

Some thoughts on regional development

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Efficient Securities Transactions

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The Nordic Exchange – Market trends



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- Structural growth in trading equities and derivatives
- Consolidation and implementation of Nordic strategies among market participants
- Increased demand for on-exchange trading and central clearing services
- Increased competition among exchanges



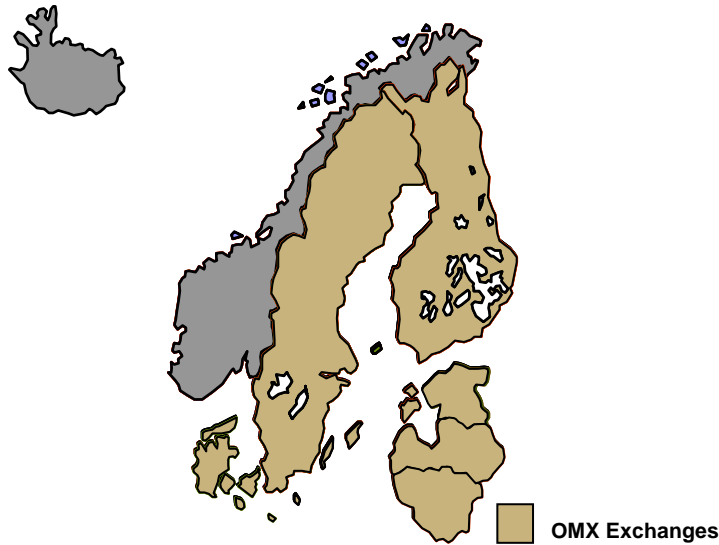
A higher degree of infrastructural integration and transaction efficiency is required

OMX has achieved a high degree of integration in the Nordic and Baltic region through mergers and alliances



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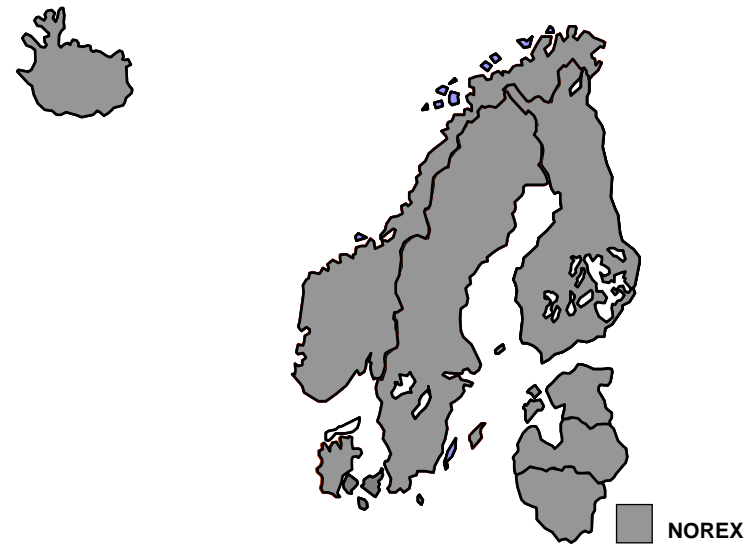
OMX Exchanges the "inhouse" model



OMX

- Number of exchanges: 6
- Number of CSD's: 2¹
- Market cap: €529bn
- Volume (2004): €631bn
- Number of listed co's: 684

NOREX the "partner" model



NOREX

- Products from all markets offered
- Number of exchanges: 8
- Market cap: €646bn
- Volume (2004): €748bn
- Number of listed co's: 906

Source: Company data, Federation of European Securities Exchanges

¹ OMX owns the CSDs in Estonia and Latvia and holds a minority stake in the CSD in Lithuania (40%) and in NCSD (19.78%). NCSD comprises the CSDs in Sweden and Finland

- Established in 1997 between SSE and CSE;
 - Joint marketing activities
 - Harmonization of rules - creating one legal access point
 - Trading rules
 - Member rules
 - Technological cooperation - creating one technical access point
- Iceland and Oslo Börs followed in 2000
- Alliance developed into mergers;
 - HEX and the Baltic's were acquired in 2003
 - Copenhagen Stock Exchange in 2005
 - Operational functions and processes was integrated and synergies gained

“To position the Nordic region as one of the leading markets in Europe”

The challengers vision – “build a garden” – strengthens the participants



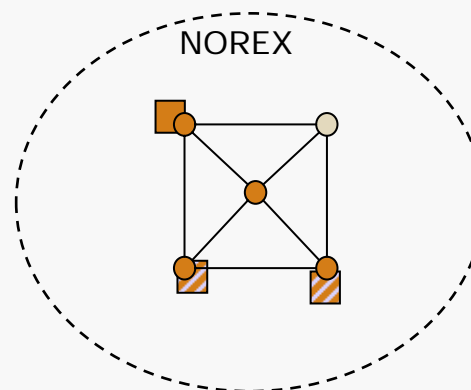
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Single
Niche position



- Remain independent
- Requires excellent internal efficiency:
- Focus on core business, outsource or co-source everything else, e.g. IT
- Leverage local market knowledge
- Build strong local interdependencies with market participants
- Expand along value chain as second step, e.g. merge with local CSD
- Identify niche advantages, protect them

OMX
Regional strength



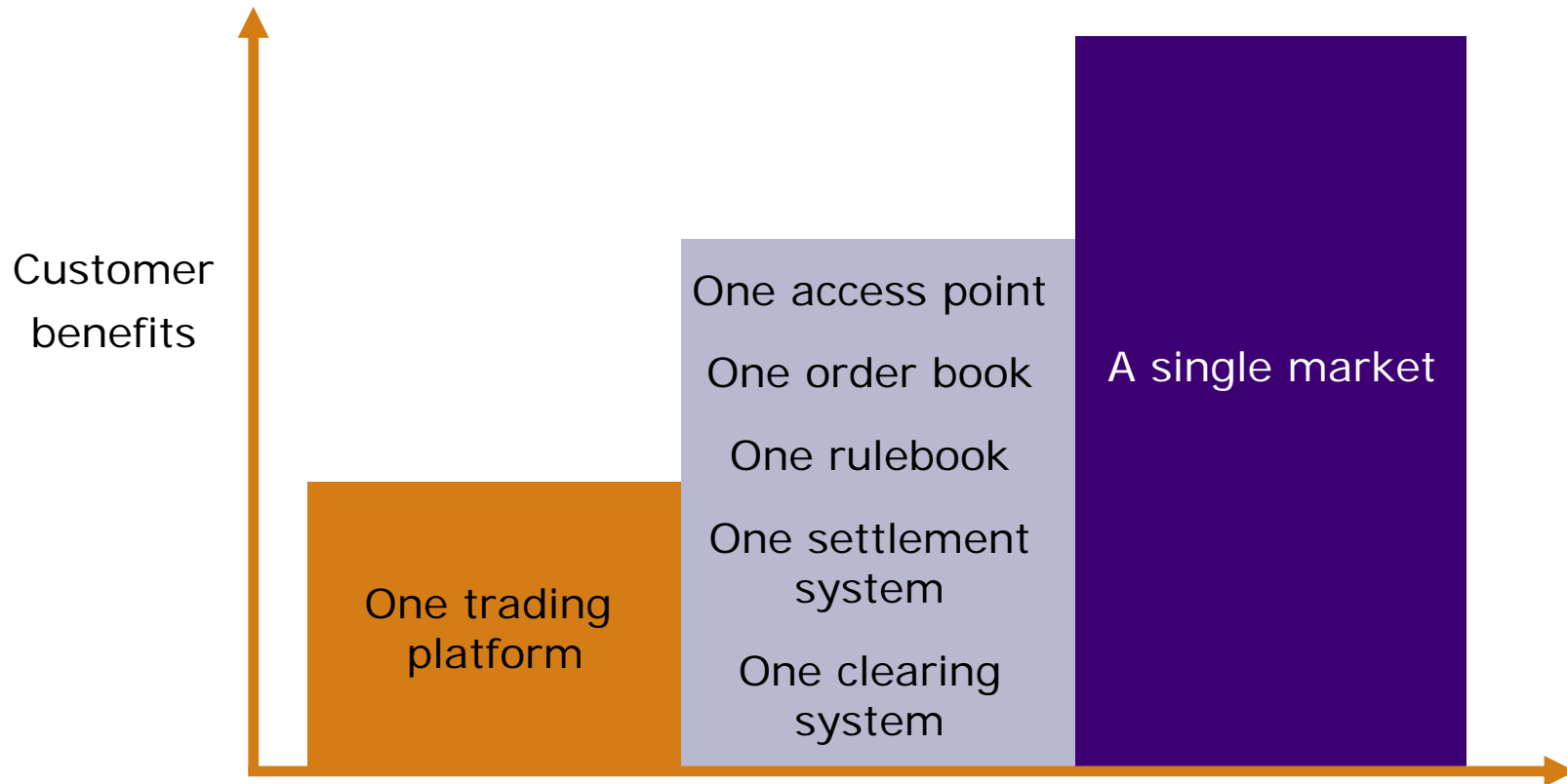
- Build regions horizontally
- Some regions on the same platform
- All regions share architecture
- All liquidity remain local/regional
- As second step complete regional consolidation by integrating CSD's



The Nordic Exchange – Market integration process



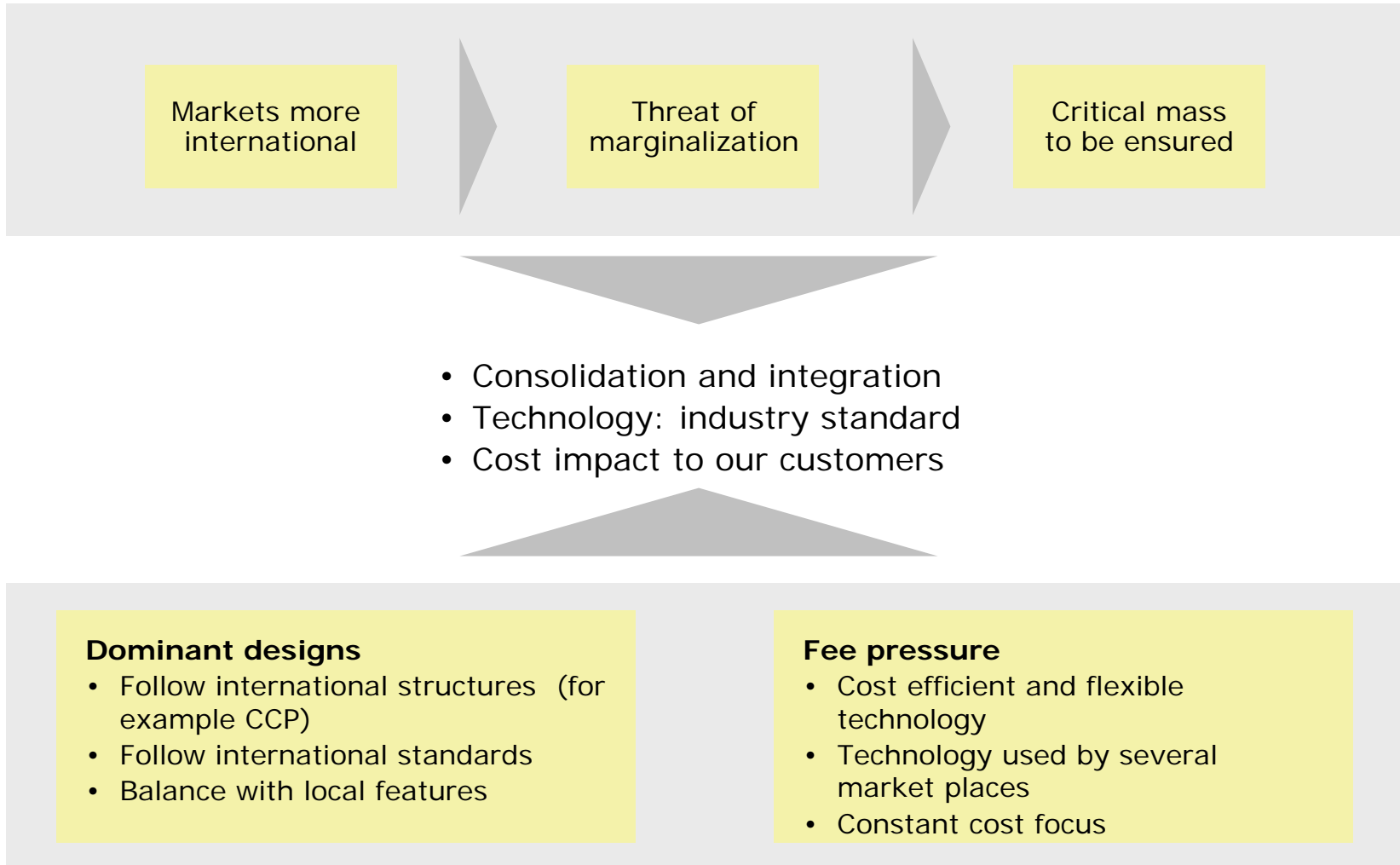
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The regional approach has some challenges to be addressed



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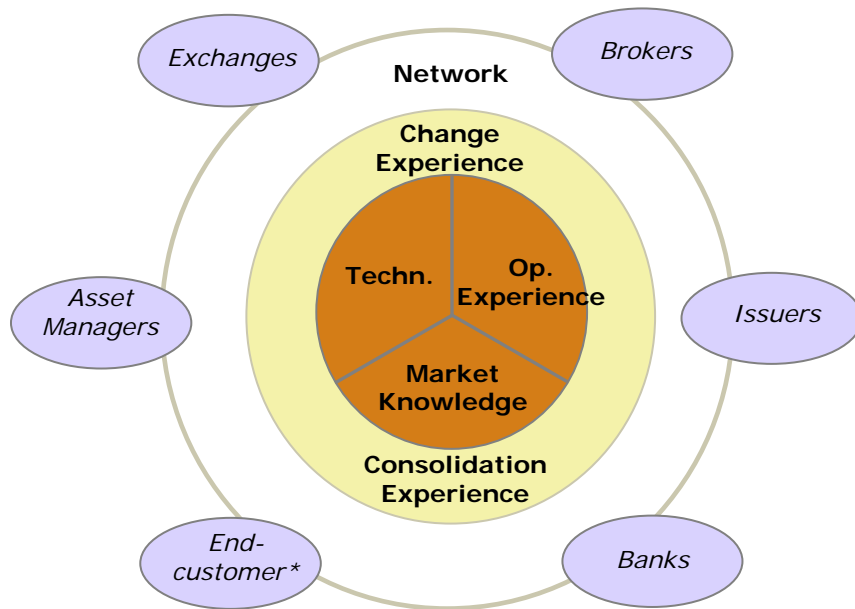


OMX key strengths create value for related stakeholders



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OMX Key Strengths



* Out of OMX scope

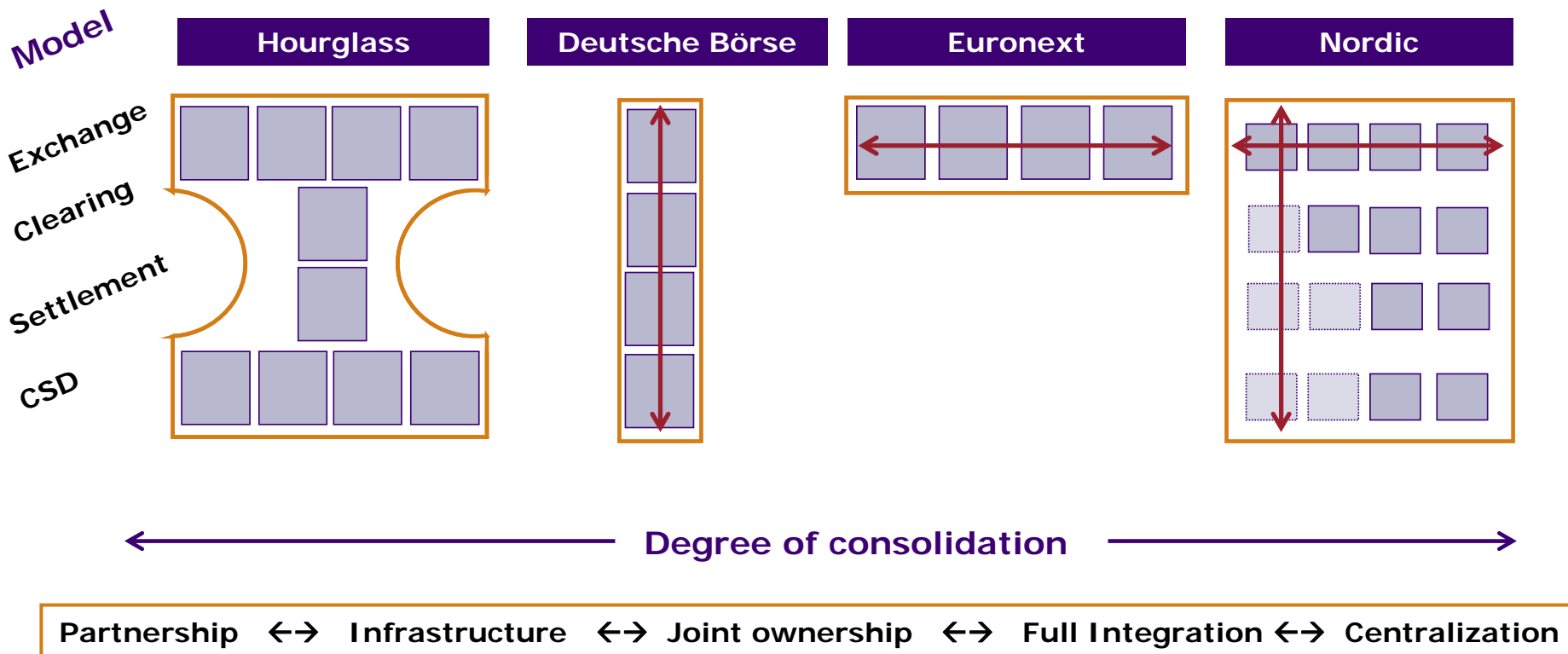
- Combination of capabilities needed to develop local and regional markets
 - Market Knowledge
 - How to develop a (medium sized) growth market
 - Good understanding of and connection to international investors and issuers
 - Technology
 - Ability to continuously renew/improve technology solutions while maintaining competitiveness
 - Operational Experience
 - Operational excellence – one of the world's most cost efficient and profitable exchanges, despite not having the mega volumes
 - Credibility as a (third party) marketplace operator
 - Friendly first hand experience of co-operation and consolidation and internationalization of marketplaces
- Strong network of market participants (global and local) with a unique position in the Nordic and Baltic counties

There are different types of **consolidation models**, different degrees of consolidation and many possible combinations thereof– which one is right for you?



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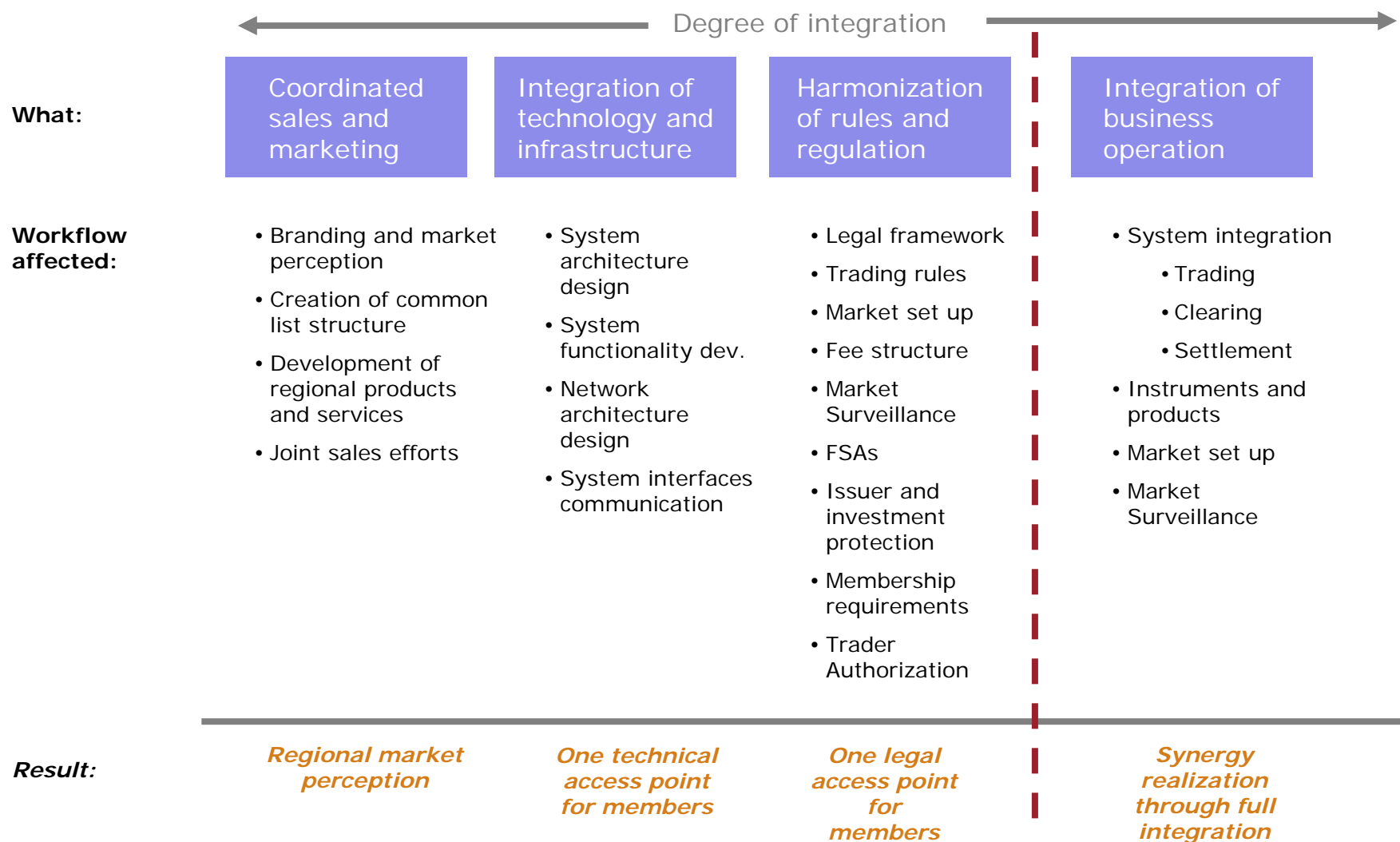
Illustrative



Degree of integration depending on need and qualifications



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Regional cooperation, driver in the Nordic region



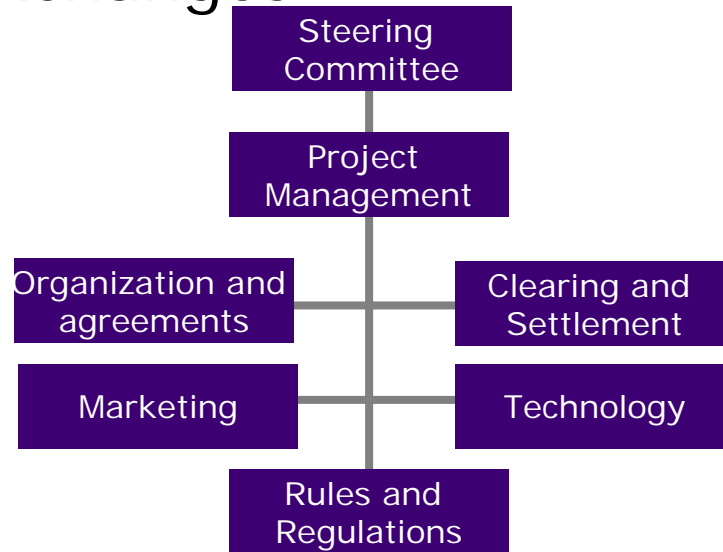
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- Technology development and global standardization of markets enables global trading and drives global competition
- Regional competitors becomes allies when meeting competition from large global players
- Partnering with other exchanges gives:
 - Sustain an attractive market position
 - Reduced IT-cost (development and operation)
 - Create critical mass of liquidity to attract international investors and intermediaries

The NOREX development was driven in a project format, involving all participating exchanges



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Goal:

“To position the Nordic region as one of the leading markets in Europe”

Governance principles:

Degree of integration

- The larger the scope the stronger governance structure

Relative size and perceived significance of parties

- In order to create a friendly cooperation, equal rights to influence in order to create commitment from management and key stakeholders

Number of parties in the alliance

- Complexity increases. Build alliance in sequences, entering the parties one by one

Key lessons from OMX experience



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- Create working groups on all levels, not only top management
- Look for an early success story; new brand name, harmonisation of rules, new technology etc.
- There will be a lot of vested interest in the process – creates need for strong management commitment
- It could be necessary with government involvement to solve problems and to support momentum
- Do not underestimate national pride
- Fixed Income Markets harder to integrate without a currency union