

# **Cost & Revenue Survey 2004**



**August 2005**



## WFE Members

(as of August 2005)

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	NASD
Bolsa de Valores de Lima	National Stock Exchange of India Limited
Bolsa de Valores do São Paulo	New York Stock Exchange
Bolsa Mexicana de Valores	New Zealand Exchange Ltd,
Borsa Italiana SpA	OMX Exchanges Ltd.
Bourse de Luxembourg	Osaka Securities Exchange
Bourse de Montréal	Oslo Børs
BSE The Stock Exchange, Mumbai	Philippine Stock Exchange
Budapest Stock Exchange Ltd.	Shanghai Stock Exchange
Bursa Malaysia	Shenzhen Stock Exchange
Chicago Board Options Exchange	Singapore Exchange
Colombo Stock Exchange	Stock Exchange of Tehran
Copenhagen Stock Exchange	Stock Exchange of Thailand
Deutsche Börse AG	SWX Swiss Exchange
Euronext Amsterdam	Taiwan Stock Exchange Corp.
Euronext Brussels	Tel-Aviv Stock Exchange
Euronext Lisbon	Tokyo Stock Exchange
Euronext Paris	TSX Group
Hong Kong Exchanges and Clearing	Warsaw Stock Exchange
Irish 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 2004

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## SUMMARY

### ➤ MEMBER EXCHANGES FINANCIAL FIGURES AND MARKET INDICATORS (1999 – 2004)

#### 1999-2004 Financial figures (USD bn)

	1999	2000	2001	2002	2003	2004	2003-2004 % change
<b>Revenues</b>	6.33	7.58	7.29	8.29	9.57	<b>10.45</b>	<b>9.2%</b>
<b>Costs</b>	4.40	5.58	5.75	6.60	7.82	<b>8.10</b>	<b>3.6%</b>
<b>Net income</b>	1.95	2.00	1.59	1.75	1.46	<b>1.87</b>	<b>27.9%</b>
<b>Equity base</b>	6.85	8.28	11.77	13.49	16.75	<b>17.70</b>	<b>5.7%</b>

#### 1999-2004 Equity market indicators (USD bn)

	1999	2000	2001	2002	2003	2004	2003-2004 % change
<b>Market capitalization</b>	35 080	31 125	26 905	22 834	31 326	<b>37 168</b>	<b>18.7%</b>
<b>Share trading volume</b>	38 030	52 362	38 314	33 117	32 968	<b>42 122</b>	<b>27.8%</b>
<b>Share index performance (WFE global average)</b>	36%	-13%	-19%	-18%	38%	<b>15%</b>	-

### ➤ 2004 COST AND REVENUE MAIN FINDINGS

- ⇒ More than 50% of members are demutualized or listed
- ⇒ 69% of members are for-profit enterprises
- ⇒ Revenues were up 9.2% at USD 10.45 bn, net income was up 27.9% at USD 1.87 bn
- ⇒ The average industry ROE was 10.5%
- ⇒ Listed exchanges tended to outperform industry averages
- ⇒ Exchanges located in the EMEA region tended to outperform industry averages
- ⇒ Revenues derived largely from trading (42% of total revenues) and services (40%)
- ⇒ Trading revenues from cash equity markets are still dominant (52%), but revenues from derivatives (43%) are gaining share





## INTRODUCTION

As in previous years' surveys, exchange member responses were examined using different breakdowns.

1. The first split divides members into five broad legal categories :

- 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.

2. The second split classifies the member exchanges into three regions:

- The Americas
- Europe/Middle East/Africa (EMEA)
- Asia/Pacific

3. A third split divides the member exchanges by market size, distinguishing the top 10 exchanges by their domestic equity market capitalization business.

4. A fourth split divides member exchanges by revenue, distinguishing the top 10 exchanges having registered the largest revenue in 2004.

5. A fifth breakdown distinguishes the Federation members operating in high income economies from those operating in low income countries.

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. 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 markets, 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. Also, the dollar exchange rate movements affect the picture. The US dollar registered declines of 7.2% and 4.4% against the euro and the yen, respectively, in 2004.



This survey is based on the responses of 49<sup>1</sup> Federation members.

American Stock Exchange	JSE Securities Exchange, South Africa
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
Bolsa de Valores de Lima	New York Stock Exchange
Bolsa de Valores do São Paulo	OMX Stockholm Stock Exchange
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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
Jakarta Stock Exchange	

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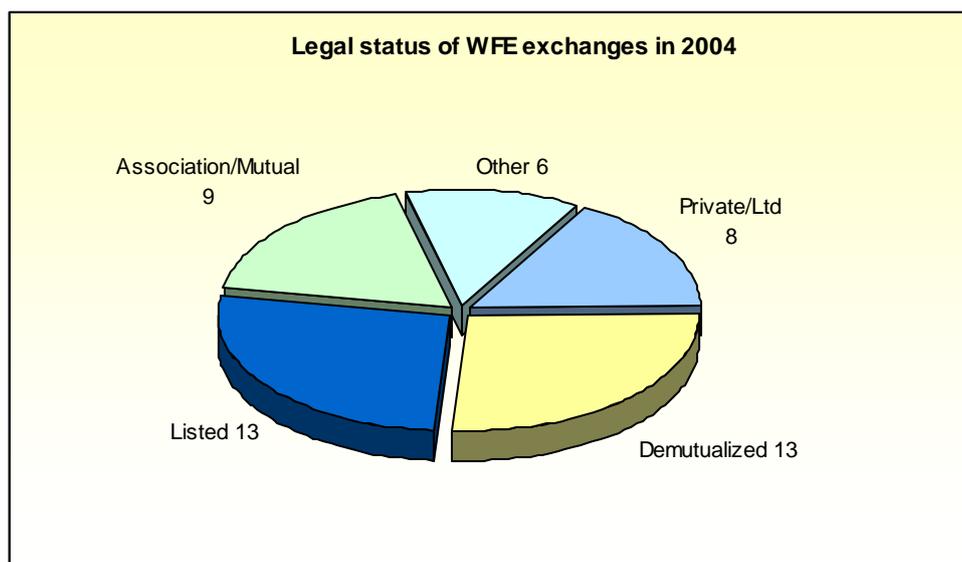
<sup>1</sup> The 49 answers represent 52 members, as Euronext provided consolidated data.



## 1. LEGAL FORM OF EXCHANGES

### 1.1. DISTRIBUTION OF EXCHANGES BY LEGAL GROUPS

*With 13 WFE members each, demutualized and publicly listed exchanges represented the largest legal groups in 2004*



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

- Bursa Malaysia moved from a private/limited legal status and became a demutualized exchange ;
- The former demutualized Osaka Securities Exchange joined the publicly listed exchange group.

Also, some exchanges were reclassified in 2004 compared to 2003 :

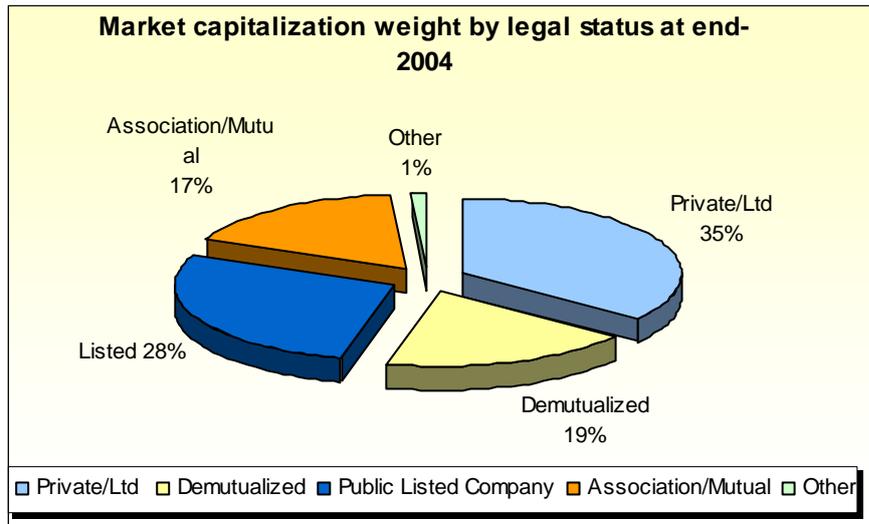
- The American Stock Exchange (Amex) was transformed into an association/mutual exchange after its separation from NASD ;
- NASD was integrated in the association/mutual category. In previous years, it was placed in the demutualized exchanges, referring to its subsidiary The Nasdaq Stock Market ;
- The Shenzhen Stock Exchange was reclassified in the association/mutual group ; and
- Wiener Börse was categorized in the demutualized bourses group.

The two major effects of these reclassifications on the exchange groupings are to inflate quite importantly the data of the association/mutual group, and to reinforce the demutualized and listed exchange categories. Furthermore, the trend towards demutualization is expected to continue, as several exchanges have plans to go public in the coming months.



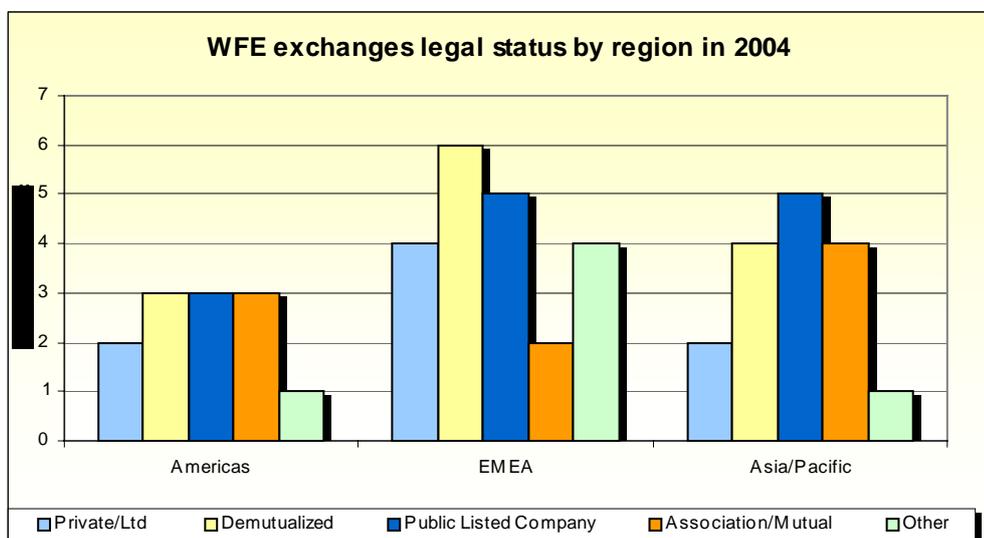
## 1.2. RELATIVE SIZE OF LEGAL STRUCTURE GROUPS COMPARED TO EQUITY MARKET CAPITALIZATION

In terms of the weight of each legal status group in the total market capitalization, the private/limited and the listed exchanges represented more than 60% of the total. The importance of the private/limited group is due to the presence of the New York Stock Exchange, which alone represented more than one third of the Federation's total equity market capitalization at the end of 2004.



The divergence between the weight of the relative exchange groupings in WFE membership and their respective share in market capitalization tends to demonstrate that there is no explicit link between the legal category of the member and the level of equity market capitalization of the exchange's operations.

### 1.2.1 *Distribution of exchanges' legal status by region*





In 2004, demutualized and listed exchanges were mainly concentrated in EMEA and Asia/Pacific; in the Americas, although the trend toward exchange demutualization and listing has gained some momentum in recent years, the region has a lower percentage with respect to these two securities industry developments.

### 1.2.2 Distribution of exchanges' legal status by market size

Among the 10 exchanges operating the largest equity markets (*see list of bourses in annex 1 tables 2.d & 2.e*) half of them were publicly listed at the end of 2004, while two were demutualized, two were registered as associations/mutuals, and one was a private/limited company mainly owned by its members.

The composition of the group was little changed from last year, and has remained rather constant over time.

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

The prevalence of the demutualized and listed exchanges at the high end may be explained by the fact that these two categories often have higher revenues than bourses in other legal categories (*see list of bourses in annex 1 table 2.f*). The majority of them include derivatives market business, and/or clearing, settlement and depository operations.

### 1.2.4 Distribution of exchanges' legal status by level of economic development<sup>2</sup>

Last year, it is worthwhile mentioning the uptick of the number of demutualized exchanges in low income countries, signaling that this commercial trend amongst exchanges has been strong enough to attract many bourses in emerging markets, too.

Among members operating in high income countries, two legal categories dominated : the publicly listed (40%) and demutualized exchanges (28%). 16% were registered as private/limited companies, while another 16% were associations/mutuals.

In low income economies, demutualized bourses represented 25% of the total at the end of 2004 against 20% in 2003. Accounting for the same percentage, the second most widespread legal category was the "other" legal structure, which encompasses bourses still belonging to the state or having a semi-government status. The third legal category was the group of exchanges registered as associations/mutuals, accounting for 21% of the category total. A few years ago, this group used to be 30% of the total. Finally, 17% of these bourses were private/limited companies (the same proportion as in 2003), while the last group was represented by publicly listed bourses with 12% of the total.

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<sup>2</sup> The breakdown refers to the World Bank classifications (*see list of bourses in annex 1 tables 2.b & 2.c*).



### 1.2.5 Development of for-profit exchanges

**34 Federation's exchanges were for-profit entities in 2004**

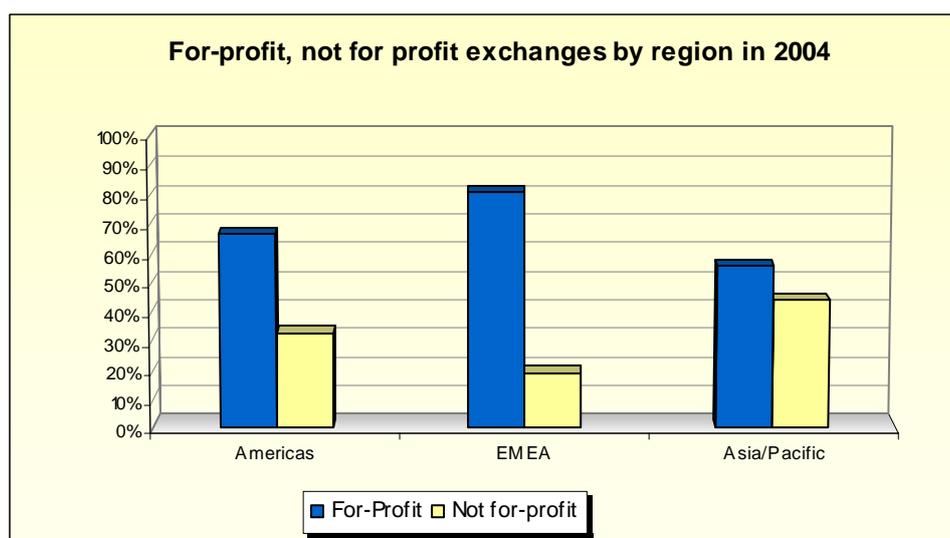
69% of responding exchanges operated on a for-profit basis against only 38% in 1998.

### 1.2.6 Distribution by legal status

By definition, all demutualized and public listed exchanges are for-profit, whereas all the exchanges from the "other" group are not for-profit. More than 60% of private/limited exchanges are for profit, and about two thirds of associations/mutuals are not for-profit.

### 1.2.7 Distribution by geography

For-profit exchanges are found in each of the three regions of the world.



### 1.2.8 Distribution by market size

Members operating 8 of the 10 largest equity market were run on a for-profit basis in 2004, the two exceptions being the Nasdaq Stock Market and the New York Stock Exchange.

### 1.2.9 Distribution by economic development

In high income countries, 92% of the bourses operated on a for-profit basis in 2004, a comparable figure with last year. In low income economies, the picture was quite different, with non-for-profit exchanges representing the majority (54%).



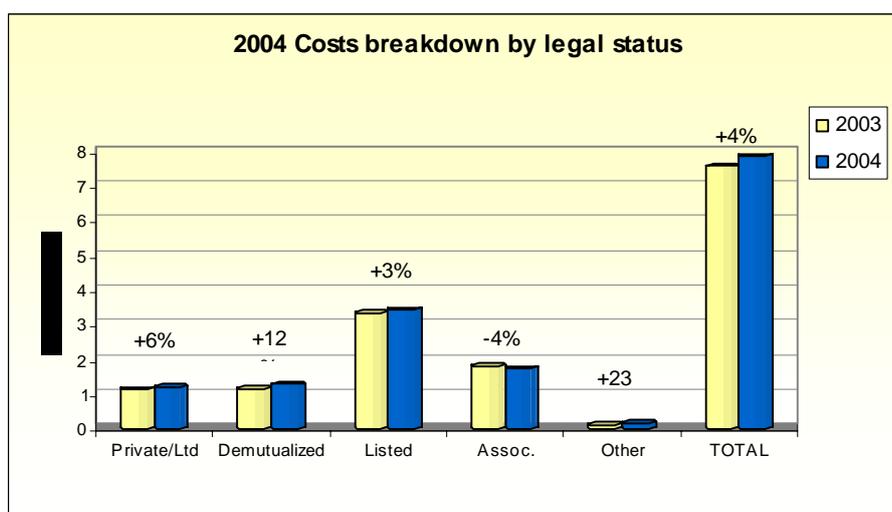
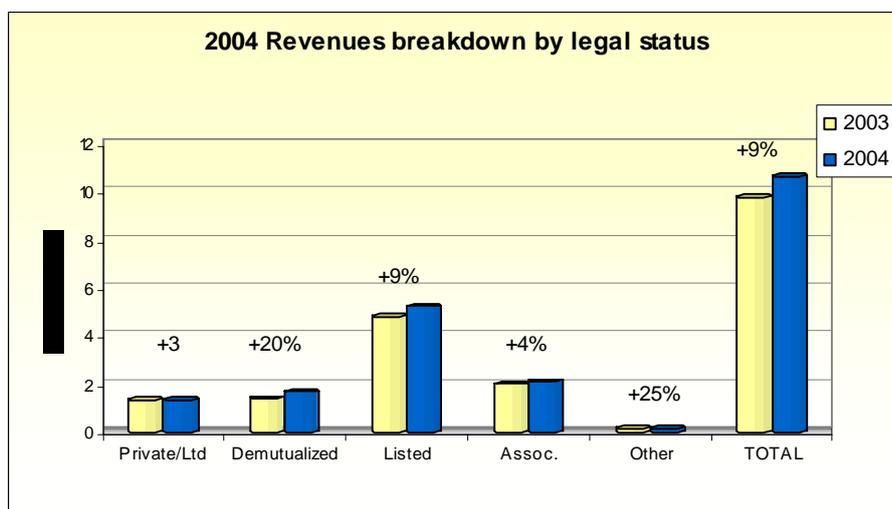
## 2. FINANCIAL PERFORMANCE<sup>3</sup>

### 2.1. GENERAL PERFORMANCE

**Revenues were up 9% at USD 10.4 bn - Net income was up 28% at USD 1.87 bn**

The total revenues in 2004 were up 9% at USD 10.4 billion compared to the previous year, whereas total costs were up 4% at USD 8 billion. This good performance is in line with favorable market conditions (the average share trading volume was up 28% in 2004, and equity market capitalization 19%), as well as efforts by exchanges to keep their costs under control. On a longer historical basis, total revenues were up 65% from 1999 to 2004.

Demutualized and listed exchanges had the strongest revenue growth in 2004, up 20% and 9% respectively<sup>4</sup>.

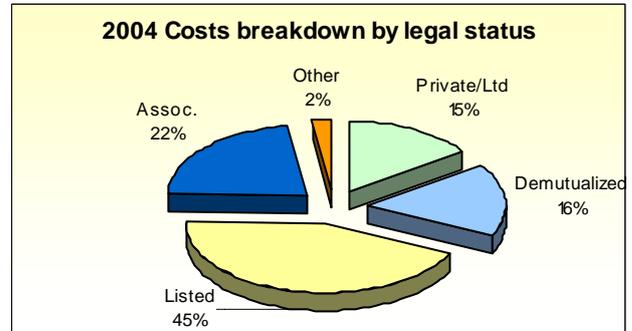
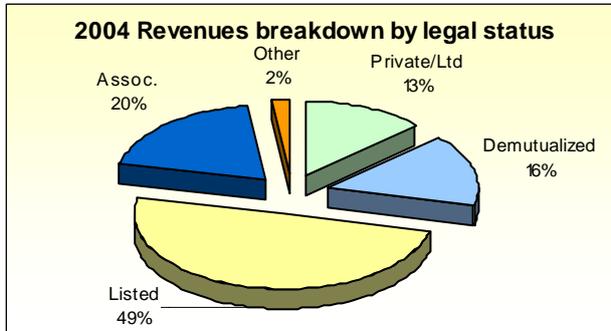


<sup>3</sup> All financial and market figures are indicated in USD terms.

<sup>4</sup> Except the "other" legal status which only includes six members and contribute about 2% of the total Federation's members revenues and costs.

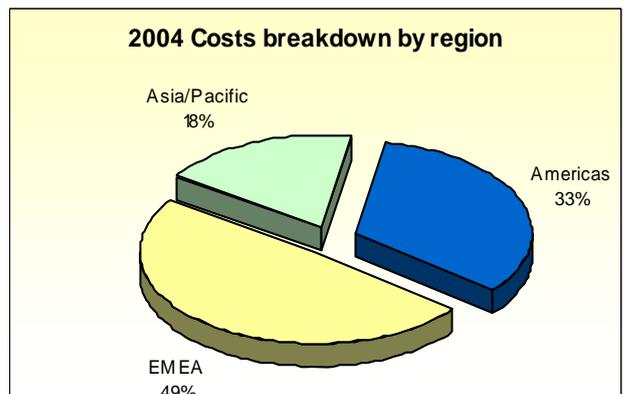
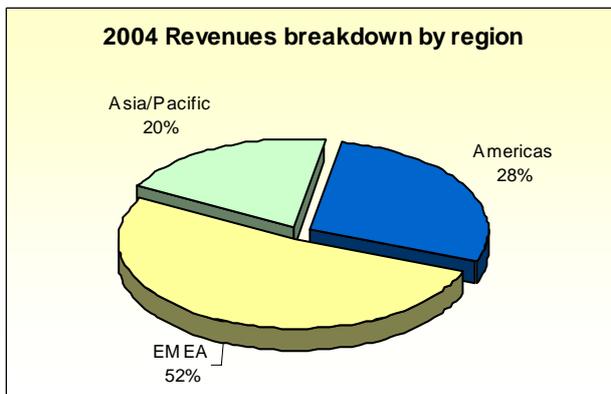


When looking at the weight of each legal status, the listed exchanges contributed nearly half of the total revenues and costs, respectively 49% and 45%.



In terms of geographical repartition, the EMEA region contributes around half the revenues and costs of all members. This is not surprising, as six out of the ten largest exchanges by revenues are European.

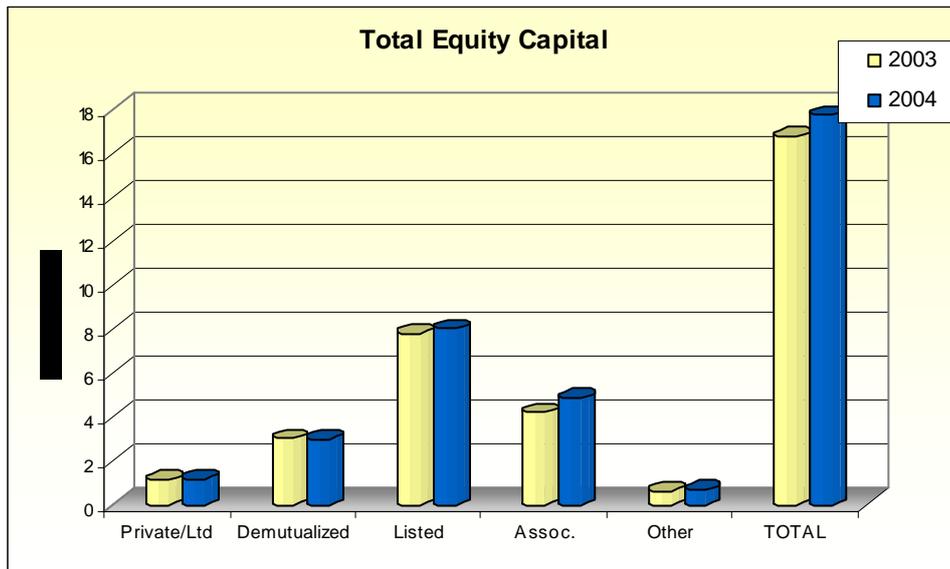
As noted in previous years, this survey does not include financial information from large affiliates such as the Chicago Board of Trade (CBOT), the Chicago Mercantile Exchange (CME), or the International Securities Exchange (ISE), and therefore underestimates the relative size of the “Americas” exchanges.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





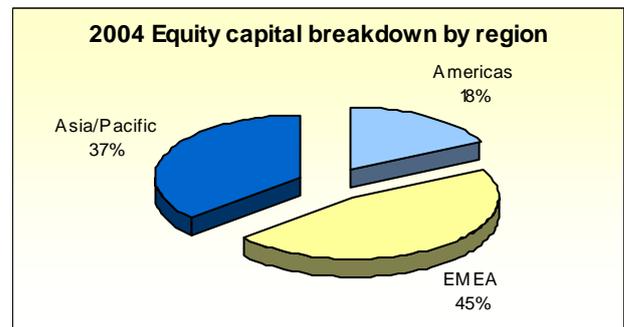
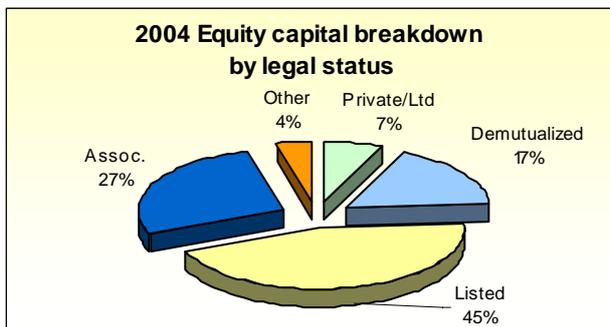
**2.2. EQUITY CAPITAL**

Total equity capital of members increased around 6% in 2004 compared to the previous year, at USD 17.7 billion.



As noted in last year’s survey, there is a high concentration of equity capital among members. This year too, Deutsche Börse, Euronext, NASD and New York Stock Exchange accounted for 72% of equity capital among the top 10 exchanges, and almost 45% of equity capital across all WFE members.

Listed exchanges represented almost half of the total, as well as the EMEA region exchanges (45% in both cases):

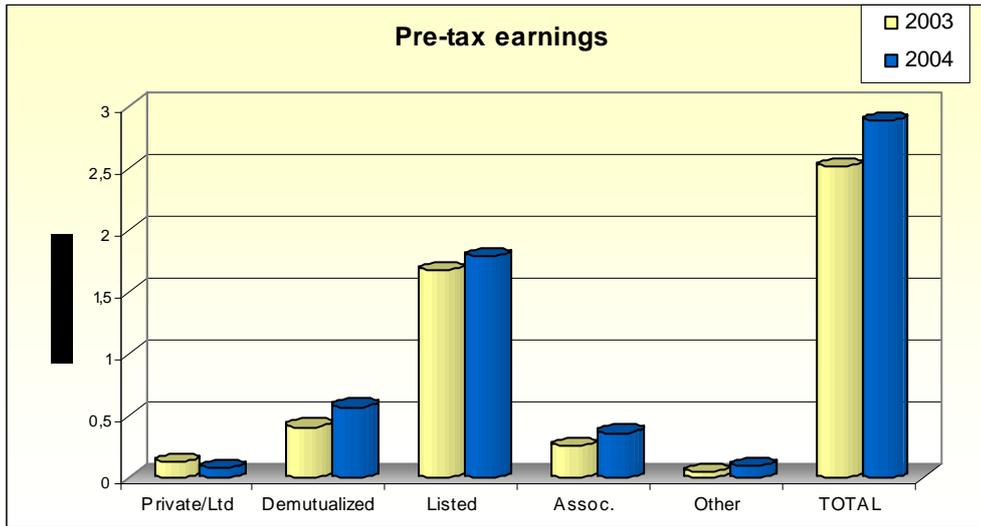




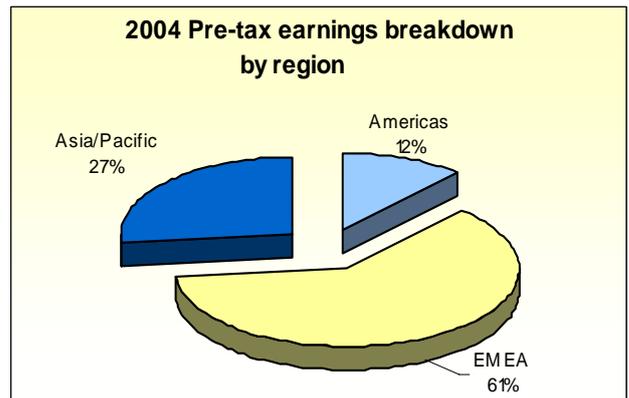
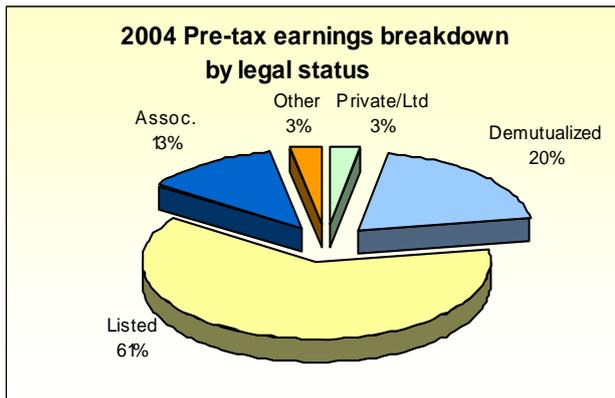
### 2.3. PRE-TAX EARNINGS AND NET INCOME

#### 2.3.1 Pre-tax earnings

Pre-tax earnings increased by 15% between 2003 and 2004, and reached about USD 2.9 billion.



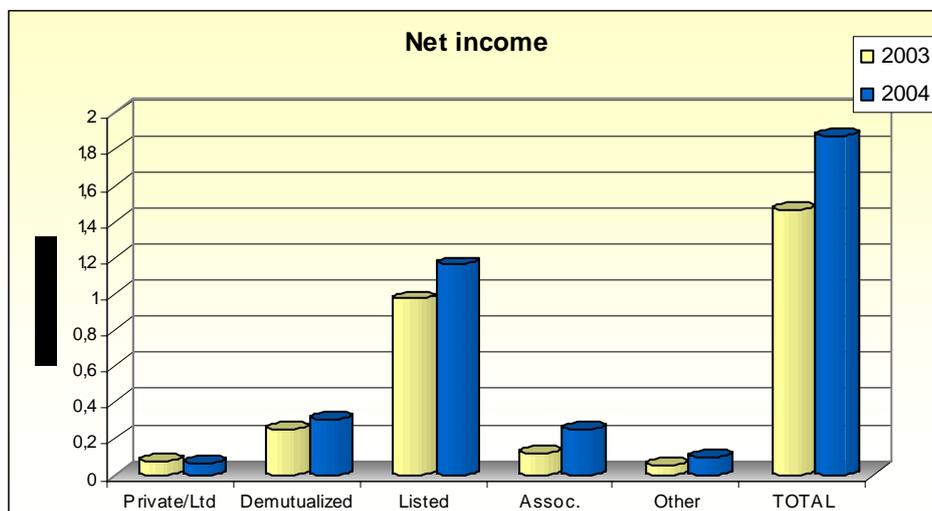
Listed exchanges accounted for more than 60% of the Federation’s members total pre-tax earnings. The EMEA region represented 61% of the total.



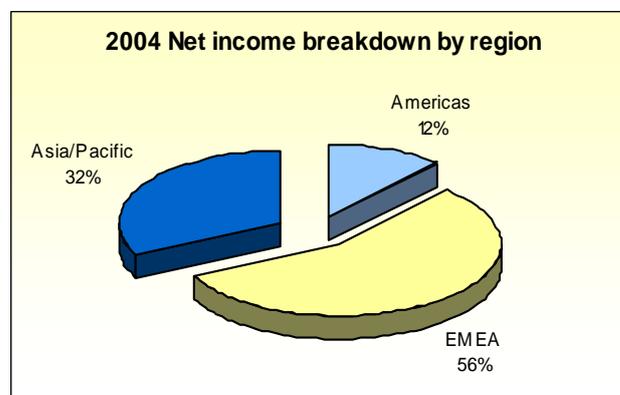
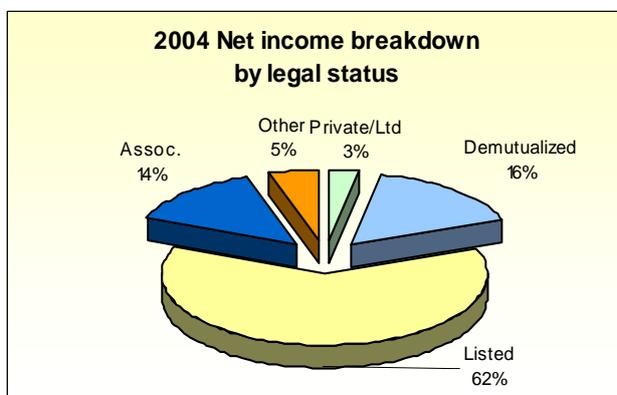


### 2.3.2 Net income

Net income saw strong growth, and increased by 28% to USD 1.8 billion.



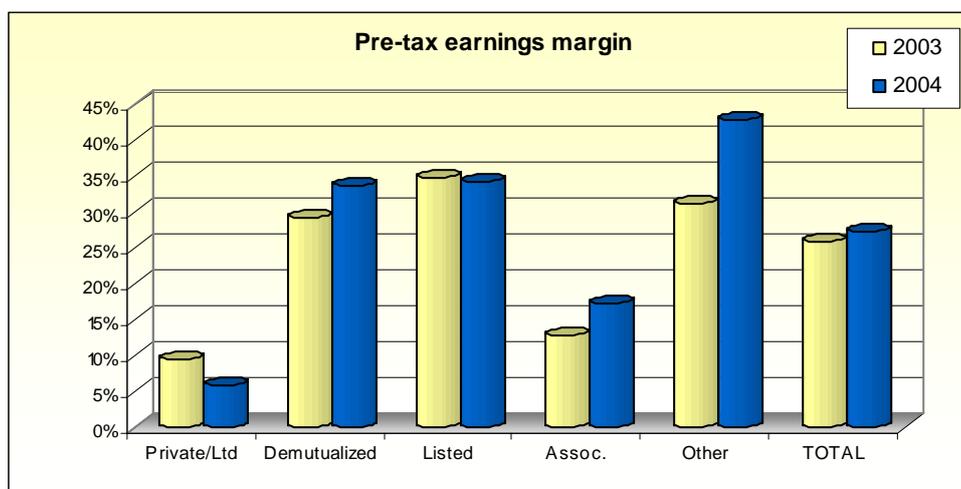
Listed exchanges accounted for more than 62% of the total net income. This is to be compared with their 49% share of total revenues. The EMEA region represents 56% of the total net income spread across WFE membership.



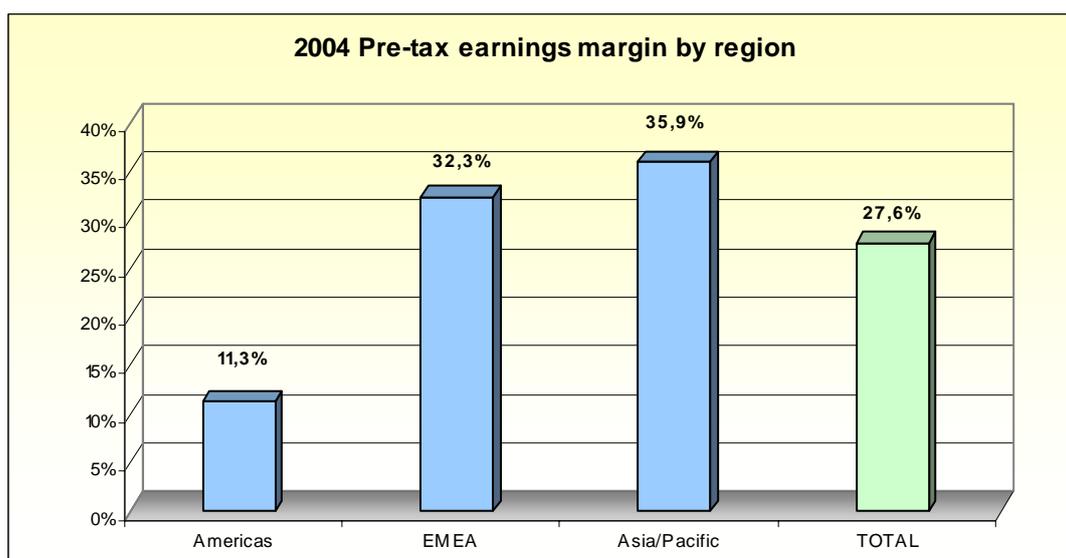
### 2.3.3 Pre-tax earnings margin<sup>5</sup>

Looking at the pre-tax earnings margin (pre-tax earnings/revenues), and not taking into account the “other” group, listed and demutualized exchanges outperformed the average margin (27.6%). In this instance, the “other” group is excluded because its legal basis does not explicitly allow or encourage entrepreneurial efficiency as a business goal for managers.

<sup>5</sup> This is a new indicator introduced this year.



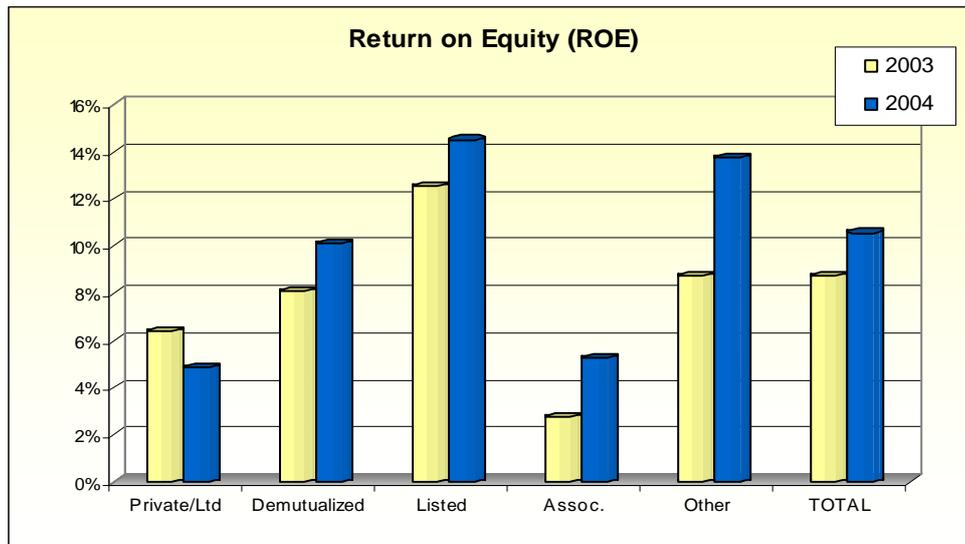
The geographical breakdown shows the Asia/Pacific and EMEA regions outperform the average margin.



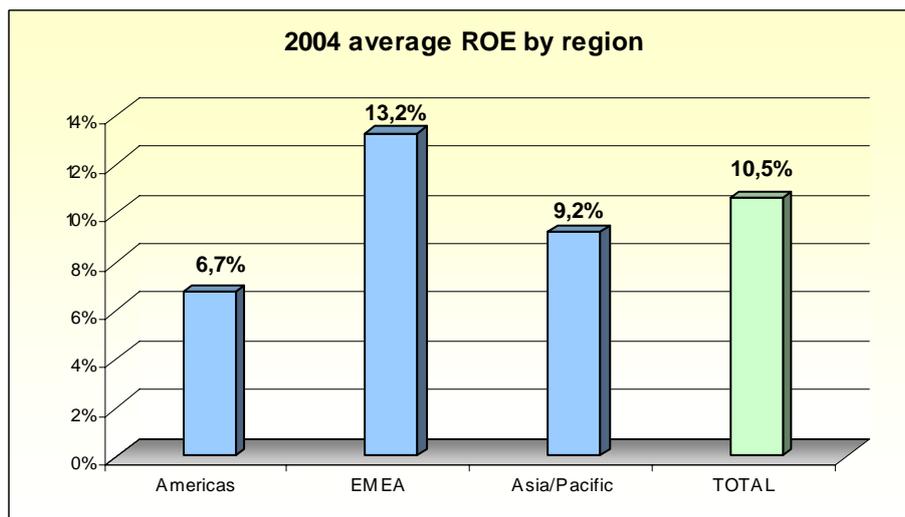
#### 2.4. PROFITABILITY (ROE)

**The industry average ROE was 10.5% in 2004**

The average ROE for the industry was 10.5% in 2004, upward from the 2003 figure of 8.7%. Listed exchanges strongly outperformed the industry average with a 14.5% ROE. The decrease in the private/limited exchanges ROE can mainly be explained by the New York Stock Exchange figure which was affected by the decrease of its net income in 2004 compared to 2003.



In terms of geographical breakdown, the EMEA region outperformed the industry average.



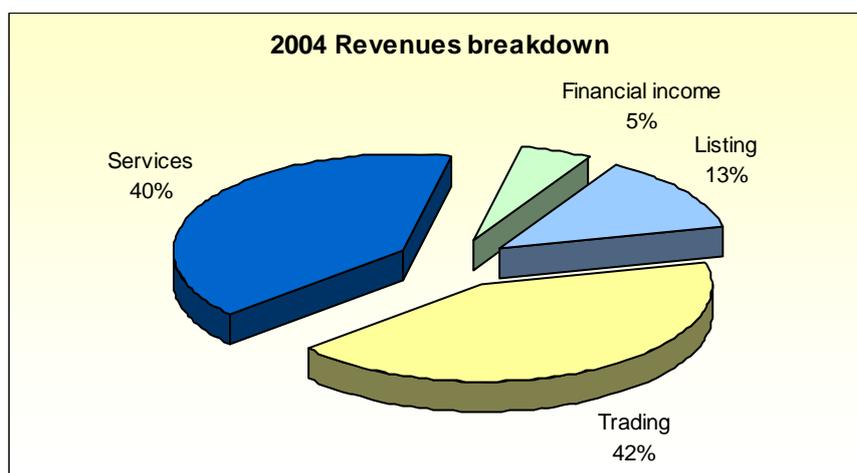
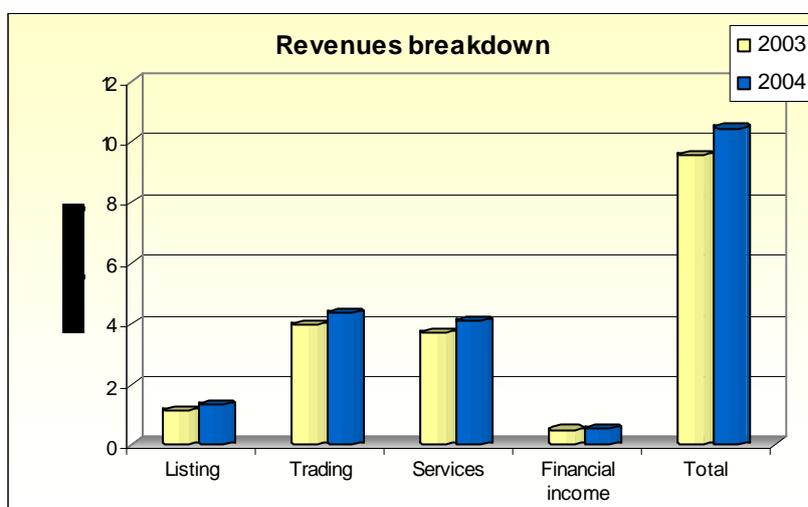


### 3. REVENUES

#### 3.1. TOTAL REVENUES BREAKDOWN

**Revenues derived largely from trading (42% of total revenues) and services (40%)**

The 9% increase in revenues in 2004 was due to the good performance of all the various contributors to top line growth: +14% in listing revenues, +10% in services revenues, +9% in trading revenues, and +3% in financial income.



These results can be explained in good part by the performance of financial markets in 2004. Volumes, market capitalization and indices were all significantly up. Though the elasticity may vary, they are clearly correlated to the revenues generated by trading and services revenues.



Domestic equity market capitalization (USD bn)		
		% change 2003/2004
Americas	18 206	16%
EMEA	11 075	21%
Asia/Pacific	7 888	21%
<b>WFE</b>	<b>37 169</b>	<b>19%</b>

Share trading volumes (USD bn)		
		% change 2003/2004
Americas	21 797	22%
EMEA	13 572	34%
Asia/Pacific	6 752	38%
<b>WFE</b>	<b>42 121</b>	<b>28%</b>

Average index performance in 2004	
Americas	13%
Europe/Africa	20%
Asia/Pacific	14%
<b>WFE global Average</b>	<b>15%</b>

As regards listing revenues, the 2004 figures showed strong growth in the number of new listings and in their size, which explained the increase in listing revenues. The total number of listed companies was stable (-0.6% from 2003 to 2004)<sup>6</sup>.

Market capitalization of new listings in 2004 (in USD bn)		
		% change 2003/2004
Americas	174	42%
EMEA	183	44%
Asia/Pacific	260	58%
<b>WFE</b>	<b>617</b>	<b>49%</b>

Number of newly listed companies in 2004		
		% change 2003/2004
Americas	917	67,6%
EMEA	708	89,3%
Asia/Pacific	997	42,0%
<b>WFE</b>	<b>2 622</b>	<b>61,6%</b>

Number of listed companies in 2004		
		% change 2003/2004
Americas	11 150	0,2%
EMEA	9 316	0,9%
Asia/Pacific	17 583	-1,9%
<b>WFE</b>	<b>38 049</b>	<b>-0,6%</b>

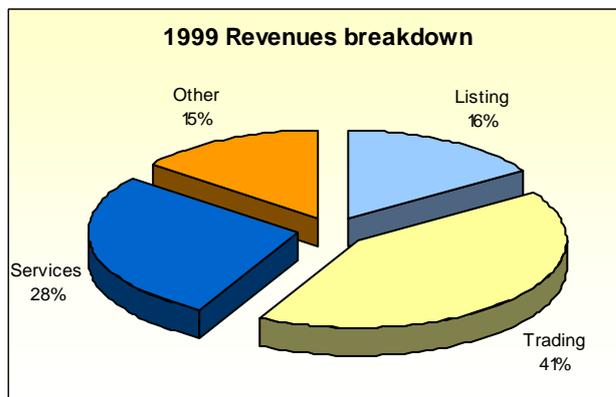
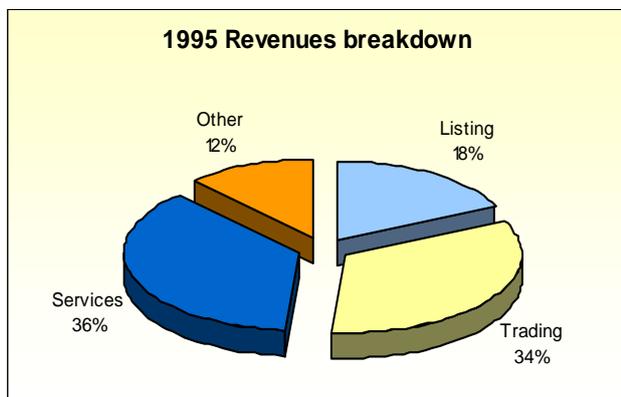
### 3.1.1 *Historical trends*

Total revenues were up 65% from 1999 to 2004. Listing revenues were up 31%, trading revenues 63% and services 133% during the same period.

Trading revenues are still the most important contributor to the top line (42% of the total) and have been a stable source over the last six years (42% in 1999). However, the services share has grown from 28% to 40% during the period. Listing revenues were up 14% in 2004 compared to 2003, but their share in total revenues decreased from 21% to 13% between 1999 and 2004.

Looking at historical figures more in depth, listing revenues' relative share has been declining since 1995, from 18% to 13%. Trading revenues' relative share had increased from 34% in 1995 to 41% in 1999, and after a sharp decline in 2000-2002 is now at its highest level. Services revenues relative share had declined from 36% in 1995 to 22% in 2001, their lowest level, and since then has now grown to be almost as important as trading.

<sup>6</sup> The fact that the total is decreasing despite the new listings is due to mergers and de-listings.



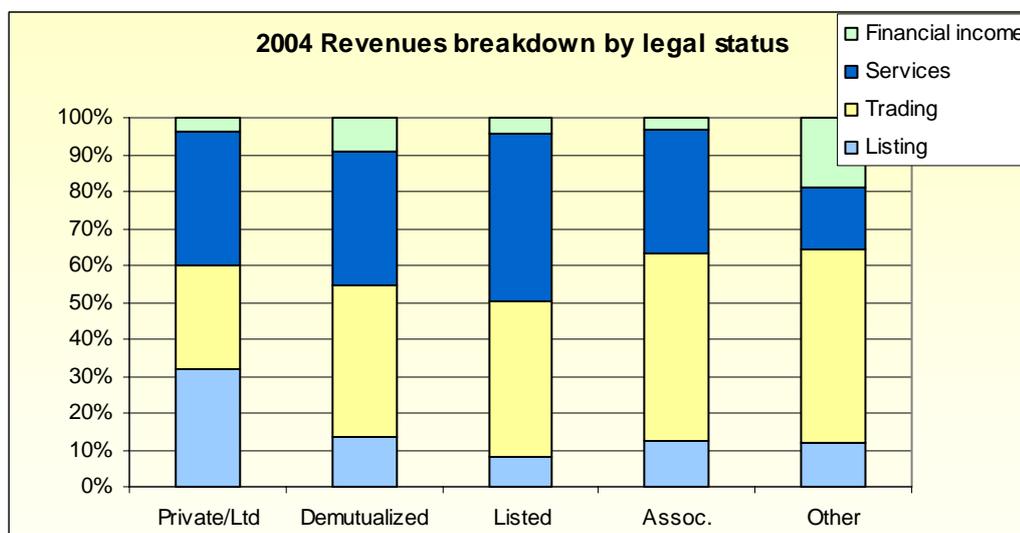
### 3.1.2 Revenues breakdown by legal status

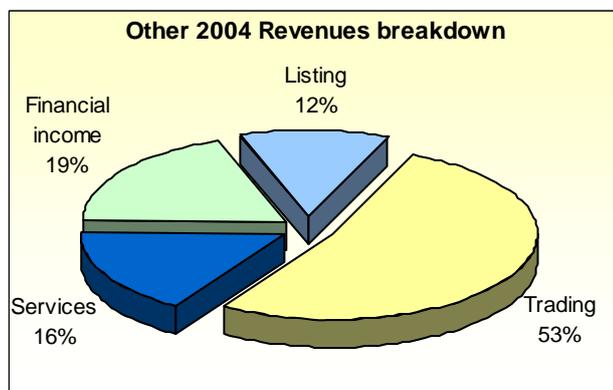
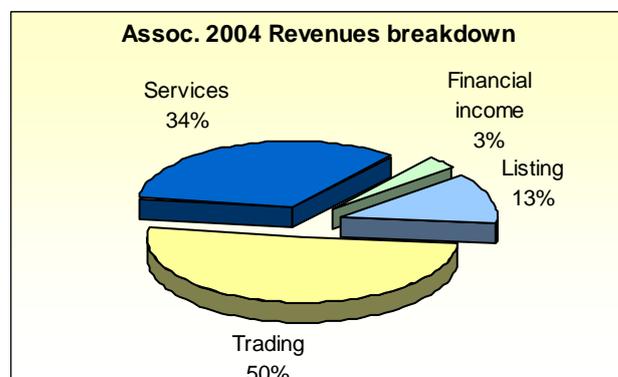
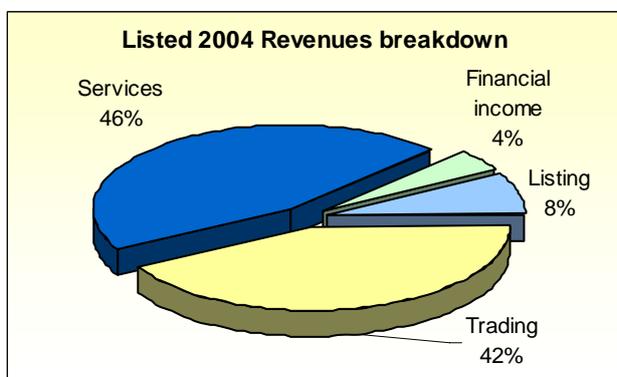
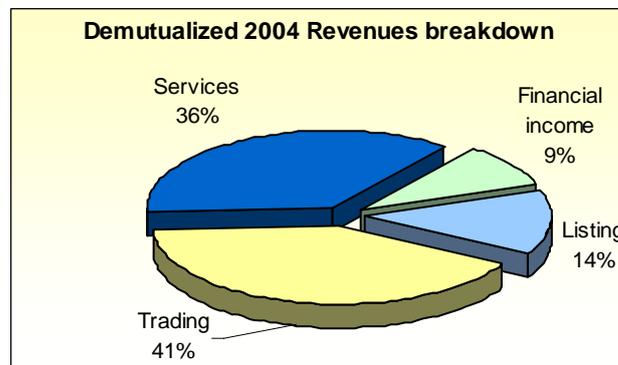
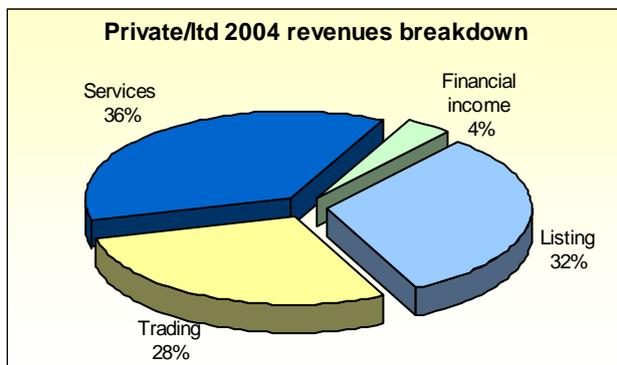
Looking at the revenues structure by legal status, there are important differences among members.

Revenues from services are the main contributor to the total revenues of the listed exchanges (46%) ; trading still represents 42% ; but listing only 8%, which is the lowest level among all legal groups.

The specific distribution of revenues among private/limited exchanges, where services and listing contribute respectively 36% and 32% of the total, can be explained by the weight of the New York Stock Exchange within this group. This exchange represents more than 74% of the total revenues of the group, and its listing and services revenues contribute 36% and 44% respectively to its total revenues.

Trading revenues are largely dominant in the association and “other” groups of exchanges.

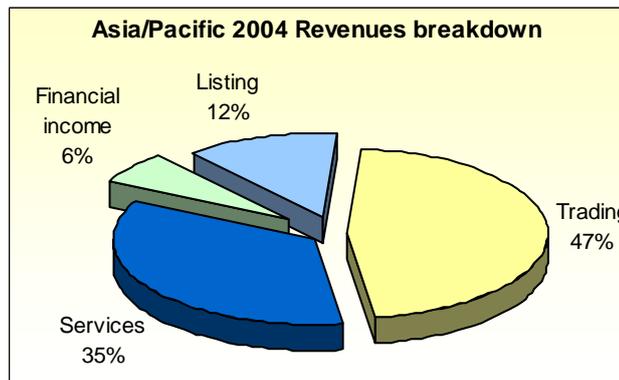
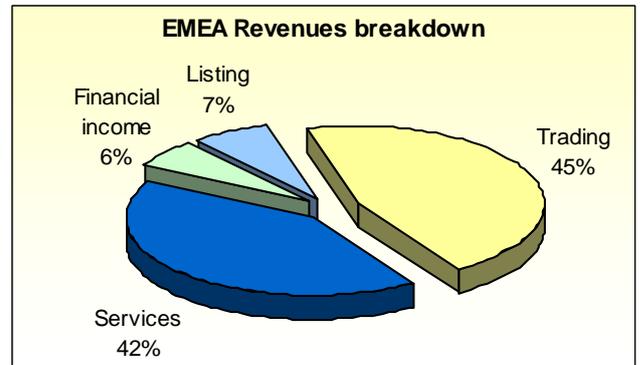
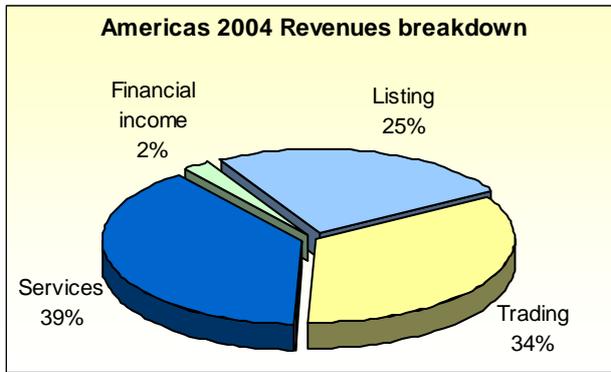
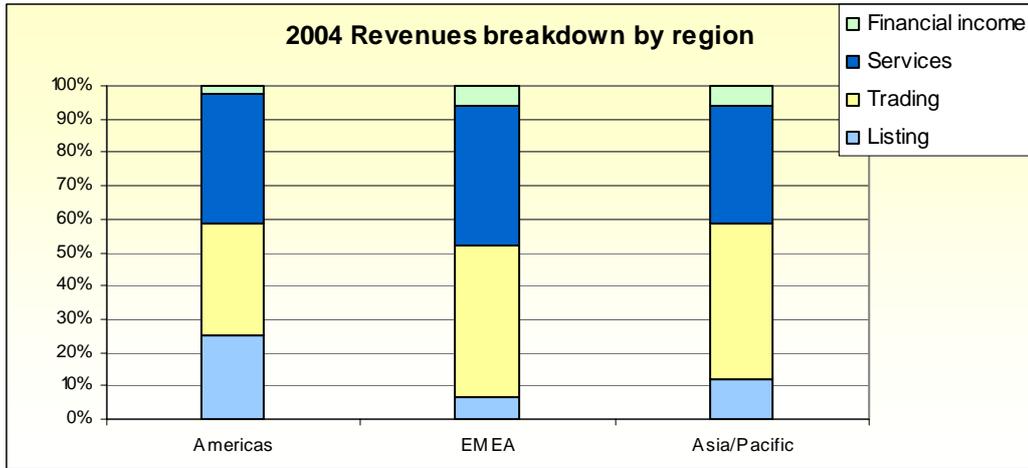




### 3.1.3 *Revenues breakdown by region*

The geographical breakdown shows that services were the main contributor in the Americas. The weight of NASD and NYSE, where services contribute 49% and 44% respectively, explains this result, as well as the importance of listing revenues (19% and 36% of total revenues respectively).

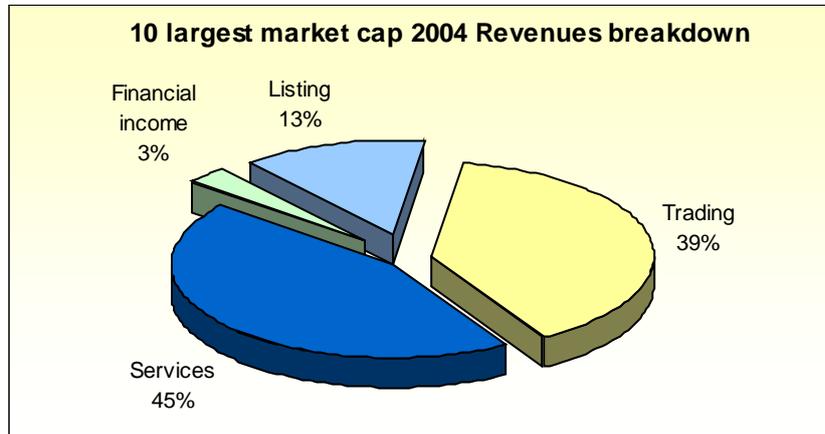
The results of the two other regions are more in line with the industry average, except for listing revenues which are especially low in EMEA (7% of total revenues). Asia/Pacific exchanges have the lowest services contribution, and the highest trading one.





### 3.1.4 Revenues breakdown by size

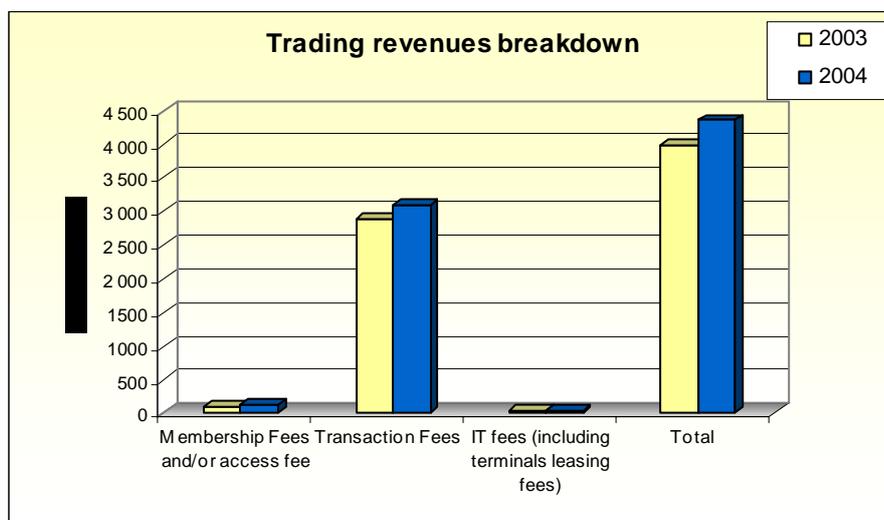
Looking at the revenues breakdown of the 10 largest equity exchanges, services are the main contributor, representing 45% of the total revenues.

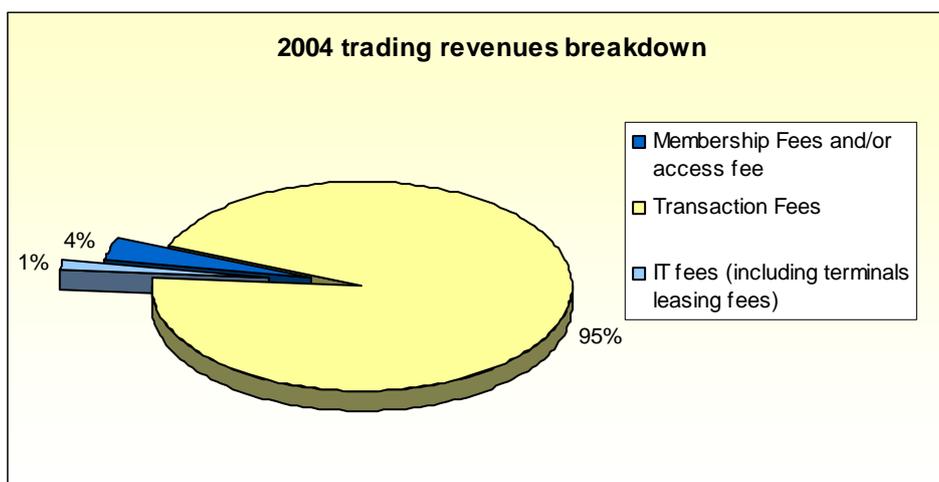


### 3.2. DETAILS ON TRADING REVENUES

Across WFE membership, total trading revenues generated were USD 4.3 billion in 2004, up 9% compared to 2003. This is partly consistent with the increase of volumes traded in 2004 (+27.8% total value of share trading compared to 2003) and the competition among exchanges, which put transaction fees under pressure.

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



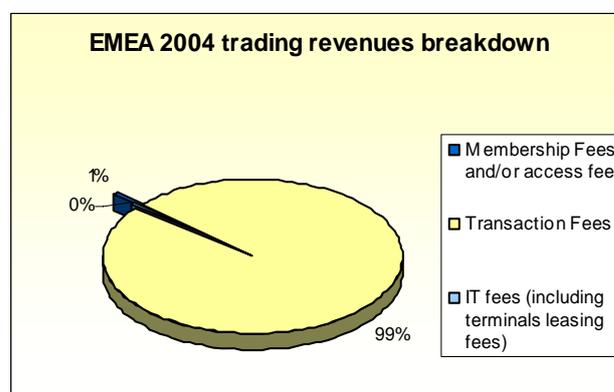
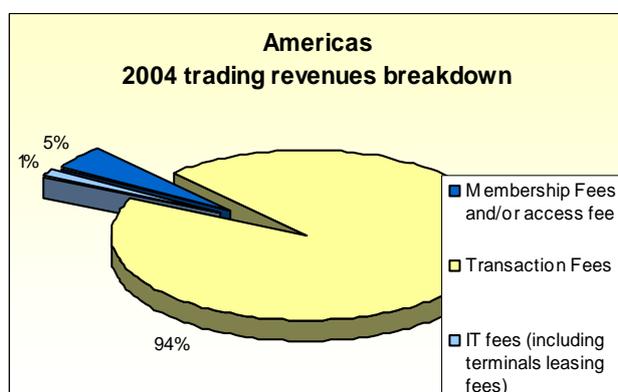


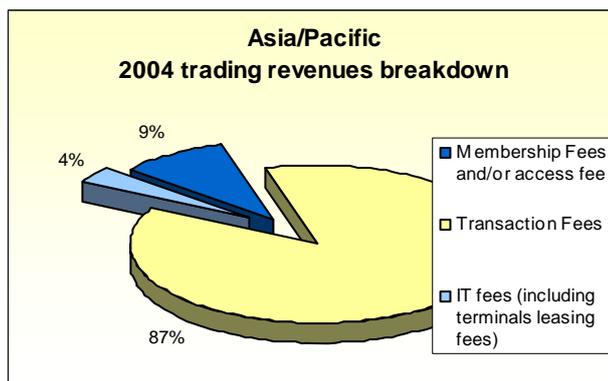
Transaction fees were so much the dominant component that the trading revenues breakdown by legal status gave roughly the same percentages. The revenues from membership/access fees of the private/limited group represent 9% of the total trading revenue. This is due to the CBOE figures, which showed significant revenue contributions from membership/access fees.

### 3.2.1 *Trading revenues breakdown by region*

EMEA contributes to 55% of the total trading revenues, while Asia/Pacific and the Americas come in at 23% and 22% respectively.

The geographical breakdown is in line with industry averages, the only difference being in Asia/Pacific where the membership/access fees are above the industry average at several exchanges. It should be noted, however, that there were no detailed breakout for the Tokyo Stock Exchange, the dominant player, where trading revenues represent 20% of the regional total.



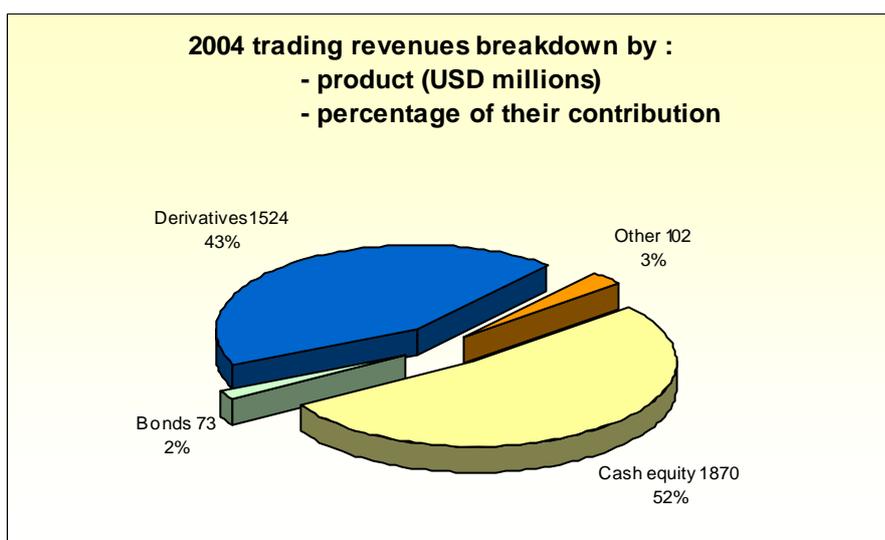


### 3.2.2 Trading revenues by Product<sup>7</sup>

The trading revenues breakdown by product confirms the growing impact of derivatives. Revenues from the cash equity markets were still dominant and represented 52% of all trading top line contributions at USD 1.8 billion. Those revenues increased by 5% from 2003 to 2004, whereas the contributions from derivatives increased by 12%, and bonds by 18%.

The share of cash equity revenues declined slightly, as they stood at 58 % in 2002, the year in which Federation members began to provide this statistic. By contrast, derivatives revenues represented 33% of the total in 2002 and grew to 43% of the total over the just two-year period ending in 2004 (at USD 1.5 billion).

Trading revenues from bonds remained marginal (2% of the total).

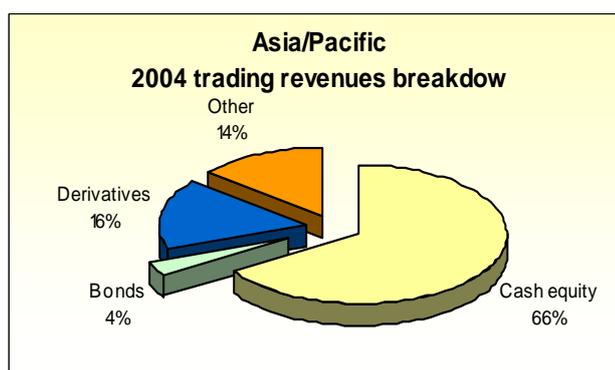
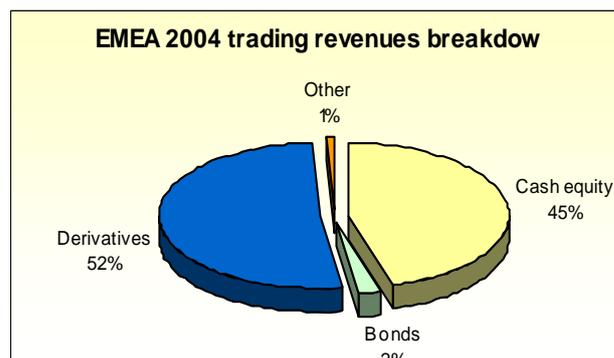
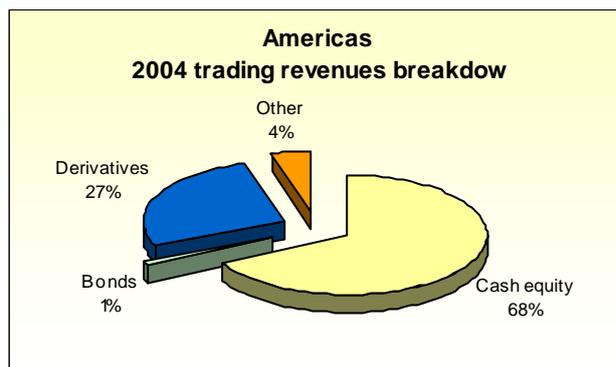


<sup>7</sup> The remark made earlier about the absence of CME, CBOT, and ISE figures is particularly relevant here, as the Americas derivatives' share is under-estimated because of their absence.



The breakdown by legal status does not provide a lot of information given the commercial diversity of members within the same group. The geographical breakdown is more interesting and confirms the observed trend whereby the majority of trading revenues in EMEA exchanges comes from derivatives.

However, the diversity of membership should be kept in mind - some exchanges do not offer trading in derivatives at all.

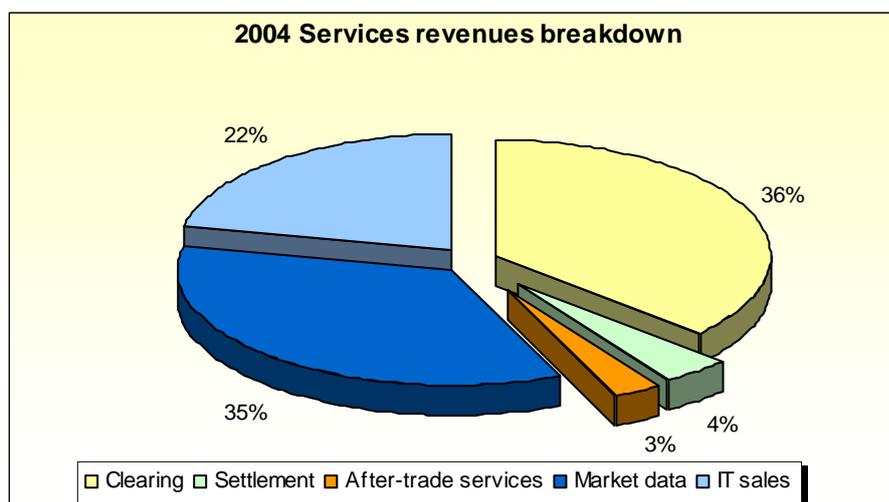
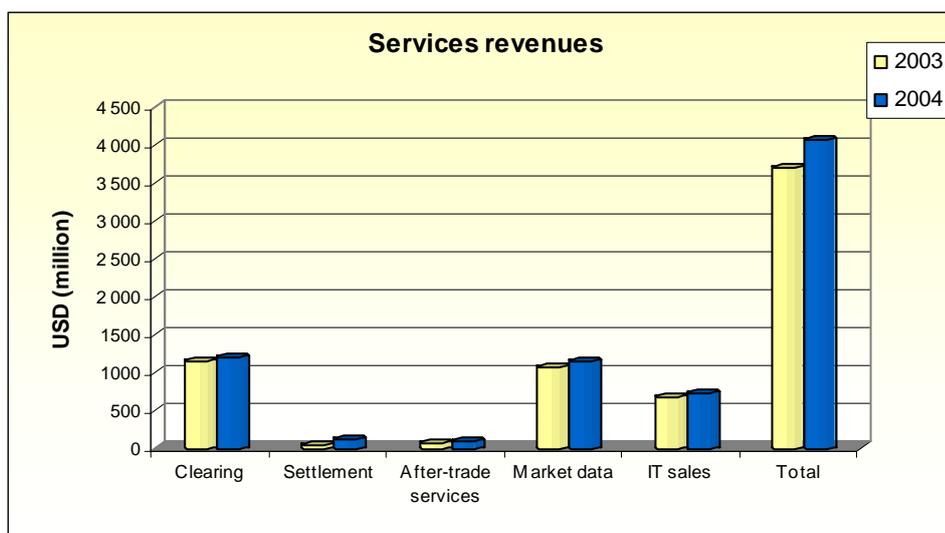


### 3.3. DETAILS ON SERVICES REVENUES

As noted earlier, revenues from services are now the second overall contributor to total revenues, and were up almost 10% in 2004.

Looking at the breakdown, revenues from clearing and from market data are almost equal (36% and 35% respectively). IT sales now represent 22% of the total.

The important increase in settlement revenues in 2004 is almost exclusively due to Borsa Italiana, which last year included the Monte Titoli figures in its revenues following the acquisition.



Though it is difficult to outline long term trends due to the change of parameters from members, clearing and IT revenues have been increasing whereas market data revenues have decreased in percentage terms since 1995. Looking back at historical figures, clearing revenues were stable around 18% from 1995 until 2002, market data 40% in 1995 and 48% in 1999, and IT sales 14% and 12% in 1995 and 1999.

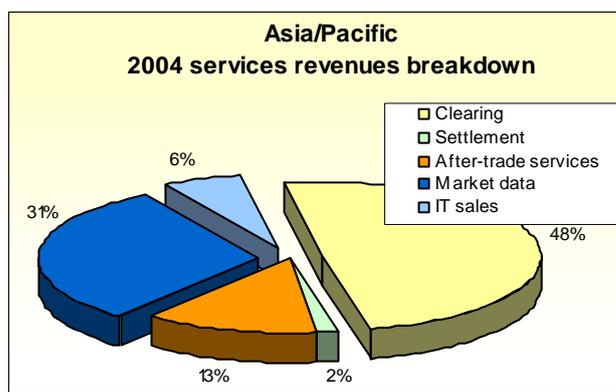
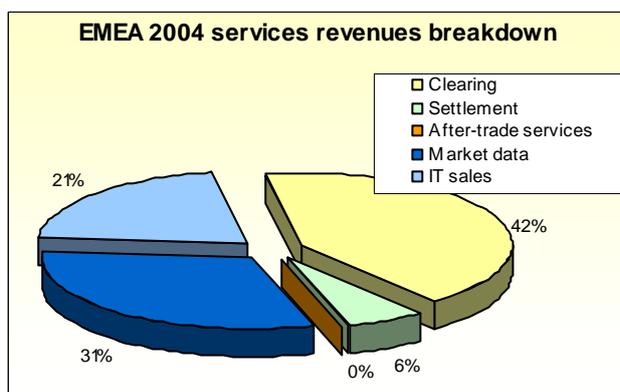
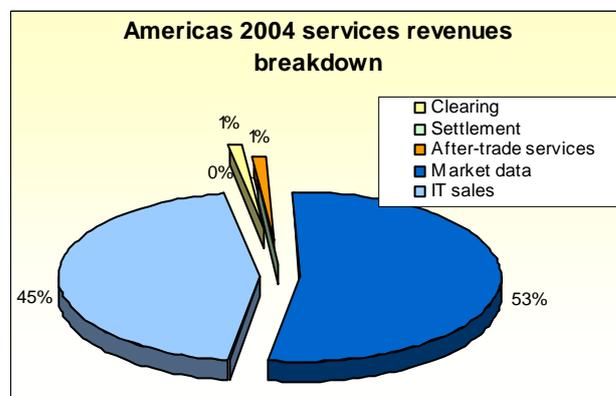
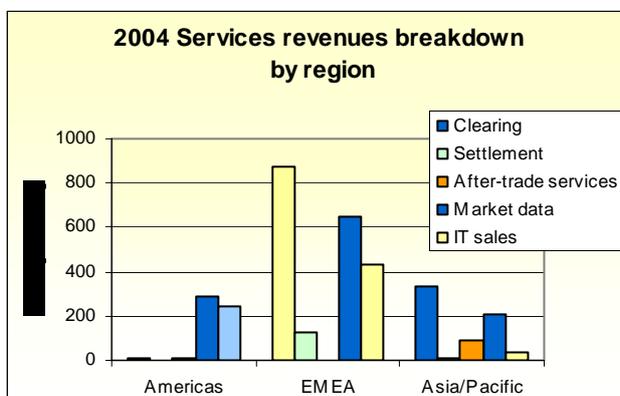
### 3.3.1 Services revenues breakdown by region

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

The geographical breakdown shows important differences. The EMEA region contributes 56% to the total of services revenues, the Americas 26%, and Asia/Pacific 18%. 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.



Services revenues were up 25% in Asia/Pacific, which is mostly due to the important increase in clearing revenues both in Singapore and Tokyo. This may well be correlated to the strong increase of their trading volumes in 2004.

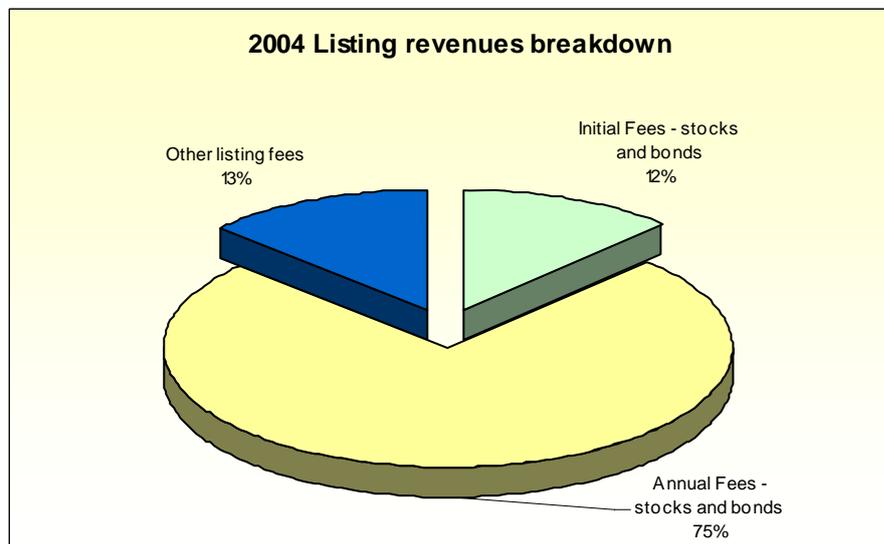
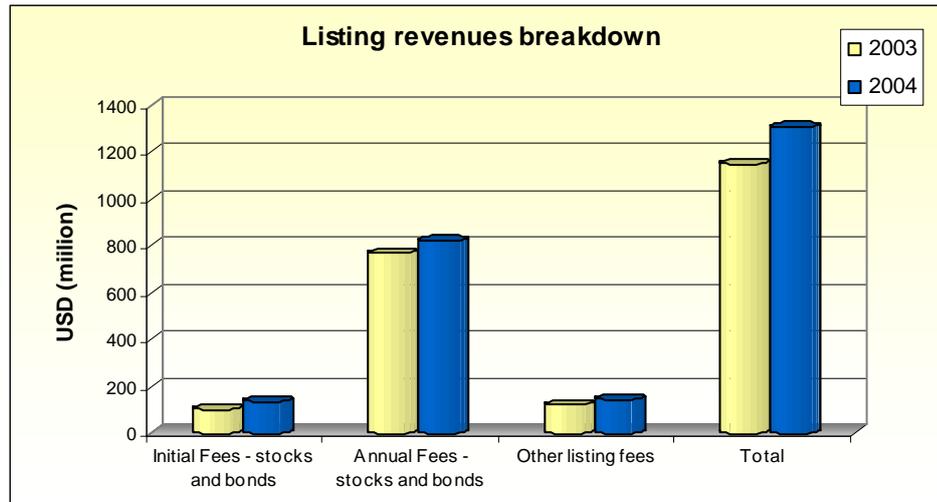


### 3.4. DETAILS ON LISTING REVENUES

The increase in listing revenues was the most consequential component between 2003 and 2004, up 14% at USD 1.3 billion. Though they were the smallest contributor here, initial listing revenues were up 34%, clearly indicating that the primary market was recovering after several difficult years, as shown in the figures in section 3.1.

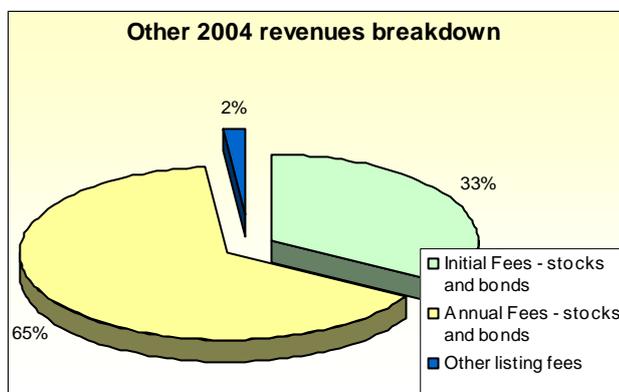
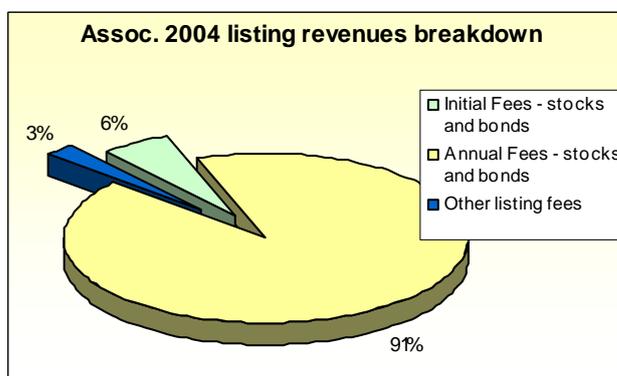
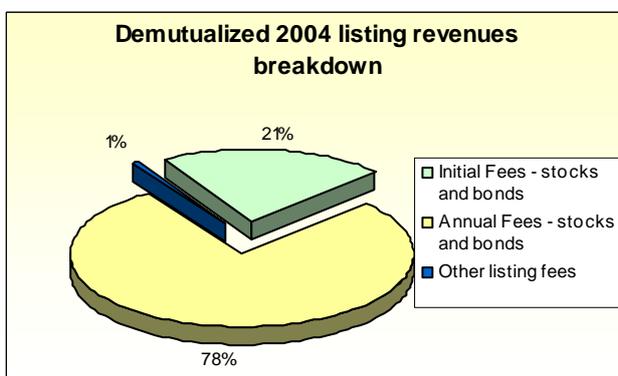
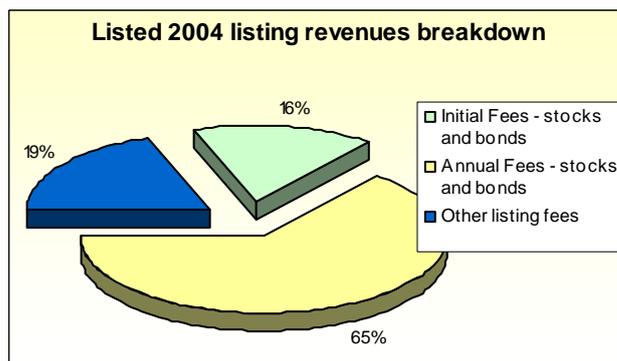
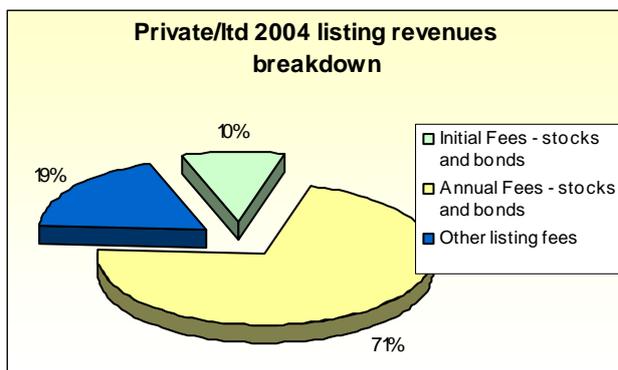
The Americas contributed 53% of the total listing revenues; EMEA 27%; and Asia/Pacific 20%. This was well above their relative contribution to total revenues (29%) reflecting their specific, less diversified revenues structure.

Annual listing revenues are by a large measure the main contributor to total listing revenues (75%).



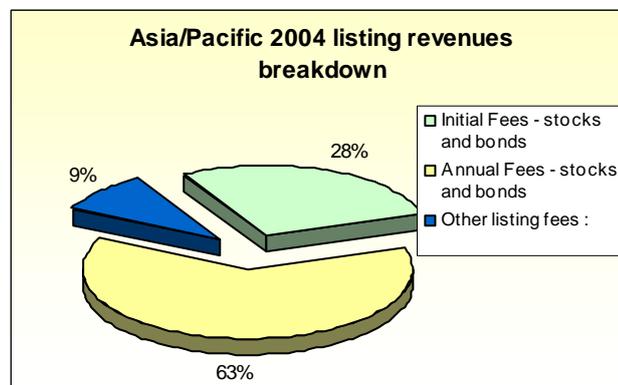
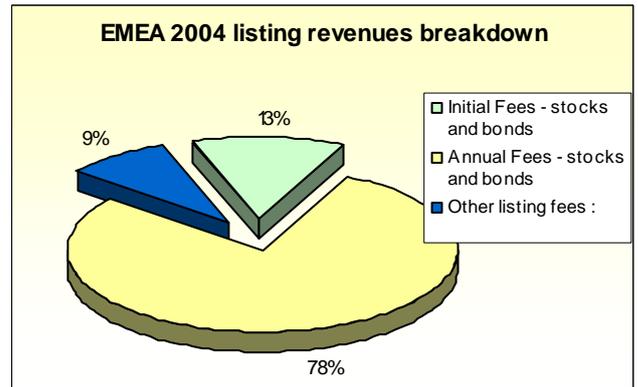
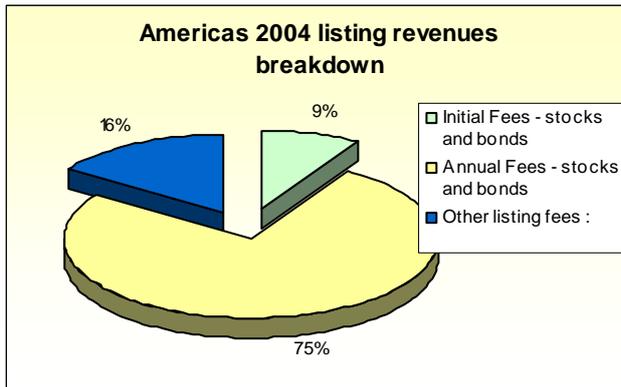
### 3.4.1 *Revenues breakdown by legal status*

The results are quite homogeneous among exchanges with different legal statuses, with the annual listing fees in every instance the majority of total listing revenues. The “other” group has the highest initial listing fees contribution (33%); this is due to the figures from Istanbul and Warsaw, which both have very strong growth in their listing revenues in the year ending. The figures from the demutualized exchanges did not give a clear result.



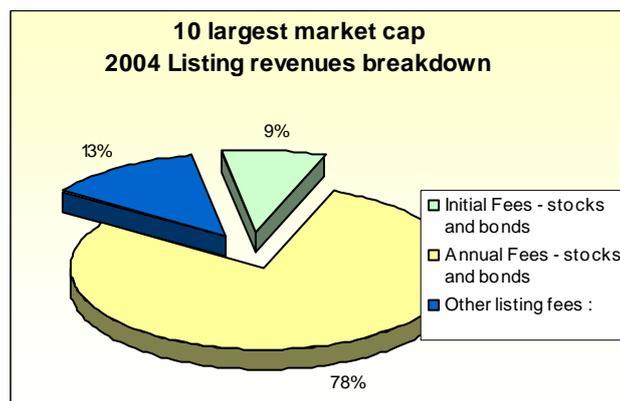
### 3.4.2 Listing revenues breakdown by region

The results are quite homogeneous as well. The Asia/Pacific specificity (28% of initial listing fees) can be explained by the figures from the Australian Stock Exchange and Hong Kong Exchanges and Clearing, which both had a strong increase in their initial listing fees last year and contributed 15% and 19% to the regional total respectively. Nevertheless, it should be noted that details from Tokyo (which contributes 34% to the total of the region) were not available.



### 3.4.3 Revenues breakdown by size

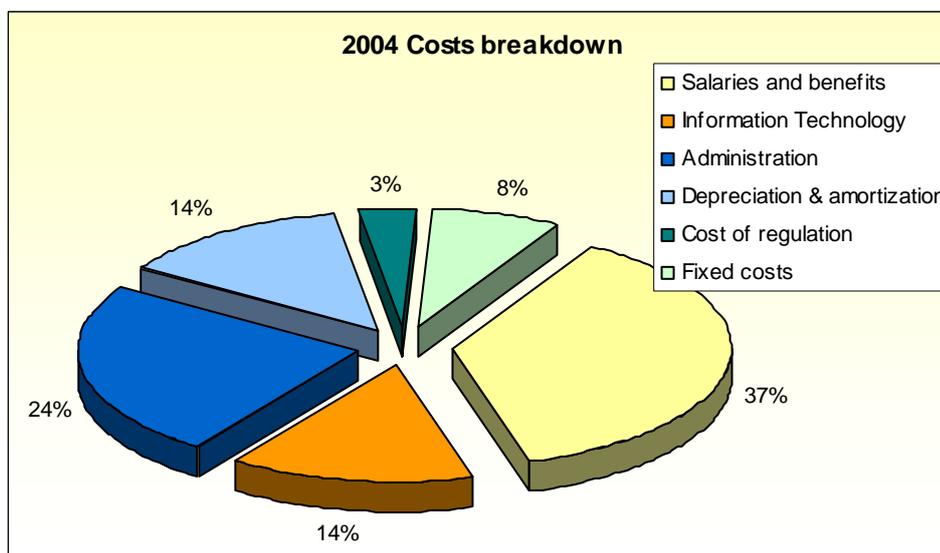
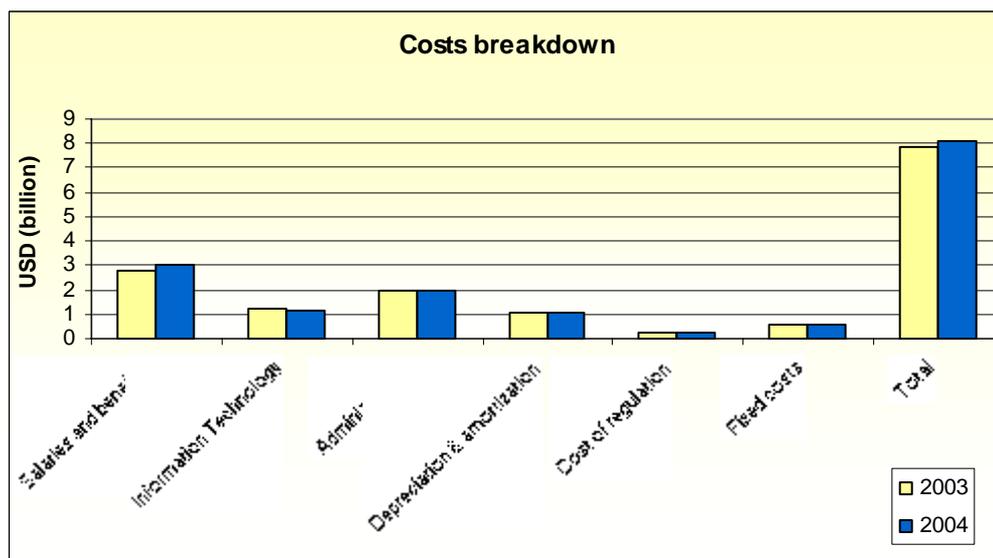
The results of the largest exchanges are in line with the industry average.





## 4. COSTS

Total costs were up 4% in 2004. Salaries and benefits are still the main portion of costs, representing 37% of the total. Administration, which includes offices, premises, and related expenses, represent 24%. IT costs and depreciation and amortization both account for 14% of the total.



In 2004, each category had a contrasted evolution. Salaries and benefits were up 9% whereas IT and administration were down 6% and 1%, respectively. Costs of regulation and fixed costs were up 11% and 13%, respectively, depreciation/amortization remained stable.



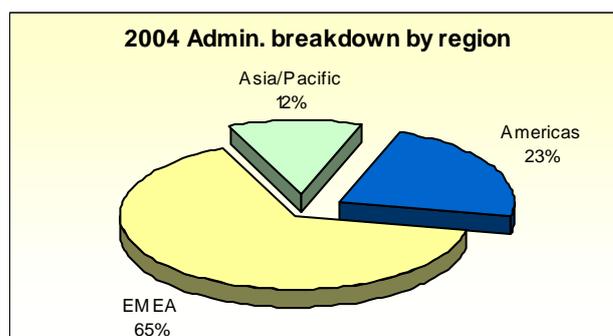
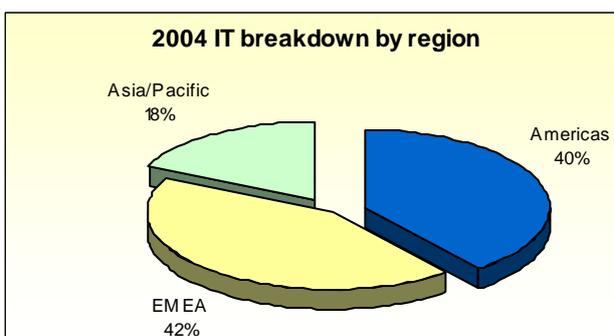
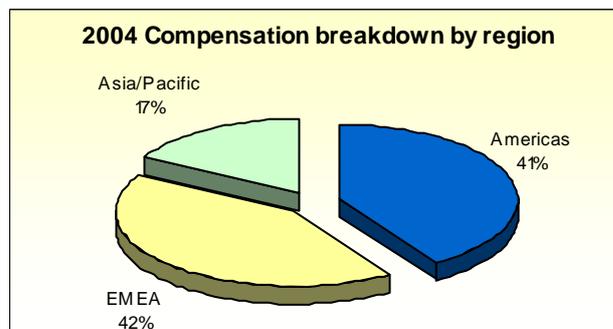
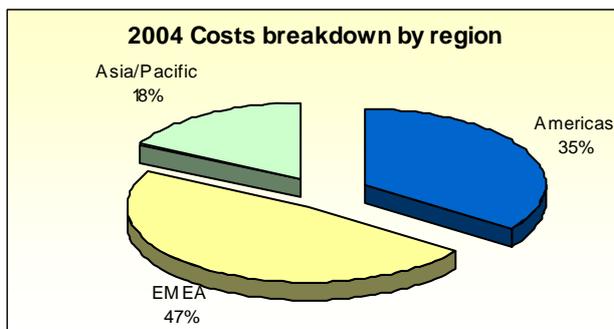
The increase of compensation was especially strong in EMEA (+13%) and Asia/Pacific (+14%), while it remained more stable in the Americas (+4%). During the same period, the total number of staff among WFE members was down 1%. EMEA and Asia/Pacific staff decreased, whereas it rose in the Americas.

Number of staff in 2004		
		% change 2003/2004
Americas	6 891	5%
EMEA	9 979	-2%
Asia/Pacific	7 818	-5%
<b>WFE</b>	<b>24 688</b>	<b>-1%</b>

The reduction in IT costs was especially important in the listed exchanges everywhere, and in EMEA (respectively -14% and -10%). The decrease concerned several exchanges, and Euronext had the strongest rate of reduction with -26%.

The administration costs decrease is particularly important among associations and in the Americas. This is due to NASD administration costs' weight in those two groups, and their 24% decrease recorded last year.

The administration costs' share are especially important in EMEA, although the detailed figures do not provide a clear explanation of that bias.





## ANNEX 1 : DEFINITION AND COMPOSITION OF MEMBERS GROUPS

### 1. Legal category definitions

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- **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 the exchange it operates 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

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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 2004*

Private, limited companies mainly owned by members (8 bourses):

- |                                  |                            |
|----------------------------------|----------------------------|
| • Bourse de Luxembourg           | • Jakarta Stock Exchange   |
| • Chicago Board Options Exchange | • Ljubljana Stock Exchange |
| • Colombo Stock Exchange         | • New York Stock Exchange  |
| • Irish Stock Exchange           | • Tel Aviv Stock Exchange  |



### Demutualized, but not publicly listed Exchanges (13 bourses):

- |  |  |
|--|--|
| <ul style="list-style-type: none"><li>• Bolsa Mexicana de Valores</li><li>• BME Spanish Exchanges</li><li>• Bolsa de Valores de Colombia</li><li>• Bourse de Montréal</li><li>• Borsa Italiana</li><li>• Budapest Stock Exchange Ltd.</li><li>• Bursa Malaysia</li></ul> | <ul style="list-style-type: none"><li>• Copenhagen Stock Exchange</li><li>• National Stock Exchange of India Limited</li><li>• Oslo Børs</li><li>• Taiwan Stock Exchange Corporation</li><li>• Tokyo Stock Exchange</li><li>• Wiener Börse</li></ul> |
|--|--|

### Publicly Listed Exchanges (13 bourses):

- |  |   |
|--|---|
| <ul style="list-style-type: none"><li>• Athens Stock Exchange</li><li>• Australian Stock Exchange</li><li>• Bolsa de Comercio de Santiago</li><li>• Bolsa de Valores de Lima</li><li>• Deutsche Börse AG</li><li>• Euronext</li><li>• Hong Kong Exchanges and Clearing</li></ul> | <ul style="list-style-type: none"><li>• London Stock Exchange</li><li>• OMX Stockholm Stock Exchange</li><li>• Osaka Securities Exchange</li><li>• Philippine Stock Exchange</li><li>• Singapore Exchange</li><li>• TSX Group</li></ul> |
|--|---|

### Associations, mutuals (9 bourses):

- |  |   |
|--|---|
| <ul style="list-style-type: none"><li>• American Stock Exchange</li><li>• Bolsa de Valores do São Paulo</li><li>• BSE, The Stock Exchange, Mumbai</li><li>• Korea Exchange</li><li>• JSE</li></ul> | <ul style="list-style-type: none"><li>• NASD</li><li>• Shanghai Stock Exchange</li><li>• Shenzhen Stock Exchange</li><li>• SWX Swiss Exchange</li></ul> |
|--|---|

### “Other” legal group Exchanges (6 bourses):

- |  |   |
|--|---|
| <ul style="list-style-type: none"><li>• Bolsa de Comercio de Buenos Aires</li><li>• Istanbul Stock Exchange</li><li>• Malta Stock Exchange</li></ul> | <ul style="list-style-type: none"><li>• Stock Exchange of Tehran</li><li>• Stock Exchange of Thailand</li><li>• Warsaw Stock Exchange</li></ul> |
|--|---|

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

- |  |  |
|--|--|
| <ul style="list-style-type: none"><li>• American Stock Exchange</li><li>• Athens Stock Exchange</li><li>• Australian Stock Exchange</li><li>• BME Spanish Exchanges</li><li>• Borsa Italiana</li><li>• Bourse de Luxembourg</li><li>• Bourse de Montréal</li><li>• Chicago Board Options Exchange</li><li>• Copenhagen Stock Exchange</li><li>• Deutsche Börse AG</li><li>• Euronext</li><li>• Hong Kong Exchanges and Clearing</li><li>• Irish Stock Exchange</li></ul> | <ul style="list-style-type: none"><li>• JSE</li><li>• London Stock Exchange</li><li>• NASD</li><li>• New York Stock Exchange</li><li>• OMX Stockholm Stock Exchange</li><li>• Osaka Securities Exchange</li><li>• Oslo Børs</li><li>• Singapore Exchange</li><li>• SWX Swiss Exchange</li><li>• Tokyo Stock Exchange</li><li>• TSX Group</li><li>• Wiener Börse AG</li></ul> |
|--|--|



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

- Bolsa de Comercio de Buenos Aires
- Bolsa de Comercio de Santiago
- Bolsa de Valores de Colombia
- Bolsa de Valores de Lima
- Bolsa de Valores do São Paulo
- Bolsa Mexicana de Valores
- BSE, The Stock Exchange, Mumbai
- Budapest Stock Exchange Ltd.
- Bursa Malaysia
- Colombo Stock Exchange
- Istanbul Stock Exchange
- Jakarta Stock Exchange
- Korea Exchange
- Ljubljana Stock Exchange
- Malta Stock Exchange
- National Stock Exchange of India Limited
- Philippine Stock Exchange
- Shanghai Stock Exchange
- Shenzhen Stock Exchange
- Stock Exchange of Tehran
- Stock Exchange of Thailand
- Taiwan Stock Exchange Corporation
- Tel Aviv Stock Exchange
- Warsaw Stock Exchange

*d) Top 10 members by domestic listed equities market capitalization:*

*(USD billion)*

New York Stock Exchange	12.7
Tokyo Stock Exchange	3.5
Nasdaq <sup>8</sup>	3.5
London Stock Exchange	2.8
Euronext	2.4
Deutsche Börse AG	1.2
TSX Group	1.2
BME Spanish Exchanges	0.9
Hong Kong Exchanges and Clearing	0.8
SWX Swiss Exchange	0.8

<sup>8</sup> *The Nasdaq Stock Market, a NASD's subsidiary, is taken into account to classify exchanges by market capitalization and share trading value while NASD is considered when sorting bourses by total revenue.*



*e) 10 largest members by share trading value in 2004:*

*(USD billion)*

New York Stock Exchange	11.6
Nasdaq	8.7
London Stock Exchange	5.1
Tokyo Stock Exchange	3.2
Euronext	2.4
Deutsche Börse AG	1.5
BME Spanish Exchanges	1.2
Borsa Italiana	0.9
SWX Swiss Exchange	0.8
Taiwan Stock Exchange Corporation	0.7

*f) 10 largest members by revenue in 2004:*

*(USD billion)*

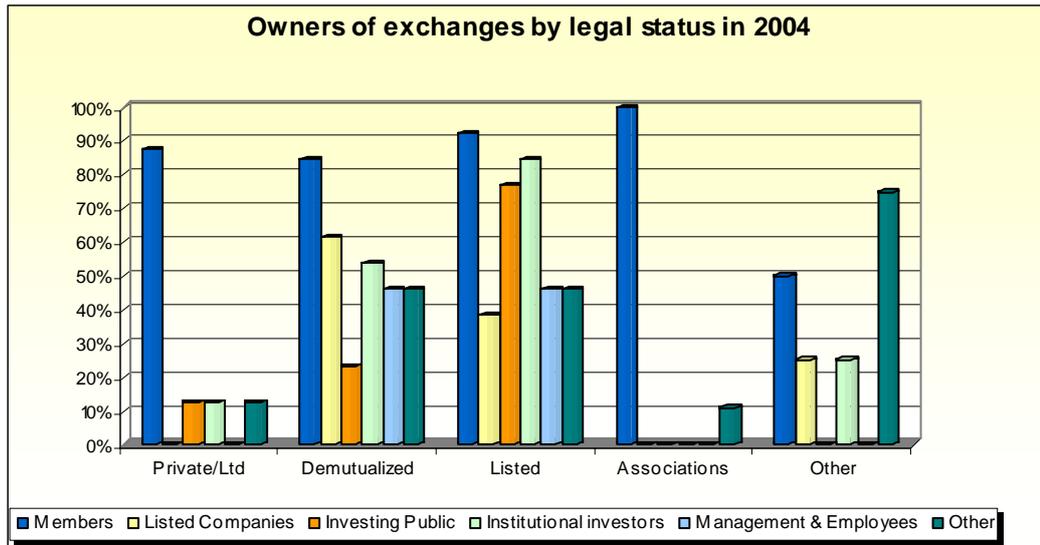
Deutsche Börse AG	2.2
Euronext	1.2
NASD	1.1
New York Stock Exchange	0.9
Tokyo Stock Exchange	0.5
London Stock Exchange	0.5
BME Spanish Exchanges	0.3
SWX Swiss Exchange	0.3
Hong Kong Exchanges and Clearing	0.3
Borsa Italiana	0.3



## ANNEX 2 : FURTHER INFORMATION ON THE LEGAL ASPECTS OF EXCHANGES

### 1. Ownership Structure of Exchanges

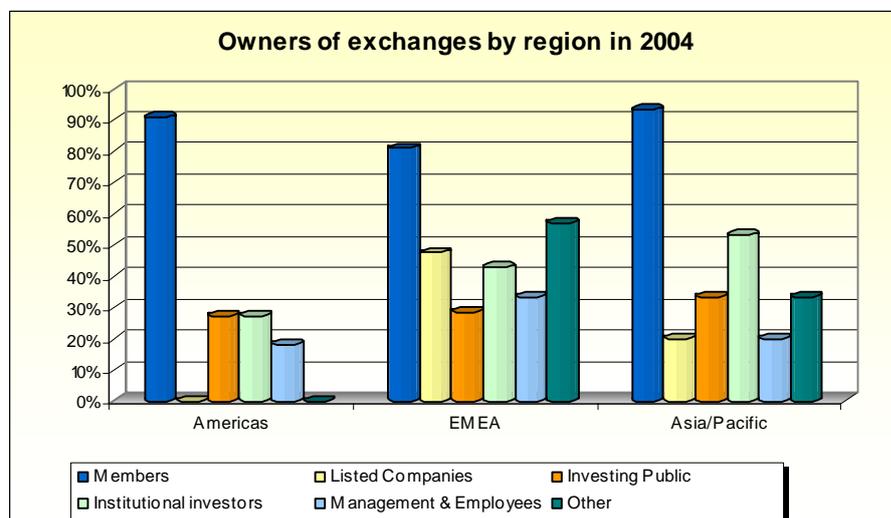
#### a) Distribution of exchange ownership by legal groups



The graph above highlights the frequency of the current categories of owners of bourses, such as member firms/intermediaries, listed companies, the investing public, institutional investors, the exchange's own management and employees, and other owners.

The graph shows that the demutualized and publicly listed exchanges group were the two legal forms with the most diversified ownership structure, which is in line with their corporate objective.

#### b) Distribution of exchange ownership by geography





It appears that the Americas is the region where the exchanges' ownership structure was the least diversified compared to the two other time zones, as member firms/intermediaries formed by far the largest group of owners. They were found in the ownership of almost all (90%) exchanges located there. The additional presence of institutional and individual investors as well as management/employees in the ownership of bourses was limited, as they could be found in approximately 20% of cases.

In EMEA and Asia/Pacific, the presence of a more diversified ownership structure reflected the wider number of listed and demutualized exchanges. Notwithstanding the concentration of a large number of exchanges with outside ownership, member firms/intermediaries were found in 81% of European and 94% Asian/Pacific exchanges. In the Asian/Pacific region, institutional investors were the second most important owner, and could be found in 53% of exchanges. In Europe/Africa, the second category of owners was listed companies, found in 48% of exchanges, while in Asia/Pacific they were present in 20% of bourses. It is also worthwhile mentioning that EMEA concentrated the largest number of bourses in which management/employees are owners (33%) against 20% in Asia/Pacific and 18% in the Americas.

Asia/Pacific concentrated the largest presence of private investors among exchanges' ownership worldwide, as there were more listed exchanges in this region in 2004. The investing public was found in 33% of exchanges in this region against 28% in EMEA. Finally, the high presence of the other category of owners in Europe reflects the fact that this continent has the largest number of exchanges registered under the "other" legal status, which mainly encompasses bourses still owned by the state or public institutions.

#### *c) Distribution of exchange ownership by market size*

Among the 10 members with the largest equity market operations, all had member firms/intermediaries as owners in 2004. Institutional investors were found in 6 of them as holders, management and employees in 5 of them while the investing public and listed companies were found in 4 and 3 of them respectively. Finally, 4 of them had "other" owners.

#### *d) Distribution of exchange ownership by economic development*

Despite the growth in the number of demutualized exchanges in low income countries, exchanges operating in these economies had a more limited range of owners than those in high income countries.

Member firms/intermediaries could be found in a large majority (86%) of owners in these exchanges, and most of the time they were the sole owners. This situation can be explained by the fact that there is in emerging markets a high number of exchanges registered as association/mutual still controlled by the state. The other owner categories, such as financial institutions or listed companies, were poorly represented in the emerging country exchanges ownership.



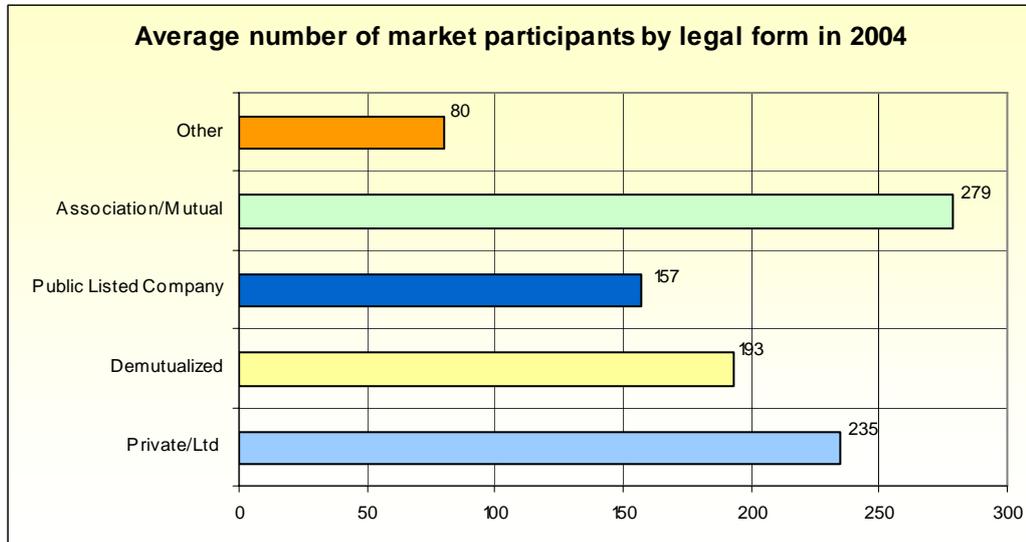
However, it is important to mention the surge in the ownership of exchanges operating in developing countries of private investors, found in 20% of bourses ; their presence derives from the growth in the number of demutualized exchanges in emerging economies. This category of owners was totally absent in 2002.

By contrast, exchanges in high income countries had a very diversified ownership structure, the sole common feature with exchanges operating in developing countries being the high level of member firms/intermediaries in ownership, standing in this particular case at 88%. After member firms, institutional investors were the second category of owners as they were found in 60% of bourses, while listed companies, private investors and exchange management/employees were present in 40% of these bourses.

## 2. Membership/Access to the Market

### *a) Distribution of access to exchanges by legal groups*

**Demutualized and publicly listed exchanges had a lower number of participating firms than the other groups**



Market participants include brokers, dealers, market intermediaries and liquidity providers.

This review excludes NASD market intermediaries (5,222 in 2004) in order to avoid possible distortion when comparing with the other regions. Exchanges registered as association/mutual had the largest number of member firms/ intermediaries, with an average of 279 members per exchange in 2004 against 284 in 2003, a much larger figure than those of bourses in the other legal categories. This can be explained by the fact that bourses registered under association/mutual are by definition largely owned by their participants which are most of the time the sole owners.



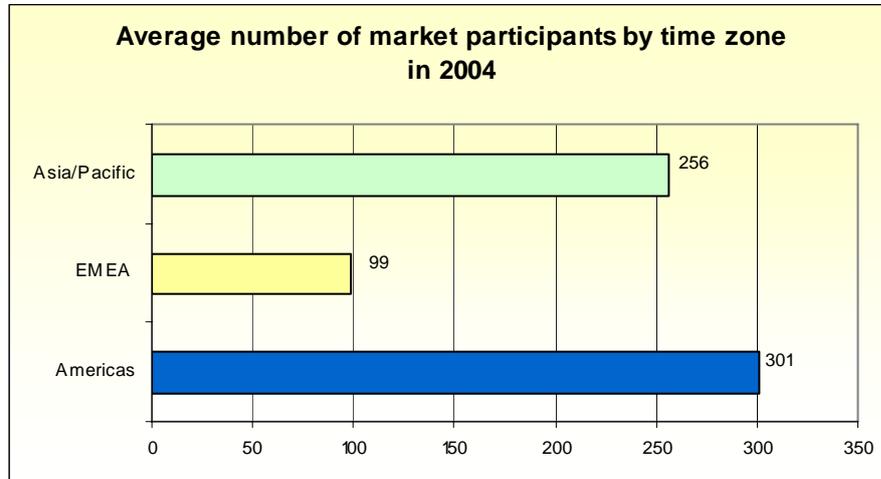
Just behind, private/limited bourses were the second legal category, gathering an average of 235 member firms/intermediaries in 2004 against 232 in 2003. As in the case of bourses having an association/mutual status, this category of exchanges are by definition mostly owned by their members, although they do have a more diversified ownership.

By contrast, demutualized and listed exchanges had a lower number of intermediaries, which was possibly due to their more diversified and open ownership. The numbers fell to an average of 193 intermediaries per exchange for the demutualized bourses, against 225 the previous year, and 157 for the listed ones compared to 135 in 2003. The lowest number of member firms was found in the “other” legal structure group of exchanges, with an average of 80 members per bourse.

At the Federation level, there was a slight decrease in the number of members firms/intermediaries in 2004 compared to the previous year, due to a concentration in the order routing and execution business.

The number of market intermediaries seems to be linked to the legal categories of bourses where the exchanges member firms/intermediaries are prevalent.

#### *b) Distribution of access to exchanges by geography*



Exchanges located in the Americas had the highest number of member firms/intermediaries in 2004 with an average of 301 member per bourse, compared to a slightly higher number in 2003 (325).

The Asia/Pacific exchanges had an average of 256 member firms/intermediaries against 278 in 2003, while EMEA bourses had an average of 99 member firms/intermediaries compared to 110 in 2003. This lower number might be explained by the fact that Europe concentrates more than half the Federation’s demutualized and listed member bourses, which tend to have fewer participating firms than other legal categories.



In the three regions, there was a small decrease in the number of member firms/intermediaries in 2004 compared with 2003, which might suggest a number in line with the trend of business concentration in the industry.

*c) Distribution of access to exchanges by market size*

Bourses operating the 10 biggest equity markets had an average of 213 member firms/intermediaries in 2004, excluding the NASD figure.

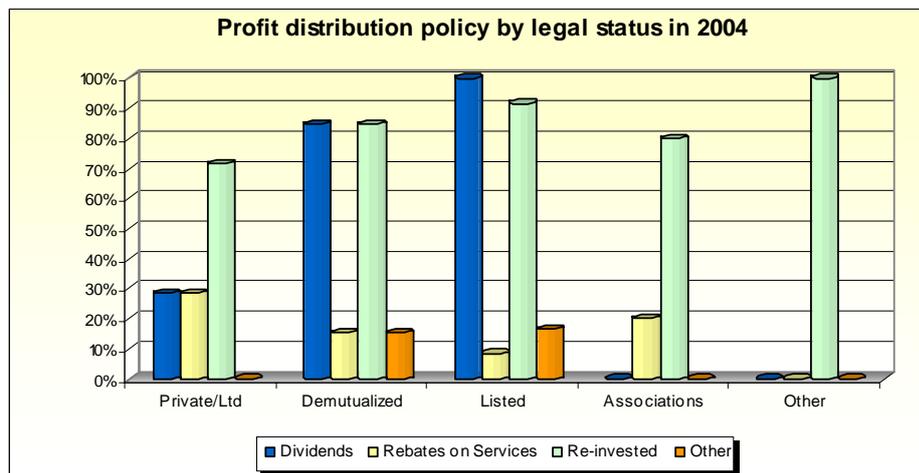
*d) Distribution of access by economic development*

Exchanges operating in high income economies (with the exception of NASD) had a much higher number of member firms/intermediaries (an average of 217 in 2004 against 220 a year before) than those in low income countries (160 in 2004). This is also in line with the skewing seen in market size and trading volumes.

### 3. Policy for Using Profits or Surpluses

*a) Exchanges' profit policy by legal groups*

**Retention of proceeds is the most common use of earnings among all groups**



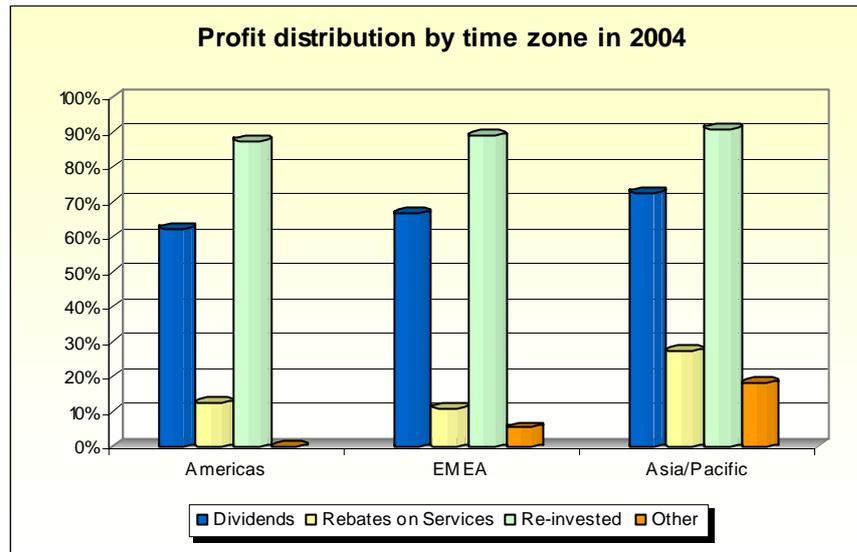
At the Federation level, the most common use of earnings by exchange members was to retain at least part of their proceeds (89% in 2004), a figure that has been constantly high.

The number of exchanges which distributed dividends in 2004 reached 43%. Although this practice was principally found in listed and demutualized exchanges, it also concerned nearly one third of exchanges registered under a private/limited company status. None of the exchanges belonging to the associations and “other” status groups distributed dividends ; their proceeds were almost fully re-invested.



15% of exchanges re-distributed proceeds in the form of rebates, this practice being more widely spread among private/limited bourses (28%) and associations/mutuals (20%) than in publicly listed exchanges (8%) or demutualized exchanges (15%).

*b) Distribution of profits by geography*



The re-investment of profits in the company remained the most common policy for using earnings in the three regions in 2004. Around 90% of exchanges in all three regions re-invested their proceeds.

Distribution of dividends was the second most common way of using proceeds among the three regions. Three legal categories were concerned by this allocation : the publicly listed and demutualized bourses as well as the private/limited ones. The development of this form of profit distribution reflects the increasing number of publicly listed and demutualized bourses among exchanges worldwide.

Rebates on exchange services were the third channel used for proceeds distribution, but at a lower level than the retention of profits in the company and the sharing of the income through dividends. However, in all regions, the distribution of proceeds through rebates on services was scarcely used. This policy was used by 27% of exchanges in Asia/Pacific in 2004, while only 13% and 11% of bourses used it in the Americas and EMEA respectively.

*c) Distribution of profits by market size*

For the 10 largest member exchanges by the size of their equity markets, all of them re-invested part of their proceeds in 2004 as the large majority of exchanges. Nine of them distributed dividends to their owners, and two made use of rebates on services.



*d) Distribution of profits by economic development*

A large majority of exchanges (87%) operating in low income economies re-invested their proceeds in the organization for future development. However, the most remarkable fact is the important increase in the distribution of dividends which concerned 60% of bourses located in these countries. This reflects the surge in the number of demutualized bourses and, to a lesser extent, of publicly listed exchanges in low income countries, as noted earlier in this report. Rebates on services were used by only 13% of exchanges located in these countries.

When turning to high income economies, 91% of bourses re-invested their profits in the organization while the distribution of proceeds through dividends jumped to 73% of exchanges located in these areas. 18% offered rebates on services to their members.





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