

**LONDON INVESTMENT BANKING ASSOCIATION (LIBA) COMMENT
ON THE COMPETITION COMMISSION'S FINDINGS
INTO THE PROPOSED ACQUISITION
OF THE LONDON STOCK EXCHANGE**

LIBA welcomes the Competition Commission's provisional findings.

- 1 We agree that both possible bidders for the London Stock Exchange promise significant synergies. But either bid if successful would also involve significant limitations of competition and raise other concerns.
- 1 LIBA continues to believe that a well executed consolidation of the exchange landscape in Europe, on the right terms, could potentially yield benefits for end users.
- 1 We welcome the fact that any bid for the LSE by Deutsche Boerse or Euronext is now cleared to proceed, albeit conditionally.
- 1 We remain committed to working with potential parties involved in order to best ensure that the significant risks to market users from any combination would be effectively mitigated by mutually agreed remedies.
- 1 In addition, we seek to ensure that the risks we see for users are adequately mitigated by joint action by the public sector, the FSA and market participants.

We think that the observation that potential competitors would be less able to compete at the trading services level without fair access to clearing services is particularly important.

For LIBA the urgent issue to be addressed in any future stock exchange consolidation is ensuring that European markets move away from vertically integrated anti-competitive trading and post-trading structures. Our view is that this should be done both to permit the maximum choice of clearing systems to exchanges and to initiate the move towards a single, efficient, post-trade clearing infrastructure - whether a single European Central Counter-Party or a network of separate organisations integrated by inter-operability and common standards.

The press release which LIBA, in conjunction with other European Trading Associations, issued on 3 February 2005 comprehensively outlines the principles which we believe will help bring about that state of affairs. That statement of principles sets out as its overall objective: To promote the further healthy development of the European Capital Markets, stock exchanges and infrastructure providers must achieve over time the lowest overall costs of trading and post-trade services combined with the greatest responsiveness to users' and customers' needs.

To us it is clear that the benefits of efficient, low cost capital markets ultimately flow through both to the economy generally (through the effects of a lower cost of capital and efficient resource allocation) and to individual investors, from efficiency gains and, ultimately, lower transaction costs.

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Notes to editors

1. The 3 February 2005 Press release from European Trading Associations is in attached appendix
2. Alan Yarrow's letter to the Competition Commission dated 7 July 2005, setting out LIBA members' position on the proposed acquisition by Deutsche Boerse AG and Euronext NV of the London Stock Exchange, is also attached.