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NextTrack: ETFs make tracks for a recovery while partnership boosts volumes

After a relatively low period for trackers (ETFs) worldwide in 2003 and 2004 following their initial burst onto the market, the year 2005 has shown a clear recovery for the product. This change in fortune can be put down to increased product knowledge as the investment community becomes more aware of the benefits of trackers and how they can be used to its advantage. But a large part of trackers' success is due to the launch of new attractive and truly innovative products.

On NextTrack, Euronext's product segment for trackers (ETFs), new products include highly tradable trackers on emerging market indices in Eastern Europe and Asia, as well as products such as inflation-linked bond trackers (a much-appreciated investment tool that allows investors to protect themselves against interest rate increases) and trackers on real-estate indices like EPRA.

New trackers on Euronext

Euronext has listed 24 new ETFs so far this year, bringing its trackers total to 73 at end October, and has numerous new products ready to list on NextTrack by end 2005. Investors will have even more choice of trackers covering China, Japan and Eastern Europe, as well as a different take on well-known European indices such as the CAC 40, AEX, DJ EuroSTOXX and FTSE Eurofirst 80 and 100.

To help spread the news to investors, Euronext has set up a partnership on trackers with a number of brokers and e-brokers, to promote trackers to their clients. Beginning with a pilot scheme in France, the partnership uses promotional channels such as brokers' websites and newsletters to disseminate statistical information and studies promoting particular areas of investment, such as a sector or a trend with an underlying index that is supported by a tracker. Euronext also supports the organization of conferences and training events in major financial cities.

The benefits of the scheme so far have proved to be two-fold: a substantial increase in information on trackers available via the web (this doubled after just a few weeks of the partnership); and a considerable increase in trades in trackers and capital exchanged. Euronext is now planning to develop the partnership in other Euronext countries, possibly even extending the scheme outside the Euronext zone at a later date.

So, how is NextTrack doing? In the first half of 2005, assets under management totalled €30 billion, against €24 billion at end 2004, while the average daily number of trades was up 11% and daily turnover skyrocketed up 27%. In October, there were just under 39,000 transactions on NextTrack, a massive 103% up on the number of transactions in October last year. Euronext is creating a strong market for trackers, based on offering innovative new products, which is really satisfying the investment needs of our customers. We look forward to a very positive end of the year.

For more information on Euronext trackers, go to www.euronext.com and click on **Trackers**, or email trackers@euronext.com to receive the monthly trackers newsletter, *NextTrack news*.

TRADING SERVICES

Euronext picks up two awards for IT excellence

At the 2005 **Financial News Awards for IT excellence** in London, Euronext picked up awards for the best trading venue for both **equities** (joint with London Stock Exchange) and **derivatives**. Deputy general manager of Euronext's Cash Market, Roland Bellegarde, accepted the equities award on behalf of the Cash Market. Euronext was later described by Financial News as being well on its way to "realising the dream of a single European capital market", calling its single trading venue "broad, highly liquid and cost-effective". We are delighted to have received this recognition for the performance of our market, and in particular our trading technology, which is crucial to customer satisfaction.

38,982

buy and sell transactions in trackers in October 2005

14,109,398

buy & sell share transactions in October

250 milliseconds

average order response time on the NSC trading system

CAC 40®: shift from daily to quarterly updates

From 24 October this year, updates to the number of shares of the stocks composing the CAC 40® index are being made quarterly rather than daily. Updates will now take place after market close on the third Friday of March, June, September and December, matching the quarterly expiration of CAC 40 derivatives products on Euronext.liffe. Exceptional updates between these dates will take place if a corporate action causes an adjustment of the price of a stock simultaneously with the number of shares, or in other cases when the change in the number of shares is superior or equal to 5%.

The review of free float and capping factors remains annual, except in special cases, and will be calculated from the last trading day in August.

For more information, see the Euronext Notice 2005 3681 of 22 September 2005 at www.euronext.com > Products & Prices > Indices > National indices
CAC 40 index ISIN code: FR0003500008

New ISV index available online

Euronext's latest ISV Index, giving details of all independent software vendors offering a trading solution for the Euronext Cash Market, is now available online. The electronic index replaces the printed directory published in previous years.

Click on www.euronext.com/cashmembers > Technology Partnerships > List of ISVs

PROJECTS

New sector indices as Euronext adopts industry-standard ICB classification

Euronext, as a FTSE partner, is joining other global exchanges as well as major index providers and investment firms in adopting the ICB classification system over the course of 2005. FTSE Group and Dow Jones Indexes merged their industry classification systems last year in order to create a new standard, which aims to become the definitive system covering corporate bonds, 40,000 companies and over 45,000 securities worldwide.

This new system is known as the Industry Classification Benchmark (ICB), and has a four-tier structure, enabling investors to identify entities according to a hierarchy of ten industries, 18 super-sectors, 39 sectors and 104 sub-sectors.

Since early July, Euronext has broadcast the ICB classification alongside the FTSE classification in market messages*. From January 2006, the ICB system will completely replace the FTSE system.

continued →

INFO-FLASHES

Recent Euronext info-flash topics:

- 2006 trading calendar for the Euronext Cash Market
- Euronext Business Continuity: Disaster Recovery test in December
- Change to treasury system for Euronext Lisbon and Euronext Paris
- EUA test trading platform
- Euronext Lisbon moves to new premises
- Technical maintenance operation on the EUA test trading platform
- Warrants trading interruption on 26 September 05
- Change of contact details for Euronext CMO and CTS
- New versions of TCS v11 and ETW v3.43 for 24 October 2005
- New release of CAP FIX v4.3.1.7 for 10 October 2005
- Royal Dutch Shell (unification of Royal Dutch and Shell)

Info-flashes contain functional and technical information on the Euronext Cash Market and are sent by email to Cash Market members. To see all Euronext Cash Market info-flashes, go to: www.euronext.com/cashmembers

OCTOBER 2005

>Equities traded, total market:

14,652,234

buy & sell transactions

>Total turnover, shares on Euronext Cash Market:

€164.7 billion

>Market capitalization of Euronext listed companies:

€2,096 billion

>Indices (October 05)
% change from previous month

Euronext 100	754.70	-3.2%
Next 150	1,281.87	-5.5%
AEX	394.16	-2.2%
BEL 20	3,264.26	-1.9%
CAC 40	4,436.45	-3.6%
PSI 20	7,836.55	-3.1%

>Derivatives traded, total market:

57 million

futures and options contracts

Daily averages for October

>Daily average number of buy & sell transactions on total Cash Market

(shares, trackers, warrants, bonds, etc)

700,649

>Daily average number of buy & sell share transactions

671,876

>Percentage increase in daily average trackers turnover in October

68.3% (MoM)

ICB classification (continued)

New sector indices

As a result of the changeover, Euronext sector indices will be revised, and the new sector indices based on the ICB system will be disseminated from 5 December 2005. The former FTSE-based sector indices will no longer be issued, but will continue to be calculated until the last trading day of the year. Daily values for the period from 5 to 30 December will be displayed on the Euronext website from 2 January 2006.

* See Notice no.2005-2976 of 18 July 2005 at www.euronext.com/cashmembers > Projects

TRADING SERVICES

The NSC trading system: improving performance

The key criteria for NSC, Euronext's state-of-the-art trading system for the Cash Market, are reliability, performance, high availability and security. This means that the NSC system is subject to permanent review and updating, with a view to always providing the best trading service possible to market participants.

In the past year, hardware upgrades have been performed in order to increase the robustness of the system architecture, improve system performance and enhance our back-up mechanisms. As a result, our order response time for the round trip from the customer's screen to the central trading system and back again was reduced by 30% to our best time yet, averaging out at fewer than 250 milliseconds.

Handling high volumes with ease

The NSC system is capable of handling exceptionally large volumes. Between January and September this year, the Euronext Cash Market processed a daily average volume of 2,830,000 orders and 305,000 trades (single counted), and earlier in the year we saw record highs for orders and trades (twice as high as average) with no deterioration in the performance of the system. September and October 2005 were also record months for transactions on the Euronext Cash Market, with an average daily number of transactions for October of 700,649.

EURONEXT SERVICES

EuronextValue: a central valuation tool for fixed-income products



EuronextValue was launched last year in order to provide a much-needed service to buy- and sell-side companies, giving them a central channel for the exchange of information between buy-side companies and the traders in short-term interest rate and fixed-income products (banks and brokers) who determine the market prices of bonds and other debt instruments.

Aimed at both Euronext members and the wider financial community, EuronextValue is accessed via a secure online extranet site.

How does it work?

Buy-side companies issue requests for valuation on products for which price information is unavailable, or where they are unsure of the reliability of the information they have. Traders then respond to these requests by entering prices on the buy side and sell side, in the form of spreads distributed over a benchmark yield curve.

A cost-effective service

By pooling the costs of data collection (for buy-side companies) and data supply (for sell-side firms), EuronextValue provides a highly cost-effective service. Since the platform is accessed via the internet, there are also no software development costs, and the EuronextValue platform can be accessed from anywhere in Europe and beyond.

Growing fast

Many of the major participants in Europe's markets for fixed-income products have signed up to EuronextValue, and the number of users is rising steadily from both within and outside the Euronext zone – companies from Germany, Italy, Luxembourg, Switzerland, Ireland and the UK are now planning to join the ranks of EuronextValue users. At the end of October this year we had 1,200 products live on the platform, including asset-backed securities, commercial papers, covered bonds, convertible bonds, and senior debt and subordinated debt instruments.

For more information, go to www.euronext.com > For our clients > EuronextValue or contact the EuronextValue team on tel: +33 1 49 27 19 14, email: infovalue@euronext.com

Alternext, Euronext's tailor-made market for mid and small caps



Since its launch in May this year, Euronext's new market, Alternext, has seen 15 companies listed, raising a total of some €72 million in capital and representing a market capitalization of €535 million (based on IPO price). Although still a very new addition to Euronext, the total market capitalization of all companies on Alternext already stands at €630 million (4 November 2005), demonstrating the real interest shown in this market by investors.

The Alternext market is aimed at mid and small caps, with average market capitalization for Alternext companies standing at around €40 million. Typically, Alternext companies come from sectors such as web technology, real-estate, financial services, IT and technology. Most joined the market either via a public offer, or after a private placing, as permitted by Alternext rules, while some companies transferred from Euronext Paris' free market, the *Marché Libre*.

Alternext's exchange-regulated market model means streamlined listing requirements and simplified access to the markets, while still ensuring that listed companies comply with disclosure requirements to increase transparency and provide investor protection. It is helping smaller companies finance their growth and gain access to capital markets, and as investors' interest increases, it is well on the way to becoming an established market for smaller companies.

For more information on Alternext, visit www.alternext.com

Market reform: a clearer view of the Euronext marketplace

Earlier this year, Euronext replaced all its regulated markets in each location with a single list, the Eurolist by Euronext. Investors and members now have access to a harmonized and simplified list of Euronext products. Securities are arranged in alphabetical order, and carry an indicator placing them in one of three groups, depending on their market capitalization. Group A is for companies with a market capitalization of over €1 billion; Group B is for those companies with market capitalization between €1 billion and €150 million; and Group C companies have a market capitalization of less than €150 million.

Helping small and mid caps stand out from the crowd

In conjunction with this change, which allows investors to identify company sizes quickly and easily, other measures have been put in place to help identify mid and small caps. These include a series of new indices for small and mid caps to help promote their liquidity.

The Amsterdam Small Cap Index, **AScX**, covers the 25 most active Dutch small-caps, and complements the existing mid-cap index, AMX. In Belgium, the **BEL Mid** and **BEL Small** indices now cover respectively 33 mid-cap companies with an average market cap of €1.1 billion and 46 small-cap companies with an average market cap of around €30 million. Meanwhile, in France the **CAC Mid100** and **CAC Small90** are based on 100 stocks representing small and mid cap companies between €300 million and €3 billion and 90 stocks with market caps under €300 million. An additional index, the **CAC Mid&Small190**, combines the two.

Euronext indices:

	Euronext Amsterdam	Euronext Brussels	Euronext Lisbon	Euronext Paris
Blue-chip indices	AEX	BEL 20	PSI 20	CAC 40 CAC Next20*
Mid-cap indices	AMX	Bel Mid*	-	CAC Mid100*
Small-cap indices	AScX*	Bel Small*	-	CAC Small90*

*new Euronext indices launched in 2005

Small and Mid-cap Experts

A new status for intermediaries has also been created, to denote those members of the Euronext Cash Market who commit to promote and research a portfolio of small and mid cap companies.



Small and mid-cap experts (SMEs) must publish regular reports on the companies in their portfolio, plus one annual report per firm. Euronext boosts SMEs with marketing programmes and support for promotional campaigns, and firms tracked by an SME are identified on the Euronext list by the SME label shown. So far, twenty-eight intermediaries have signed up for the status.

For more information on equities or indices, visit www.euronext.com > Products and Prices

NEW LISTINGS

New listings on EUROLIST, Euronext's main market

Capelli

ISIN code: FR0010127530
Market cap: €100 million
IPO date: 27 October 2005
Capital raised: €11.7 million
Activity: Company specialising in boiler-making, piping & studies
www.capelli.fr

Meetic

ISIN code: FR0004063097
Market cap: €355 million
IPO date: 12 October 2005
Capital raised: €90 million
Activity: Online meeting company, Europe's leader by audience share
www.meetic-corp.com

ISIN code: FR0010241638
Market cap: €1300 million
IPO date: 11 October 2005
Capital raised: €250 million
Activity: Real estate managers for the Casino supermarket group
www.mercialys.com

New listings on ALTERNEXT, Euronext's tailor-made market for mid and small caps

Compagnie Financière de Deauville

ISIN code: FR0004060234
Market cap: €43 million
IPO date: 4 November 2005
Capital raised: – (transfer from *Marché Libre*)
Activity: Investment company focusing on small and mid caps
www.cfd-group.com

Staff&Line

ISIN code: FR0010246322
Market cap: €20 million
IPO date: 20 October 2005
Capital raised: €4.7 million
Activity: Publishing and marketing information system management software programs
www.staffandline.com

Telenet

ISIN code: BE0003826436
Market cap: €2.06 billion
IPO date: 11 October 2005
Capital raised: €1.06 billion
Activity: Belgium's largest provider of broadband cable services
www.telenet.be

NextradioTV

ISIN code: FR0010240994
Market cap: €214 million
IPO date: 6 October 2005
Capital raised: €75 million
Activity: Commercial radio broadcasting services
www.nextradiotv.com

RueDuCommerce

ISIN code: FR0004053338
Market cap: €168 million
IPO date: 29 September 2005
Capital raised: €60 million
Activity: E-commerce retailer
www.rueducommerce.fr

Groupe Diwan

ISIN code: FR0000075244
Market cap: €13.3 million
IPO date: 20 September 2005
Capital raised: – (transfer from *Marché Libre*)
Activity: Computer services co. specializing in e-technologies
www.diwan.fr

For more details, go to: www.euronext.com > For our clients > Listed companies > New IPOs

MEMBERSHIP

New members on the Euronext Cash Market:

DekaBank Deutsche Girozentrale (Amsterdam, Brussels, Paris)
Finibanco S.A. (Lisbon)
Knight Equities Markets International Ltd (Amsterdam, Brussels, Lisbon, Paris)

Resignations of membership:

N.E. Ijdema B.V.
Cyril Finance S.A.
CenE Bankiers N.V.
DSB Bank N.V.
Perk & Schmidt International B.V.

To see the full list of Euronext members, please go to: www.euronext.com > For our clients > Member list > Cash Markets

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Visit the Euronext Cash Market website: www.euronext.com/cashmembers