



News Release

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COMPETITION COMMISSION WILL ALLOW LSE MERGERS— SUBJECT TO CONDITIONS

The Competition Commission (CC) will allow either Deutsche Börse AG (DBAG) or Euronext NV (Euronext) to acquire London Stock Exchange plc (LSE)—provided each party gives undertakings to implement a package of structural and behavioural remedies to ensure the independence of LSE's clearing provider.

The CC's report, published today, finds that the proposed acquisition of LSE by either DBAG or Euronext would substantially lessen competition. This is because either merger would make it more difficult for other exchanges to compete with LSE in trading UK equities due to both bidders' direct control or influence over the provision of clearing services.

In the case of Euronext, the structural remedy will remove Euronext's direct influence over LSE's existing clearing provider, LCH.Clearnet. In the case of DBAG, the structural remedy would only apply where LCH.Clearnet is to be replaced with a clearing provider linked to DBAG. In both cases, the structural remedy will primarily operate through limiting the acquirer's shareholdings and board representation in LSE's clearing provider.

The behavioural commitments seek to reinforce the independence of LSE's clearing provider by addressing the residual influence DBAG or Euronext may retain once the structural remedy has been implemented. These include commitments by DBAG and Euronext not to obstruct access to LSE's clearing provider by any potential competitor to LSE, and to provide users with greater influence over any decision concerning a change of clearing provider.

The CC will now seek to agree the terms of undertakings to be provided by DBAG and Euronext, which will give effect to the package of structural and behavioural remedies. Once the undertakings have been agreed, a statutory public consultation process must be completed before the undertakings can be finalized.

The CC's final report, including the proposed remedies, has today been published on its web site at www.competition-commission.org.uk/rep_pub/reports/2005/504lse.htm

Notes for editors

1. The proposed mergers were referred by the Office of Fair Trading (OFT) on 29 March 2005.
2. The Enterprise Act 2002 empowers the OFT to refer to the CC completed or proposed mergers for investigation and report which create or enhance a 25 per cent share of

supply in the UK (or a substantial part thereof) or where the UK turnover associated with the enterprise being acquired is over £70 million.

3. The LSE inquiry group (the Group) consists of four members of the CC: Jeremy Seddon (Group Chairman), Jayne Almond, Alan Gregory and Barbara Mills. The Group was originally chaired by Professor Paul Geroski who, sadly, died at the end of August.
4. The SLC findings in the final report are consistent with the provisional findings published by the CC on 3 August.
5. The CC extended the inquiry by eight weeks to allow full discussion of these remedies but, as planned, is publishing the final report before the revised deadline of 7 November 2005.
6. Further information on the CC and its procedures, including its policy on the provision of information and the disclosure of evidence, can be obtained from its web site at www.competition-commission.org.uk.
7. Enquiries should be directed to Rory Taylor or Francis Royle on 020 7271 0242 (email rory.taylor@competition-commission.gsi.gov.uk).