported as stable in the Americas and Asia-Pacific. From a legal status prospective, the listed exchanges' administrative costs decreased by 11.6% in 2005 (+0.82% in constant USD terms).

### 4.3. IT

IT costs were down 7.2% in 2005 (and almost stable in constant USD terms). The decrease is especially important in the EAME region (-11.8% but +1% in constant USD terms) as well as in the Americas (-6.1%). They are up 2.7% in Asia-Pacific (+9.3% in constant USD terms).

The proportion of each region is in line with their relative weight.



Private and listed exchanges had sharp decline (-18 and -12 % respectively) in these costs.



## ANNEX 1 : DEFINITION AND COMPOSITION OF MEMBERS GROUPS

### 1. Legal category definitions

- *Private, limited companies* are bourses registered as private companies, generally with a paid-up share capital. Intermediaries are almost always the sole owners of the exchange, and their ownership and intermediation rights and activities are strongly linked.
- The second category includes exchanges registered as private, limited companies which have “*demutualized*,” but which are not listed. The demutualization of an exchange is a process by which a non-profit member-owned organization is transformed into a for-profit shareholder corporation. Ownership is somewhat more open.
- The third category regroups the *publicly listed exchanges*. A bourse goes public when its shares are listed on an exchange and are freely negotiable among investors.
- The fourth category is made of bourses that are registered as *associations, or mutuals*. These member cooperatives generally have no share capital, and access to membership is restricted.
- The fifth category encompasses exchanges with an “*other*” legal status, including, for example, those which still have a government or semi-government agency structure and belong to the state.

These five categories reflect as closely as possible the present reality in the regulated financial exchanges industry.

### 2. Composition of exchange groups

The main groupings used to analyze responses in the course of this survey were composed by the following bourses :

#### *a) WFE Exchanges by legal status at end-December 2005*

##### Private, limited companies mainly owned by members (7 bourses):

Bourse de Luxembourg	New York Stock Exchange
Chicago Board Options Exchange	Stock Exchange of Mauritius
Colombo Stock Exchange	Tel Aviv Stock Exchange
Irish Stock Exchange	



Demutualized, but not publicly listed Exchanges (16 bourses):

Bolsa Mexicana de Valores	JSE Limited
BME Spanish Exchanges	Korea Exchange
Bolsa de Valores de Colombia	Ljubljana Stock Exchange
Bourse de Montréal	National Stock Exchange of India Limited
Borsa Italiana	Oslo Børs
Bombay Stock Exchange Ltd.	Taiwan Stock Exchange Corporation
Budapest Stock Exchange Ltd.	Tokyo Stock Exchange
Bursa Malaysia	Wiener Börse

Publicly Listed Exchanges (13 bourses):

Athens Stock Exchange	London Stock Exchange
Australian Stock Exchange	OMX
Bolsa de Comercio de Santiago	Osaka Securities Exchange
Bolsa de Valores de Lima	Philippine Stock Exchange
Deutsche Börse AG	Singapore Exchange
Euronext	TSX Group
Hong Kong Exchanges and Clearing	

Associations, mutuals (5 bourses):

Bolsa de Valores do São Paulo	Shenzhen Stock Exchange
NASD	SWX Swiss Exchange
Shanghai Stock Exchange	

“Other” legal group Exchanges (7 bourses):

Bolsa de Comercio de Buenos Aires	Stock Exchange of Tehran
Cairo & Alexandria Stock Exchanges	Stock Exchange of Thailand
Istanbul Stock Exchange	Warsaw Stock Exchange
Malta Stock Exchange	

*b) WFE Members operating in high income economies:*

Athens Exchange	London Stock Exchange
Australian Stock Exchange	NASD
BME Spanish Exchanges	NYSE
Borsa Italiana SpA	OMX
Bourse de Luxembourg	Osaka Securities Exchange
Bourse de Montréal	Oslo Børs
Chicago Board Options Exchange	Singapore Exchange
Cyprus Stock Exchange	SWX Swiss Exchange
Deutsche Börse AG	Tel-Aviv Stock Exchange
Euronext	Tokyo Stock Exchange
Hong Kong Exchanges and Clearing	TSX GROUP
Irish Stock Exchange	Wiener Börse AG
Korea Exchange	



*c) WFE Members operating in low income countries:*

Bolsa de Comercio de Bolsa de Valores do São Paulo	Ljubljana Stock Exchange
Bolsa de Comercio de Buenos Aires	Malta Stock Exchange
Bolsa de Valores de Colombia	National Stock Exchange of India
Bolsa de Valores de Lima	Philippine Stock Exchange
Bolsa Mexicana de Valores	Shanghai Stock Exchange
Bombay Stock Exchange Ltd.	Shenzhen Stock Exchange
Budapest Stock Exchange Ltd.	Stock Exchange of Mauritius
Bursa Malaysia	Stock Exchange of Tehran
Cairo & Alexandria Stock Exchanges	Stock Exchange of Thailand
Colombo Stock Exchange	Taiwan Stock Exchange Corp.
Istanbul Stock Exchange	Warsaw Stock Exchange
JSE Limited	

*d) Top 10 members by domestic listed equities market capitalization<sup>1</sup>:*

*(USD billion)*

New York Stock Exchange	13 311
Tokyo Stock Exchange	4 573
London Stock Exchange	3 058
Euronext	2 707
TSX Group	1 482
Deutsche Börse AG	1 221
Hong Kong Exchanges and Clearing	1 055
BME Spanish Exchanges	960
SWX Swiss Exchange	935
Australian Stock Exchange	804

<sup>1</sup> As explained in the introduction, Nasdaq figures were not taken into account. It is then neither part of the top 10 exchanges by market capitalization, nor of the top 10 by share trading value. Nasdaq market capitalization in 2005 was USD 3 603 bn, and its total value of share trading was USD 8 767 bn.



*e) 10 largest members by share trading value in 2005:*

*(USD billion)*

New York Stock Exchange	14 125
London Stock Exchange	5 678
Tokyo Stock Exchange	4 482
Euronext	2 906
Deutsche Börse AG	1 915
BME Spanish Exchanges	1 566
Borsa Italiana	1 294
Korea Exchange	1 211
SWX Swiss Exchange	974
OMX	951

*f) 10 largest members by revenue in 2005:*

*(USD million)*

Deutsche Börse AG	2 183
NYSE	1 630
Euronext	1 135
NASD	731
Tokyo Stock Exchange	592
London Stock Exchange	500
OMX	394
Hong Kong Exchanges and Clearing	350
BME Spanish Exchanges	339
Korea Exchange	295



## ANNEX 2 : FURTHER INFORMATION ON RESPONDING MEMBERS

### 1. Respondents corporate details

#### Corporate structure

Almost half (47%) of the respondents reported figures for a consolidated group of companies, not only the exchange itself; members are clearly broadening the scope of the original exchange business, and adopting more complex corporate structures.

#### Shareholders

As regards significant shareholders (at least 5% of the capital), the principal categories reported are the following (40 members provided details on this question). Member participants are still the category most often represented:

<i>Member participants</i>	68%
<i>Institutional investors</i>	35%
<i>Individual investors</i>	28%
<i>Listed companies</i>	13%
<i>Management and employees</i>	8%
<i>Other</i>	33%

#### Use of profits

Profits are mainly retained and often used for paying dividends<sup>1</sup>

<i>Re-invested</i>	76%
<i>Dividends</i>	74%
<i>Rebates</i>	3%
<i>Other</i>	24%

#### Fiscal year

Nine exchanges reported figures from a fiscal year different than the civil year. When this occurred, they gave full 12 months information up to that reporting date.

<sup>1</sup> The table below shows the use of profits not the proportion of profits affected to each category and therefore the table does not add up to 100%



## **2. Market access, concentration and fees**

### **Market access**

The number of intermediaries having access to the responding exchanges' markets is highly variable, from 11 for the Stock Exchange of Mauritius to more than 1200 for CBOE. The average number is about 200.

### **Intermediaries' concentration**

As pointed out above, the exchanges industry is highly concentrated. The brokerage industry is also highly concentrated, and the figures reported are impressive. Exchanges were asked to provide percentages of total trading volume of the 5, 10 and 15 most active members on their markets.

On this point, about 31 exchanges answered for cash markets and 16 for derivatives. The figures were computed by using the average of various percentages without any weighting .

<b>Concentration (<u>cash markets</u>)</b>	<b>2005</b>
1. Percentage of total trading volume of the <b>5</b> most active members	<b>49%</b>
2. Percentage of total trading volume of the <b>10</b> most active members	<b>68%</b>
3. Percentage of total trading volume of the <b>15</b> most active members	<b>76%</b>

<b>Concentration (derivatives markets)</b>	<b>2005</b>
1. Percentage of total trading volume of the <b>5</b> most active members	<b>56%</b>
2. Percentage of total trading volume of the <b>10</b> most active members	<b>74%</b>
3. Percentage of total trading volume of the <b>15</b> most active members	<b>83%</b>

The results speak for themselves, derivatives markets having an even higher concentration.



### **Fees structure**

Cash transaction fees are mainly based on the value traded, or a combination of value and another criteria.

<b>Cash transaction fees based on:</b>	
Value traded	64%
Combination of value and number of transactions	15%
Combination of value and other structure criteria	8%
Number of transactions	5%
Shares traded	3%
Other	5%

The structure of derivatives' fees is less diversified, the vast majority being based on number of contracts or value traded.

<b>Derivatives transaction fees based on:</b>	
Number of contracts	50%
Value traded	42%
Combination of value and number of transactions	4%
Combination of number of contracts and number of transactions	4%



## **WORLD FEDERATION OF EXCHANGES**

Tel : (33.1) 58 62 54 00

Fax : (33.1) 58 62 50 48

E-mail : [secretariat@world-exchanges.org](mailto:secretariat@world-exchanges.org)