IPO insights

Comparing global stock exchanges

Ernst & Young
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Introduction

Business operations and capital flows are becoming increasingly globalized as new centers of economic strength and innovation develop around the world. Future market-leading companies are springing up in such places as China, India, Korea and Eastern Europe, in addition to the mature economies of the US, Europe and Japan. While the majority of companies ultimately choose to list on their domestic stock exchanges, more and more business leaders today are considering the pros and cons of accessing public capital in a foreign market.

Stock exchanges are also working hard to take advantage of the global opportunities that arise in this environment—whether by pursuing new listings from abroad or accessing foreign markets through mergers, acquisitions and strategic alliances. Business leaders today have many options to consider when selecting a stock exchange for an initial public offering.

This report, a companion piece to Ernst & Young's *Global IPO Trends 2007* report, is designed to be an objective, fact-based comparative tool for business leaders weighing exchange alternatives. The scope of this report encompasses the Australian Securities Exchange, Deutsche Börse, Euronext, Hong Kong Stock Exchange, London Stock Exchange, NASDAQ, New York Stock Exchange, Singapore Stock Exchange and Tokyo Stock Exchange. Elements of this report include stock exchange strategic focus, a profile of the types of exchange-listed companies and IPO activity, listing standards and fees, the process and timeline of going public and the regulatory environment.

Listing standards, fees and regulatory environment are perhaps the final factors to consider when selecting a stock exchange. However, as important, if not more so, are factors such as valuation, the quality of an exchange's institutional investors and their understanding of a company's business, the likelihood of attracting research coverage, visibility to customers and suppliers and comparable companies trading on the market. If a company's selection of exchange does not have a clear connection to its business that makes sense to its investors, its valuation will likely be reduced. The selection of an exchange is a long-term strategic decision that should be determined primarily by a company's fundamental business drivers.

While providing comparative stock exchange information, this report makes no evaluative conclusions about any of the exchanges in our study and provides no guidance about the eligibility of any company to list on any of the exchanges covered. The application of listing standards and fees and the IPO process are dependent on a company's specific situation. Admission to any exchange comes at the discretion of the stock exchange organization, and listing standards are subject to change. When evaluating a stock exchange, companies should consult with their business advisors and with the exchange organization directly.

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Chapter 1

World stock exchange trends

The world's major stock exchanges share a common challenge and opportunity: globalization. Free-flowing capital, businesses without borders and new economic growth centers create an environment of intensified global competition among the world's stock exchanges. As a result of the growing competitive pressures, exchanges are actively seeking cross-border mergers, demutualizing and even going public while deploying new technology and service offerings—all in an effort to win market share over their rivals. Today, world stock exchanges must vie for the most desirable and valuable new listings from abroad. More than ever, exchanges outside the main markets are proving capable of hosting large public offerings and many IPO-ready companies growing up outside the mature economies. Initial public offerings are the eagerly sought-after trophies in the contest between stock exchanges.

Accustomed to conducting operations in multiple countries, many business leaders are becoming increasingly comfortable with listing outside their home markets. A pre-listed company may select the exchange for its IPO based on numerous criteria, such as the exchange's prestige, its institutional investor base, listing costs, regulatory requirements, technology, stock market performance and the company's targeted markets. Although most companies still prefer to list on their home exchanges, many of today's global businesses are seeking the exchange that best suits their business plans, wherever it may be in the world.

Technology and globalization lead to greater competition among stock exchanges

Technology innovation has been a fundamental driver of stock exchange competition. As technological advances continue to make trading faster and cheaper and accessible from any place in the world, the local market dominance enjoyed by incumbent exchanges quickly erodes. Using price, execution speed or other advantages, an exchange can divert order flow from competitors. For example, the London Stock Exchange (LSE) recently launched an electronic market called EuroSETS to capture order flow in Dutch stocks that would normally go to Euronext; Euronext's riposte was to begin trading FTSE-100 stocks.[1] NASDAQ made a bid to increase its market share of New York Stock Exchange (NYSE)-listed stocks by significantly lowering routing fees late in 2006.[2]

Competitive pressures also come from non-exchange products and entities that provide technology-enabled alternatives to exchange-based trading. As potential alternatives to public listing, private equity and hedge funds provide access to growing pools of private growth capital. Automated trading systems (ATS), such as POSIT, Liquidnet and E-crossnet have also emerged to challenge exchanges. An ATS is a quasi-exchange where stocks are purchased and sold through a smaller, private network of brokers, dealers and other market participants (and not subject to the listing costs or price discovery processes on other exchanges).

In 2006, a consortium of seven of the largest investment banks—Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, Merrill Lynch, Morgan Stanley and UBS—announced a plan to set up a new pan-European equities trading platform called Project Turquoise. This new trading platform is intended to offer markedly lower costs than the existing exchanges and compete directly with the LSE and Euronext on price and speed. The goal is to drain the previous pricing power of dominant European exchanges and to pass savings on to the users of the platform.

The globalization of capital markets and business operations is also playing an important role in exchange competition. In the last decade, global capital markets have experienced a sharp rise in cross-border flows of capital, (e.g., M&A activity, listings on foreign exchanges, global IPO activity) and have seen a dramatic increase in cross-border holdings of financial assets. At the same

1. "Cross-Border Exchange Mergers," Statement of Allen Ferrell, Harvard Law School, to the Senate Committee on Banking, Housing and Urban Affairs, 12 July 2007.
2. "Price War! Nasdaq Counters NYSE Fee Hike To Woo Traders," *Wall Street Letter*, 1 December 2006.

time, emerging economies such as China and India have become the drivers of global growth.

Globalization factors include the liberalization and deregulation of protected domestic markets, a growing number of indices created to track stock performance in multiple countries and a desire by businesses to operate globally. Another important driver is the growth in global financial stock—including bank deposits, government and private debt securities and equities. Global financial stocks reached US$140 trillion in 2005, an increase of US$7 trillion from the previous year.[3] A recent McKinsey & Company survey showed that companies have increasing exposure to foreign financial markets. Over half of the executives polled report their company's exposure to foreign markets has increased over the last three years and two-thirds believe it will increase in the next three years.[4]

New listings and order flow are increasingly generated outside established markets. While the leading exchanges are obliged to fight harder than ever before to maintain their franchises, there is newly available market share to be gained abroad.

Newly competitive stock exchanges demutualize, go public and consolidate

As equity capital markets become increasingly global, the world's leading exchanges are attempting to diversify, expand, evolve and become more efficient through demutualization and consolidation. Demutualization is the process by which member-owned, or "mutual," exchanges convert to profit-driven, dividend-yielding public companies. The year 2006 saw numerous demutualizations within the US capital markets. After more than two centuries as a non-profit institution, the NYSE became a publicly traded entity with the completion of the NYSE/Archipelago merger. Also in 2006, the New York Board of Trade (NYBOT), the Chicago Board Options Exchange and the New York Mercantile Exchange all voted to begin the process of demutualization. NASDAQ began its demutualization process in 2000 to separate from its regulator and completed its first broad-based public offering in February 2005.

Intense competition has also led exchanges to seek consolidation. In particular, the several top exchanges that now operate as public companies face increasing pressure to grow revenues and capture market share—and exchange consolidation is viewed as one way to achieve expansion and improve liquidity. In their efforts to consolidate, exchanges are actively seeking to sign strategic alliances, merge and launch takeovers, modify prices and trading hours and sign cooperation and technological agreements. Increasing consolidation of equity markets is forecast to provide investors with a broader range of financial products and services at lower costs. At the same time, some analysts are concerned that large-volume markets could eventually lead to disproportionate pricing power.

NASDAQ made the first major move in global exchange consolidation by launching a bid for the London Stock Exchange in March 2006. While NASDAQ eventually amassed a 28.75% stake in the LSE, its buyout bid was rebuffed by the LSE. NASDAQ's stake in the LSE is seen as not being enough to complete the takeover but as being enough to block any other potential suitors. In 2007, NASDAQ made a US$3.7 billion offer for the OMX, a European stock exchange based in Stockholm, Sweden. The combination would create a global stock exchange with 4,000 listed companies from 39 countries with an aggregate market capitalization of US$5.5 trillion.

The NYSE joined the fray with a US$25 billion merger with Euronext that was approved by shareholders in December 2006, creating the first global exchange. NYSE Euronext brings together six cash equity exchanges in five countries and six derivatives exchanges. NYSE now owns 91.4% of Euronext. NYSE Euronext had a market value of US$25.81 billion immediately after the deal. NYSE Euronext will make trading across national

3. *Mapping the Global Capital Market: Third Annual Report*, McKinsey & Co, January 2007.
4. "An Executive Survey on Global Capital Markets," *McKinsey Quarterly*, January 2007.

boundaries easier through cross-listings, global indexes and exchange-traded funds.

The LSE announced a €1.63 billion (US$2.3 billion) deal to buy the Borsa Italiana in June 2007 that, if approved by shareholders, would create the third-largest exchange in terms of aggregate market value of listed companies, behind only the NYSE Euronext and the proposed NASDAQ-OMX.

Other exchange consolidation and alliance activity of note includes:

- The AU$2.3 billion merger of the Australian Securities Exchange and the Sydney Futures Exchange, completed in July 2006
- A January 2007 letter of intent between the NYSE Group and the Tokyo Stock Exchange to form an alliance that could lead to cross-holdings and cooperation in technology and cross-listings
- The 5% stake in the Singapore Stock Exchange taken by the Tokyo Stock Exchange for US$300 million in June 2007—the first such deal between Asian exchanges
- The merger of the Chicago Mercantile Exchange and the Chicago Board of Trade to form the world's largest derivative exchange, completed in July 2007.

Demutualization and exchange consolidation are changing regulatory architecture

Demutualization and exchange consolidation are changing the regulatory architecture of capital markets. In order to maintain quality and transparency, exchanges and securities issuers are subject to rigorous regulation. With international mergers, uncertainty over the jurisdiction of multiple regulating authorities has increased; so has the potential for overlapping requirements and the existence of different accounting standards.

Stock exchange consolidation is leading national governments to introduce measures that would "ring fence" local regulatory structures and insulate them from potential foreign incursions. Some analysts surmise that a national stock exchange under foreign ownership would make the domestic exchange subject to the acquirer's home country regulation. Fears of "regulatory creep" in the wake of NASDAQ's bid for the London Stock Exchange compelled the British Parliament to fast-track a new law that would give the Financial Service Authority (FSA) veto rights for any proposed rule changes to the UK's exchanges and clearing houses.[5]

From the exchanges' point of view, the aim of acquisitions is not to introduce new regulatory standards, but to augment their market power. Regulating an exchange with multinational operations can be complicated and requires increased communication among national regulatory authorities. The prospect of the NASDAQ/LSE deal prompted a good example of regulatory cooperation in action. The US Securities and Exchange Commission (SEC) and the UK FSA met and concluded that, should the acquisition be completed, the two exchanges would continue to operate under only their local regulations.

In the NYSE Euronext transaction, the parties went a step further. Recognizing the risk of extraterritorial regulation, NYSE Euronext has established a Delaware trust in the US and a Dutch foundation in Europe, each of which can assume control of aspects of the business and assets to shield listed companies on one side of the Atlantic from the regulatory reach of authorities on the other side. According to an NYSE Euronext SEC filing, the "Dutch foundation will be empowered to take actions to mitigate the effects of any material adverse change in US law that has an 'extraterritorial' impact on non-US issuers listed on Euronext markets," and the "Delaware trust will be empowered to take actions to mitigate the

5. Investment Exchanges and Clearing Houses Bill as introduced in the House of Commons on 16 November 2006.

effects of any material adverse change in European law that has an 'extraterritorial' impact on the non-European issuers listed on NYSE Euronext securities exchanges."[6]

Global exchange competition and consolidation challenge national regulatory authorities to find the right framework for multinational exchanges. As regulation has itself become a point of competition, policy makers are challenged to maintain high standards.

6. NYSE Euronext, SEC REGST filing, 24 April 2007.

Chapter 2

Stock market strategic focus

The world's top stock exchanges are increasingly competitive and increasingly beholden to public investors expecting growth. As a result, the exchanges are undertaking bold marketing initiatives, seeking to access foreign markets through acquisitions and alliances and attempting to differentiate themselves from the rest of the field. The following section assesses how the exchanges are positioning themselves and the strategic initiatives they are undertaking to win new listings.

Australian Securities Exchange

The main objective of the Australian Securities Exchange (ASX) is to maintain its dominance of the listings market in Australasia while encouraging more listings from Southeast Asia. Low listing costs and strong performance are the ASX's competitive advantages. Two-thirds of ASX constituents are small and medium-sized enterprises (SMEs) with market capitalization under AU$100 million.

The exchange recently introduced plans to increase liquidity for these companies. It has also undertaken an initiative to benchmark its pricing structure against other exchanges in the region with an emphasis on value. It plans to lower costs for SME capital raisings and increase prices for larger company transactions. In accordance with practices used in other Asian markets, the ASX may move from a volume-based pricing system to one in which fees would be driven by transaction values; however, the move might encounter resistance from the small group of institutional investors who provide a significant share of ASX liquidity.[1]

In 2005, the ASX introduced anonymous broker trading, an initiative that has boosted liquidity, particularly for the stocks in the Standard & Poor's/Australian Securities Exchange index, which make up more than three-fourths of the market's total value. Other recent initiatives undertaken by the exchange include the establishment of a secondary market similar to the London Stock Exchange's Alternative Investment Market (AIM), an idea first put forward in May 2006. ASX Managing Director Tony D'Aloisio said that two-thirds of the stocks trading on the ASX had market caps of AU$100 million or lower, indicating that there may be opportunities to serve these companies better.[2]

Perhaps due to its strong franchise domestically, the ASX has largely been uninterested in partnership, merger and takeover activities. Last year, it pulled out of an agreement with the Singapore Stock Exchange for the cross-trading of stocks for cost reasons. When it was signed in 2000, the deal was viewed as a landmark agreement that would increase liquidity and interest in the exchange markets, but it did not ultimately live up to expectations.

Despite maintaining its distance, the ASX is keeping its eye on events in the Asia-Pacific region. The exchange's chief executive noted that while "overseas developments have no immediate impact on ASX, we are watchful, because they send a message to us that we must constantly look to our own efficiencies and maintain our relative scale."[3]

Deutsche Börse (prime standard, general standard and entry standard)

Deutsche Börse brings a broad service offering to the exchange competition. It seeks to differentiate itself through a services portfolio that covers the entire process chain, including securities and derivatives trading, transaction settlement and the provision of market information, as well as the development and operation of electronic trading systems. With its process-oriented business model, Deutsche Börse strives to increase the efficiency of its capital markets: issuers benefit from low capital costs and investors enjoy the advantages of high liquidity and low transaction costs.

1. "Australia Exchange Pricing Gets Closer Look: Revenue boost may not sit well with big institutional brokers," *Securities Industry News*, November 2006.

2. "Attempt to build liquidity, Move on small players," *The Advertiser*, May 2006.

3. Addresses by the Chairman and Managing Director/CEO at ASX AGM, ASX Market Announcement, 29 September 2005, <www.asx.com>.

The main business areas of Deutsche Börse include:

- The Xetra trading platform and the FWB Frankfurter Wertpapierbörse (Frankfurt Stock Exchange)—fully electronic cash markets
- Eurex—a derivatives subsidiary that is one of the global market leaders in the trading and clearing of futures and options
- Clearstream—a subsidiary that provides integrated banking, custody and settlement services for the trading of fixed-interest securities and shares
- Market data and analytics—information service for listed companies and other market participants

Seeking to better compete with AIM for SME listings, the Deutsche Börse launched the Entry Standard on October 25, 2005, as a segment within its Open Market (Regulated Unofficial Market), providing an alternative to EU-regulated segments for companies seeking access to the capital markets. Like AIM, the Entry Standard is open to all companies wishing to include their shares in trading, while meeting few formal requirements. The Entry Standard has no sector focus, no minimal requirements as to the size of a company and only a minimum one-year age requirement. The Entry Standard is designed to be a simple, quick and cost-effective way for SMEs to access the capital markets through exchange-based trading.

Australian Securities Exchange vital statistics

Number of listed companies (2007): 1,826
Aggregate market capitalization (2007): US$1,273.7B
IPOs 2002–2006: 649, US$28.0B raised
Share of global IPOs 2002–2006: 10.3%
Share of global IPO proceeds 2002–2006: 4.6%

Top listed company (2006): BHP Billiton Ltd., US$72.7B market cap

Top IPO in 2006: Dyno Nobel Ltd., US$800.2M raised

IPOs 1H'07: 99, US$3.3B raised
Top IPO 1H'07: Boart Longyear Ltd., US$1.9B raised

Deutsche Börse vital statistics

(General, prime and entry standards)

Number of listed companies (2007): 834
Aggregate market capitalization (2007): US$3,644.6B
IPOs 2002–2006: 101, US$16.6B raised
Share of global IPOs 2002–2006: 1.6%
Share of global IPO proceeds 2002–2006: 2.8%

Top listed company (2006): E.On AG O.N., US$92.8B market cap
Agnico Eagle Mines Ltd., US$4.8B market cap (Entry Standard)

Top IPOs in 2006: Symrise AG, US$1.8B raised
Meuhlhan AG, US$60.0M raised (Entry Standard)

IPOs 1H'07: 25, US$4.5B raised
Top IPOs 1H'07: Gerresheimer AG, US$1.4B raised
STEICO Aktiengesellschaft, US$99M raised (Entry Standard)

Euronext

Euronext[4] was formed through the stock exchanges of Amsterdam, Brussels and Paris and has been expanded since to include the Lisbon exchange and LIFFE, the London derivatives exchange. Euronext also has cross-membership agreements with the Luxembourg exchange, the SWX Swiss exchange and the Warsaw exchange.

Euronext was set up with the intent of segmenting responsibility for different products across the original three markets. Contrary to plan, Paris has taken the lead in most areas. The exchanges use the French fully electronic share-trading system. Euronext is the preferred location for French privatizations, generating very large transactions such as the US$8.2 billion offering by Electricité de France (EDF) in 2005 or the $US1.6 billion offering by Aéroports de Paris in 2006.

Like the other major exchanges in our study, Euronext is seeking critical mass to be able to compete globally. Euronext made an unsuccessful bid for the London Stock Exchange in early 2005. In 2007, the NYSE and Euronext concluded a merger that is expected to give Euronext greater pulling power outside Europe. The merger can be seen as an indication of Euronext's increasing desire to attract IPOs from outside Europe. There is also speculation that Euronext will benefit substantially from increased liquidity as a result of this merger, without any additional regulatory requirements as a result of its US ownership.

Euronext is pursuing a strategy of diversification and expansion, adding new products and services and expanding internationally. In 2005, Euronext significantly reinforced its position in fixed income products by taking, in partnership with Borsa Italiana, a major stake in MTS, the largest electronic platform for debt instruments in Europe. The exchange has initiated a project to attract international listings both on Eurolist and on Alternext in the belief that the Eurozone (i.e., the European countries that chose to adopt the euro as their currency) is becoming increasingly attractive to international issuers.

Euronext.liffe took a further step toward greater international distribution of its LIFFE offering (now called Euronext.liffe) by launching its first hub in Asia—in Singapore—in October 2005. Further hubs are planned to extend the reach of LIFFE CONNECT, Euronext.liffe's electronic trading platform, to new customers around the world. Euronext has been working on system improvements similar to those put in place by the LSE, which the exchange calls its "Technological Enhancement Programme." Under a new platform, Euronext would be able to offer significantly increased speed and capacity in the execution of cash trades.[5]

In May 2005, the exchange also set up Alternext, a pan-European exchange for SMEs that competes with AIM. Helped by tax breaks in France, this junior board has been designed to provide more long-term value for institutional investors. Like AIM, Alternext offers SMEs a route to listing with fewer requirements and fees than the exchange's main board.

Hong Kong Stock Exchange

The Hong Kong Stock Exchange (HKEX) finds itself particularly well placed on the doorstep of the world's fastest-growing major economy, offering investors the opportunity to participate in China's developing economy growth through a sophisticated stock market with decades more experience than its counterparts on the mainland.

The HKEX benefits from its geographical proximity to mainland China, its relatively less stringent corporate governance requirements and the favor of the Chinese government when privatizing state-owned enterprises (SOEs). As a result of these factors, the HKEX has hosted the world's largest IPOs for two years running—the China Construction Bank, a former SOE that

4. New part of NYSE Euronext as a result of the merger consummated in March 2007.

5. "Euronext To Offer Faster Equities Trading From 2007," *Exchange News Direct*, 14 December 2006.

raised US$9.2 billion in October of 2005, and the Industrial and Commercial Bank of China, another former SOE, that raised US$16.1 billion in Hong Kong out of a total US$21.9 billion in October 2006. The HKEX has clearly benefited from the Chinese government's desire to keep the public offerings of its Big Four financial institutions close to home. However, despite consolidation trends in Europe, the Hong Kong Stock Exchange's leadership has made it clear that no acquisition or merger partner is currently being sought.[6]

Chinese companies believe that the Hong Kong exchange offers significant advantages over its US rivals. Hong Kong is closer, cheaper and culturally easier for mainland China executives. Its listing standards are respectably high, but not as strict as those in the US. Indeed, the HKEX is intent on not allowing a regulatory system similar to that of the US to creep into its market. The chief executive of the HKEX, Paul Chow Man-Yiu, has said that the Hong Kong stock exchange should not introduce the same regulatory standards imposed on listed companies in the United States.[7]

The HKEX has not employed aggressive marketing strategies as the major US exchanges have. It is seeking to loosen its listing rules and launch a commodity futures market to attract more listings and broaden its businesses as part of an effort to maintain its status as Asia's financial hub. Currently, only companies registered in Hong Kong, mainland China, Bermuda and the Cayman Islands can apply to list in the city. The HKEX is seeking to change this rule so that it can list companies domiciled in other Asia-Pacific countries, such as Australia, in an effort to reduce its reliance on China.

While Hong Kong has long been a haven for Chinese IPOs, the mainland China stock exchanges, notably the Shanghai Stock Exchange, are starting to provide some competition as they increase their capacity and add to their portfolios of services.

6. "HK exchange's future rests on China link," *South China Morning Post*, 3 October 2006.

7. "Regulatory standards should not be as strict as US: HK EX," *Business Times Singapore*, 30 September 2005.

Euronext vital statistics
(Eurolist and Alternext)

Number of listed companies (2007): 1,388
Aggregate market capitalization (2007): US$10,908.7B
IPOs 2002–2006: 169, US$54.5B raised
Share of global IPOs 2002–2006: 2.7%
Share of global IPO proceeds 2002–2006: 8.9%

Top listed companies (2006): Total, US$179.0B market cap
Poweo, US$388M market cap (Alternext)

Top IPOs in 2006: Natixis, US$5.3B raised
Environnement SA, US$29.0M raised (Alternext)

IPOs 1H'07: 42, US$2.8B raised
Top IPO 1H'07: Rexel, US$1.4B raised
Vergent SA, US$45M raised (Alternext)

Hong Kong Stock Exchange vital statistics

Number of listed companies (2007): 979
Aggregate market capitalization (2007): US$1,729.1B
IPOs 2002–2006: 236, US$78.9B raised
Share of global IPOs 2002–2006: 3.7%
Share of global IPO proceeds 2002–2006: 12.9%

Top listed company (2006): HSBC, US$211.1B market cap

Top IPO in 2006: Industrial & Commercial Bank of China, US$21.9B raised (amount includes $5.9B raised in Shanghai)

IPOs 1H'07: 30, US$14.7B raised
Top IPO 1H'07: China CITIC Bank, US$5.9B raised

Nonetheless, Hong Kong will likely remain the first choice for Chinese companies that would like to be listed on an international and world-class stock exchange.[8]

London Stock Exchange

The LSE has invested considerable resources in a four-part "Technology Road Map," a program intended to bring the exchange's trading technology into the next generation. The most recent step has been the deployment of the Infolect market data system, an improvement that has reduced the average speed of trade execution to two milliseconds, about 15 times faster than previously. LSE CEO Clara Fuse said that the heightened speed is critical for the LSE to remain competitive globally. The exchange is also focusing on lowering the costs of its technology for customers.[9]

Like the NYSE Euronext and NASDAQ, the LSE is going global, targeting China, Russia and India as key markets for new listings. This strategy has already paid off with several large Russian energy listings in 2006. Special emphasis is being placed on China. To attract more mainland listings, the LSE opened a representative office in Hong Kong in October of 2004 and envisions a presence on the mainland as well.[10] The LSE's foremost competitors for Chinese business are the US exchanges. In this competition, the LSE claims the UK regulatory structure as a key advantage: companies listing in the UK must observe high standards of corporate governance but do not have to comply with the potentially costly requirements of the US Sarbanes-Oxley Act.

As a result of the perceived regulatory advantage, there is some concern—perhaps overblown—in the London business community that the LSE could be exposed to "regulatory creep" should NASDAQ be successful in its bid, causing UK-listed companies to come under the purview of the US Securities and Exchange Commission. The SEC and the UK Financial Services Authority met to discuss the potential NASDAQ/LSE merger and both concluded that UK companies would not be exposed to US regulations.

AIM has flourished, thanks to its low threshold for entry, flexible corporate governance regime, vigorous marketing campaign and host of nominated advisors (Nomads) bringing new companies to the exchange. Low listing costs—both in terms of exchange fees and regulatory compliance expense—have been the main theme of AIM's marketing campaign. AIM has also targeted specific sectors, such as the mining and natural resource industries (mining companies now make up nearly a fifth of AIM's market cap), which are benefiting from a boom in commodities prices as a result of demand from the industrializing nations of Asia. AIM has been successful in attracting non-UK companies seeking to go public. Of the 195 IPOs on AIM in 2006, 69 were completed by foreign firms.

NASDAQ

NASDAQ is the largest US electronic stock market in terms of shares traded and is home to leading companies across all industry sectors, such as Microsoft, Intel, Google, Oracle, Nokia, K-Swiss, Carlsberg, Starbucks and Staples. Over the past decade, it has listed far more companies than any other exchange in our study. Although it made its initial reputation as a growth-company exchange, NASDAQ today offers a market tier with arguably the highest listing standards—the NASDAQ Global Select Market—to provide a platform for mature, blue-chip companies.

The world's first electronic stock market, NASDAQ has strived to maintain its reputation as the leader in exchange technology—it offers trading speed of less than one millisecond and trades more shares than any other US exchange. The exchange has made client services another key point of differentiation and has developed a number of offerings to assist listed companies with investor relations, equity research, risk management, corporate

8. *Accelerating Growth: Global IPO Trends Report 2006*, Ernst & Young.
9. "Headlong Scramble for Speed," *Financial Times*, 28 November 2006.
10. "London Stock Exchange Wants To Attract China Bks-Official," *Dow Jones International News*, 14 April 2006.

governance and other post-listing needs. NASDAQ also considers its listing cost structure to be a competitive advantage.

NASDAQ has actively pursued the opportunities created by the globalization of equity capital markets. Its benchmark indices have been traded since 1999 and are licensed in 37 countries. It made the first move toward trans-Atlantic exchange consolidation with an unsuccessful bid for the LSE that opened in March 2006 and ended in February 2007 with NASDAQ owning 28.75% of the London exchange. NASDAQ can resume its pursuit of the LSE after a mandated waiting period, however.

Later in 2007, NASDAQ made a $3.7 billion offer for the OMX, an exchange based in Sweden. With 4,000 companies in 39 countries, NASDAQ-OMX would average 7.4 million trades with a value of over $60 billion daily. This transaction supports NASDAQ's vision of the stock exchange of the 21st century as an electronic data network that gains greater efficiency through expanded scale and scope.[11]

Bruce Aust, executive vice president of NASDAQ's Corporate Client Group, notes that NASDAQ is expanding its listing business development outside the US with a focus on China.[12] In mid- to late-2006, NASDAQ signed a memorandum of understanding with several provinces in China, as well as with the Shanghai Stock Exchange, to develop channels of communication and forge an ongoing relationship and exchange of information. In 2007, NASDAQ bolstered its senior staff in China to develop relationships with potential issuers and launched the NASDAQ China Index (Nasdaq:CHNX), which tracks the performance of the largest Chinese companies whose securities are listed and actively traded in the US.

Plans for the future include the introduction of an equity and index options market in the third quarter of 2007, pending approval from the SEC. The exchange plans to operate a fully automated, price/time priority market with an opportunity for price improvement that provides a level playing field to

11. "Cross-Border Exchange Mergers," Statement of Adena Friedman, Executive Vice President, NASDAQ Stock Market, to the Senate Committee on Banking, Housing and Urban Affairs, 12 July 2007.
12. *Globalization: Global IPO Trends Report 2007*, Ernst & Young.

London Stock Exchange vital statistics
(Main Board and AIM)

Number of listed companies (2007): 3,081
Aggregate market capitalization (2007): US$8,458.2B

IPOs 2002–2006: 778, US$83.6B raised
Share of global IPOs 2002–2006: 12.3%
Share of global IPO proceeds 2002–2006: 13.7%

Top Listed Companies (2006):
Royal Dutch Shell, US$231.1B market cap
Yamana Gold Inc., US$4.4B market cap (AIM)

Top IPOs in 2006: Rosneft, US$10.7B raised
Unitech Corporate Parks Plc, US$713M raised (AIM)

IPOs 1H'07: 97, US$24.3B raised
Top IPOs 1H'07: VTB Bank, US$8.0B raised
Dawnay Day Sirius Ltd., US$405M raised (AIM)

NASDAQ vital statistics

Number of listed companies (2007): 3,175
Aggregate market capitalization (2007): US$4,833.0B

IPOs 2002–2006: 488, US$55.1B raised
Share of global IPOs 2002–2006: 7.7%
Share of global IPO proceeds 2002–2006: 9.0%

Top listed company (2006): Microsoft, US$293.5B market cap

Top IPO in 2006: Melco PBL Entertainment (Macau) Ltd., US$1.3B raised

IPOs 1H'07: 81, US$13.1B raised
Top IPO 1H'07: Interactive Brokers Group, Inc., US$1.2B raised

all participants. NASDAQ entered the options market in April 2006 with its announcement that it would provide connectivity and order routing to options exchanges. NASDAQ will continue to offer routing to competing exchanges through its options trading platform.

New York Stock Exchange (NYSE Euronext)

The NYSE Euronext positions itself as the global leader among exchanges. The world's largest and most liquid equities marketplace, the exchange looks to maintain its brand image as the "gold standard," both in terms of listing standards and the blue-chip companies it hosts.

Like all the major exchanges, NYSE Euronext has been challenged in recent years by the maturing of national exchanges from Mumbai to Milan that can now tap large local pools of capital to accommodate large offerings and have the infrastructure to support the swelling numbers of initial public offerings generated by global economic growth.

To be able to participate in the growth of listings outside the United States, the NYSE made a merger proposal to the Euronext stock exchange valued in the neighborhood of US$10 billion in June 2005. The merger, which was approved by Euronext shareholders and became effective in the first quarter of 2007, gives the new NYSE Euronext greater geographic and product diversification. The marriage of the NYSE and Euronext creates the world's first intercontinental market, with a combined value of listed companies of about €21 trillion (US$26 trillion). The resulting new exchange covers more time zones than any other and will trade in two of the world's main currencies, dollars and euros, making it easier for investors to trade securities listed on any of the seven constituent exchanges of the new group.

Furthering its goal of globalization, the NYSE Euronext announced a strategic alliance with the Tokyo Stock Exchange in January 2007. NYSE Euronext CEO John Thain said that the alliance will create the "world's first truly global marketplace."[13] The January 2007 alliance between NYSE and the Tokyo Stock Exchange will prioritize the mutual listing of REITs and exchange-traded funds, simplify the screening of companies listed on one exchange going public on the other and establish a system that delivers stock and corporate financial data to investors, as well as a trading system that connects the exchanges with securities firms.

In another global move, the NYSE, along with a group of private equity investors, paid US$115 million for a 5% stake in the National Stock Exchange of India in January 2007.

The NYSE Euronext has recently been taking a much more proactive approach to encourage listings from abroad. It maintains offices in Hong Kong, London and Tokyo and is expanding its presence in mainland China with an office in Beijing. The NYSE Euronext has also reportedly been targeting Russian and Israeli firms for new listings. The exchange is going where the growth is and is competing with regional exchanges head to head.

Although known for its large, blue-chip, listed companies, the NYSE Euronext is diversifying with a move for the SME market through NYSE Arca, its online securities exchange for both stocks and options. With fewer listing requirements and lower fees, NYSE Arca provides a venue for companies to list and trade securities that do not initially qualify to list under the NYSE listing standards.

Singapore Stock Exchange

Supported by an efficiently regulated and market-oriented regime, the Singapore Stock Exchange (SGX) has built a niche for itself as a destination for Asian listings (other than Japanese, Korean and Chinese companies that typically opt to list on their domestic exchanges). In particular, the SGX is attractive to Asian companies from countries that do not have globally recognized bourses. It

13. "Closely Watched Partnership: NYSE, Tokyo Exchange Already Tight," *Securities Industry News*, 5 February 2007.

has also been highly successful in attracting private (non-state-owned) Chinese enterprises.

For the Chinese companies that do opt to list abroad, the SGX is well positioned as a springboard into Asia, given the cultural familiarity and the economic cooperation between China and Singapore. The SGX's aggressive strategy to encourage Chinese listings can be seen in its collaborations with selected Chinese provincial and municipal authorities, including Liaoning, Zhejiang, Shandong and Wuxi. To maintain its competitive edge, the SGX recently proposed to focus the main board on size and quality while transforming the SESDAQ, the SGX junior board, into a new sponsor-supervised board to target both local and foreign growth companies.

The SGX has been active in developing alliances with regional exchanges to offer a wider network of marketplaces and recently announced two major cross-border initiatives. In mid-January 2007, the SGX was the only Asian exchange formally to indicate its interest in acquiring a 26% share in the Bombay Stock Exchange. The other three exchanges bidding on the share—the NASDAQ, the LSE and the Deutsche Börse—are based in North America and Europe.

The second initiative involved a memo of understanding between the SGX and the Abu Dhabi Securities Market, an exchange based in the United Arab Emirates. The details of the agreement are not public, but both markets say that the understanding will concern areas such as cross-border trades and clearing processes.

SGX Chief Executive Hsieh Fu Hua confirmed in late January 2007 that the exchange is in the process of negotiating a third cross-border agreement, this time with the Bursa Malaysia. Hsieh says that the two exchanges are pursuing the possibility of a shared trading platform but no equity purchases have been planned.

Currently, the SGX's most significant international alliance is JADE (Joint Asian Derivatives Exchange), a joint venture with the Chicago Board of Trade (CBOT). JADE allows both exchanges to offer products and services via a single global platform.

There has also been some speculation about a proposed merger between NASDAQ and the SGX. Although nothing concrete has

New York Stock Exchange vital statistics

Number of listed companies (2007): 2,122
Aggregate market capitalization (2007): US$23,963.1B

IPOs 2002–2006: 232, US$106.8B raised
Share of global IPOs 2002–2006: 3.7%
Share of global IPO proceeds 2002–2006: 17.5%

Top listed company (2006):
Exxon Mobil, US$612.4B market cap

Top IPO in 2006: MasterCard Inc., US$2.6B raised

IPOs 1H'07: 5, US$12.7B raised
Top IPO 1H'07: Blackstone Group LP, US$4.1B raised

Singapore Stock Exchange vital statistics

Number of listed companies (2007): 688
Aggregate market capitalization (2007): US$420.2B

IPOs 2002–2006: 217, US$ 7.6B raised
Share of global IPOs 2002–2006: 3.4%
Share of global IPO proceeds 2002–2006: 1.2%

Top listed company (2006): Singapore Telecom,
US$34.1B market cap

Top IPO in 2006: Thai Beverage plc, US$983.3M raised

IPOs 1H'07: 17, US$1.6B raised
Top IPO 1H'07: Yangzijiang Shipbuilding Ltd., US$709M raised

emerged, the SGX did leave the door open for a possible linkage, saying that it was open to considering the merits of working with like-minded partners.

Tokyo Stock Exchange

The Tokyo Stock Exchange (TSE) seeks to be a regional leader and world competitor, promoting itself as a prestigious place to list, with high liquidity and the latest efficient technology. Like the world's other major exchanges, it wants to participate in the IPO action being generated by China and other fast-growing countries in Asia to boost its revenues. With a constituent base that is nearly 99% Japanese, the TSE is also in need of diversification.

The TSE has been slow to operate competitively on the Far Asian markets, however, losing out to the Hong Kong bourse. The TSE hosted its first Chinese IPO—Xinhua Finance Ltd., which is affiliated with China's national news agency—a little over two years ago.

The TSE's junior market, the Mothers Board, has been a source of distraction recently. In the wake of scandals involving some companies listed on the Mothers section, the TSE has received instructions from Japan's Financial Services Agency to review its screening procedures. As a result, the TSE is expected to spend more time than ever examining listing applications. Local exchanges such as the JASDAQ and Osaka Securities Exchange are poised to seize this opportunity to emphasize their easier access for start-up companies.

The TSE recognizes the need to develop a global presence. The TSE and NYSE concluded a strategic alliance that includes mutual listings, data sharing and a connected trading system. Tokyo has one of the largest rosters of agreements with exchanges outside of Japan, at 13 (a count that was computed before the NYSE Euronext agreement was announced). In the last few months, Tokyo extended a three-year arrangement with the Shenzhen Stock Exchange, a Chinese market somewhat smaller than the Shanghai Stock Exchange.[14]

Despite various initiatives to boost its global presence, Tokyo continues to struggle with a reputation for technological instability in the wake of three large-scale system failures in recent years, one of which caused the Japanese financial conglomerate Mizuho Financial to lose more than US$330 million. Tokyo Stock Exchange President and Chief Executive Taizo Nishimuro addressed the reputation issue in an extended interview with the *Financial Times* in the summer of 2006. Nishimuro said that Tokyo had implemented multiple waves of technological upgrades since the crashes and that the possibility of a fourth crisis was remote.

▸ Tokyo Stock Exchange vital statistics

Number of listed companies (2007): 2,381
Aggregate market capitalization (2007): US$4,786.5B

IPOs 2002–2006: 105, US$30.0B raised
Share of global IPOs 2002–2006: 1.7%
Share of global IPO proceeds 2002–2006: 4.9%

Top listed company (2006): Toyota, US$237.0B market cap

Top IPO in 2006: Aozora Bank Ltd., US$3.2B raised

IPOs 1H'07: 6, US$0.4B raised
Top IPO 1H'07: Yachiyo Bank, US$133M raised

14. "Tokyo exchange expands alliance with Shenzhen," *Wall Street Journal Asia*, 9 August 2006.

Chapter 3

Stock exchange profiles

Overview

In the following chapter, we profile the stock exchanges in our study on several key measures related to currently listed companies and IPOs. For currently listed companies, we look at number, market capitalization, industry and corporate domicile. In terms of IPOs, we have analyzed the number of new listings[1] on the exchanges in the period 2002–2006. IPO measures include number, capital raised, industry and geographic origin of listing company.

Dominant share of global IPO transactions and capital raised

The 10 exchanges in our study hosted 2,975 IPOs that raised US$461.4 billion between 2002 and 2006–47.1% of the world's IPO transactions and 75.4% of global capital raised. The table below indicates the number of IPOs and capital raised on each exchange during this period, as well as each exchange's global share of IPO activity.

Table 1: share of global IPOs 2002–2006

Exchange	No. IPOs 2002–2006	% global IPOs 2002–2006	Amount raised (US$ B)	% global IPO proceeds
Alternative Investment Market	651	10.3%	$20.2	3.3%
Australian Securities Exchange	649	10.3%	$28.0	4.6%
Deutsche Börse*	64	1.0%	$16.3	2.7%
Entry Standard	37	0.6%	$0.6	0.1%
Euronext**	95	1.5%	$53.5	8.7%
Alternext	74	1.2%	$1.0	0.2%
Hong Kong Stock Exchange	236	3.7%	$78.9	12.9%
London Stock Exchange	127	2.0%	$63.4	10.4%
NASDAQ	488	7.7%	$55.1	9.0%
New York Stock Exchange	232	3.7%	$106.8	17.5%
Singapore Stock Exchange	217	3.4%	$7.6	1.2%
Tokyo Stock Exchange	105	1.7%	$30.0	4.9%
Total	2,975	47.1%	$461.4	70.2%
Rest of World	3,924	53.5%	$195.7	29.8%
Total	6,399	100.0%	$657.1	100.0%

Source: Ernst & Young IPO database/Dealogic
**Deutsche Börse includes General and Prime Standards*
***Euronext includes Eurolist*

1. For the purpose of this publication, we have taken an IPO to be a company's first offering of equity to the public and the first approach to market by that company. Offerings by companies that have previously withdrawn an IPO are therefore excluded. Companies that are listed on more than one market have had their IPOs counted for each exchange that they are present on.

IPO transaction size

As would be expected, the size of IPO varies greatly among the stock exchanges in our study, reflecting differences in the economies of the markets they serve, as well as differences in their own market focus. In the period 2002–2006, the median amount raised ranged from US$4.5 million for the Australian Securities Exchange to US$269.9 million for the NYSE.

Table 2: IPOs 2002–2006-percentile distribution of amount raised (US$M)

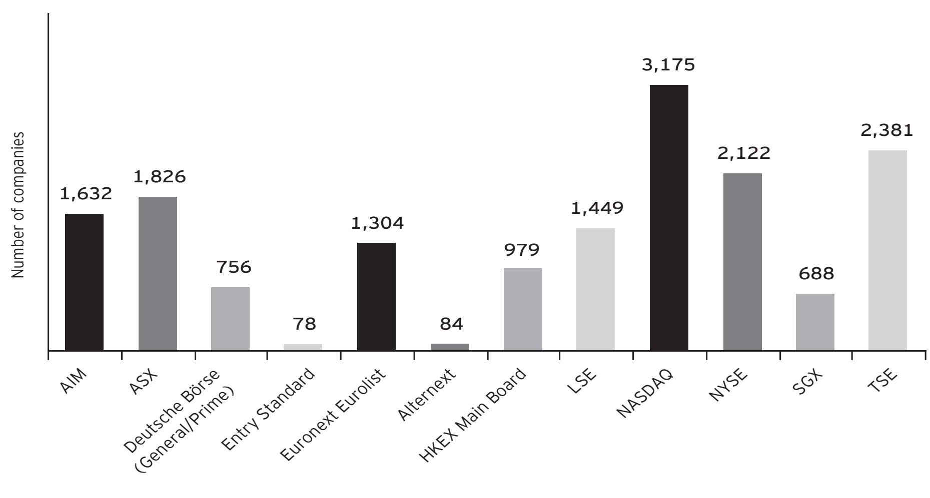
Quartile	25th Percentile	Median	75th Percentile
Alternative Investment Market	$3.2	$9.2	$25.1
Australian Securities Exchange	$2.6	$4.5	$15.6
Deutsche Börse*	$25.4	$86.2	$326.0
Entry Standard	$4.4	$9.4	$20.7
Euronext**	$30.4	$86.0	$540.9
Alternext	$5.8	$9.0	$14.0
Hong Kong Stock Exchange	$9.6	$32.5	$153.1
London Stock Exchange	$71.0	$196.5	$520.9
NASDAQ	$47.9	$82.8	$131.2
New York Stock Exchange	$175.3	$269.9	$509.2
Singapore Stock Exchange	$5.5	$10.9	$23.5
Tokyo Stock Exchange	$20.5	$50.6	$177.3

Source: Ernst & Young IPO database/Dealogic

Number of listed companies

Among the exchanges in our study, the number of companies trading equities ranged from 688 for the Singapore Stock Exchange to 3,175 for NASDAQ.[2]

Figure 1: number of listed companies-2007

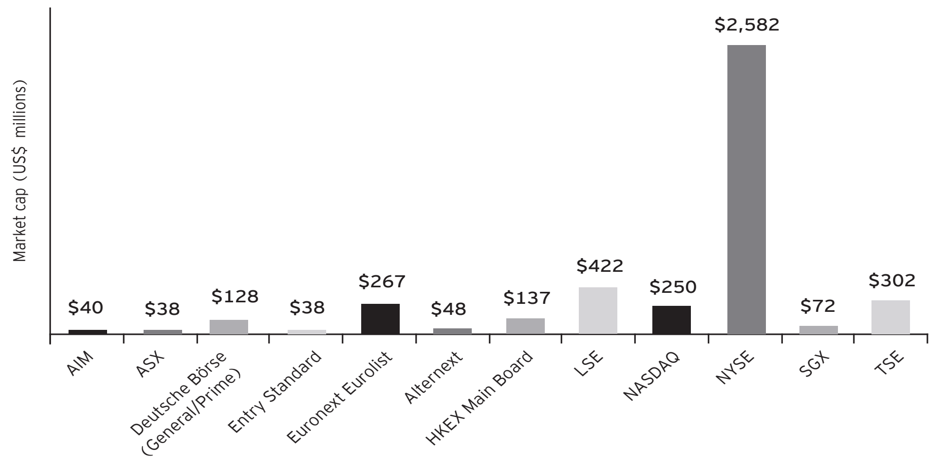


2. Number of listed companies includes dual or cross-listings.

Market capitalization of listed companies

The median market capitalization varies greatly among the exchanges in our study (see Figure 2). NYSE listed companies have the highest median market capitalization by far at US$2.6 billion. AIM, the Deutsche Börse Entry Standard, Eurnonext's Alternext, and the Singapore Stock Exchange fall into a group with a median company market capitalization of under US$100 million. The remaining exchanges create a middle group with a median company market capitalization between US$100 million and US$500 million.[3]

Figure 2: median market capitalization of listed companies-2007



Top listed companies' market capitalization

Table 3, below, indicates the top company on each exchange in terms of market capitalization at the end of 2006. Poweo, the French independent gas and electricity operator listed on the Alternext, marks the bottom end of the range with a market capitalization of US$338 million. Exxon Mobil, listed on the NYSE, has the largest market capitalization—US$612 billion—of any company listed on these exchanges.

Table 3: top listed companies by market capitalization (2006)

Exchange	Company	Market capitalization (US$M)
Alternative Investment Market	Yamana Gold Ltd.	$4,355
Australian Securities Exchange	BHP Billiton Ltd.	$72,739
Deutsche Börse	E.On AG O.N.	$92,803
Entry Standard	Agnico Eagle Mines Ltd.	$4,829
Euronext	Total	$179,015
Alternext	Poweo	$338
Hong Kong Stock Exchange	HSBC	$211,056
London Stock Exchange	Royal Dutch Shell	$231,081
NASDAQ	Microsoft	$293,540
New York Stock Exchange	Exxon Mobil	$612,400
Singapore Stock Exchange	Singapore Telecom	$34,137
Tokyo Stock Exchange	Toyota Motor	$236,975

Source: The Handbook of World Stock, Derivative and Commodity Exchanges, Mondo Visione Ltd., March 2007.

3. See Note on methodology, p. 41, for information on sources and calculation dates.

Listed companies by industry

The following tables provide a breakdown of the exchanges' listed companies by industry, both in terms of number of listed companies in a given sector and the aggregate market capitalization of the companies in a given sector.

Percentage totals may not equal 100% due to rounding.

Australian Securities Exchange listed companies by industry—2007

Sector	No. listed companies	% listings	Market capitalization US$B	% market capitalization
Consumer Products and Services	95	5.2%	$21.3	1.7%
Consumer Staples	73	4.0%	$45.9	3.6%
Energy and Power	174	9.5%	$77.4	6.1%
Financials	275	15.1%	$409.1	32.1%
Healthcare	118	6.5%	$38.3	3.0%
High Technology	127	7.0%	$9.0	0.7%
Industrials	162	8.9%	$131.8	10.3%
Materials	598	32.7%	$317.4	24.9%
Media and Entertainment	64	3.5%	$81.4	6.4%
Real Estate	49	2.7%	$44.1	3.5%
Retail	40	2.2%	$51.3	4.0%
Telecommunications	51	2.8%	$46.8	3.7%
Total	1,826	100.0%	$1,273.7	100.0%

Deutsche Börse general/prime standard listed companies by industry—2007

Sector	No. listed companies	% listings	Market capitalization US$B	% market capitalization
Consumer Products and Services	57	7.5%	$105.4	2.9%
Consumer Staples	49	6.5%	$343.9	9.5%
Energy and Power	21	2.8%	$466.5	12.8%
Financials	101	13.4%	$741.2	20.4%
Healthcare	45	6.0%	$124.4	3.4%
High Technology	183	24.2%	$299.2	8.2%
Industrials	117	15.5%	$516.6	14.2%
Materials	51	6.7%	$418.9	11.5%
Media and Entertainment	55	7.3%	$20.4	0.6%
Real Estate	33	4.4%	$34.8	1.0%
Retail	21	2.8%	$17.9	0.5%
Telecommunications	23	3.0%	$546.1	15.0%
Total	756	100.0%	$3,635.3	100.0%

Deutsche Börse entry standard listed companies by industry—2007

Sector	No. listed companies	% listings	Market capitalization US$B	% market capitalization
Consumer Products and Services	2	2.6%	$0.1	1.0%
Energy and Power	5	6.4%	$0.5	5.5%
Financials	16	20.5%	$1.2	12.4%
Healthcare	3	3.8%	$0.2	1.8%
High Technology	22	28.2%	$1.1	11.6%
Industrials	5	6.4%	$0.4	4.3%
Materials	4	5.1%	$5.1	54.7%
Media and Entertainment	7	9.0%	$0.2	2.3%
Real Estate	6	7.7%	$0.4	4.1%
Retail	1	1.3%	$0.0	0.3%
Telecommunications	7	9.0%	$0.2	2.0%
Total	78	100.0%	$9.3	100.0%

Euronext Eurolist listed companies by industry—2007

Sector	No. listed companies	% listings	Market capitalization US$B	% market capitalization
Consumer Products and Services	44	3.4%	$238.4	2.2%
Consumer Staples	121	9.3%	$1,135.5	10.4%
Energy and Power	59	4.5%	$2,063.8	18.9%
Financials	185	14.2%	$2,807.5	25.7%
Healthcare	65	5.0%	$425.7	3.9%
High Technology	222	17.0%	$466.1	4.3%
Industrials	199	15.3%	$1,576.8	14.5%
Materials	121	9.3%	$969.9	8.9%
Media and Entertainment	105	8.1%	$277.5	2.5%
Real Estate	76	5.8%	$95.0	0.9%
Retail	62	4.8%	$194.5	1.8%
Telecommunications	45	3.5%	$652.7	6.0%
Total	1,304	100.0%	$10,903.5	100.0%

Euronext Alternext listed companies by industry—2007

Sector	No. listed companies	% listings	Market capitalization US$B	% market capitalization
Consumer Product and Services	16	19.0%	$1.0	19.6%
Consumer Staples	3	3.6%	$0.1	2.7%
Energy and Power	4	4.8%	$0.5	9.6%
Financials	2	2.4%	$0.1	1.5%
Healthcare	5	6.0%	$0.7	12.5%
High Technolgy	31	36.9%	$1.3	25.6%
Industrials	6	7.1%	$0.4	7.6%
Materials	1	1.2%	$0.1	1.3%
Media and Entertainment	10	11.9%	$0.6	11.5%
Real Estate	2	2.4%	$0.3	5.5%
Retail	2	2.4%	$0.1	1.2%
Telecommunications	2	2.4%	$0.1	1.3%
Total	84	100.0%	$5.2	100.0%

Hong Kong Stock Exchange main board listed companies by industry—2007

Sector	No. listed companies	% listings	Market capitalization US$B	% market capitalization
Consumer Products and Services	80	8.2%	$19.6	1.1%
Consumer Staples	112	11.4%	$90.5	5.2%
Energy and Power	36	3.7%	$147.5	8.5%
Financials	129	13.2%	$708.9	41.0%
Government and Agencies	2	0.2%	$0.6	0.0%
Healthcare	31	3.2%	$5.8	0.3%
High Technology	114	11.6%	$27.2	1.6%
Industrials	162	16.5%	$135.2	7.8%
Materials	84	8.6%	$61.0	3.5%
Media and Entertainment	53	5.4%	$27.0	1.6%
Real Estate	93	9.5%	$180.5	10.4%
Retail	49	5.0%	$62.3	3.6%
Telecommunications	34	3.5%	$263	15.2%
Total	979	100.0%	$1,729.1	100.0%

London Stock Exchange main board listed companies by industry—2007

Sector	No. listed companies	% listings	Market capitalization US$B	% market capitalization
Consumer Products and Services	195	13.5%	$848.7	10.3%
Consumer Staples	55	3.8%	$297.0	3.6%
Energy and Power	60	4.1%	$1,261.2	15.3%
Financials	657	45.3%	$2,261.7	27.3%
Healthcare	50	3.5%	$430.8	5.2%
High Technology	86	5.9%	$224.9	2.7%
Industrials	128	8.8%	$1,157.4	14.0%
Materials	72	5.0%	$799.5	9.7%
Media and Entertainment	54	3.7%	$279.9	3.4%
Retail	62	4.3%	$259.6	3.1%
Telecommunications	30	2.1%	$449.2	5.4%
Total	1,449	100.0%	$8,269.9	100.0%

London Stock Exchange AIM listed companies by industry—2007

Sector	No. listed companies	% listings	Market capitalization US$B	% market capitalization
Consumer Products and Services	186	11.4%	$13.7	7.3%
Consumer Staples	40	2.5%	$3.2	1.7%
Energy and Power	120	7.4%	$23.5	12.5%
Financials	262	16.1%	$32.8	17.4%
Healthcare	114	7.0%	$9.5	5.0%
High Technology	213	13.1%	$14.7	7.8%
Industrials	99	6.1%	$7.1	3.8%
Materials	240	14.7%	$40.8	21.6%
Media and Entertainment	157	9.6%	$11.9	6.3%
Real Estate	89	5.5%	$20.7	11.0%
Retail	65	4.0%	$8.0	4.2%
Telecommunications	47	2.9%	$2.6	1.4%
Total	1,632	100.0%	$188.3	100.0%

NASDAQ listed companies by industry—2007

Sector	No. listed companies	% listings	Market capitalization US$B	% market capitalization
Consumer Products and Services	256	8.1%	$242.6	5.0%
Consumer Staples	88	2.8%	$47.4	1.0%
Energy and Power	112	3.5%	$98.3	2.0%
Financials	715	22.5%	$1,008.0	20.9%
Government and Agencies	2	0.1%	$0.3	0.0%
Healthcare	520	16.4%	$483.3	10.0%
High Technology	635	20.0%	$1,664.7	34.4%
Industrials	275	8.7%	$348.1	7.2%
Materials	99	3.1%	$170.8	3.5%
Media and Entertainment	153	4.8%	$182.3	3.8%
Real Estate	27	0.9%	$5.1	0.1%
Retail	114	3.6%	$256.5	5.3%
Telecommunications	179	5.6%	$325.7	6.7%
Total	3,175	100.0%	$4,833.0	100.0%

NYSE listed companies by industry—2007

Sector	No. listed companies	% listings	Market capitalization US$B	% market capitalization
Consumer Products and Services	176	8.3%	$990.8	4.1%
Consumer Staples	122	5.7%	$1,187.7	5.0%
Energy and Power	303	14.3%	$4,181.4	17.4%
Financials	312	14.7%	$5,568.2	23.2%
Healthcare	123	5.8%	$2,294.4	9.6%
High Technology	133	6.3%	$1,299.8	5.4%
Industrials	288	13.6%	$2,226.9	9.3%
Materials	213	10.0%	$1,692.5	7.1%
Media and Entertainment	134	6.3%	$935.6	3.9%
Real Estate	141	6.6%	$434.4	1.8%
Retail	88	4.1%	$862.6	3.6%
Telecommunications	89	4.2%	$2,289.0	9.6%
Total	2,122	100.0%	$23,963.1	100.0%

Singapore Stock Exchange listed companies by industry—2007

Sector	No. listed companies	% listings	Market capitalization US$B	% market capitalization
Consumer Products and Services	48	7.0%	$14.3	3.4%
Consumer Staples	65	9.4%	$36.5	8.7%
Energy and Power	28	4.1%	$6.5	1.5%
Financials	50	7.3%	$101.3	24.1%
Government and Agencies	1	0.1%	$4.3	1.0%
Healthcare	23	3.3%	$3.3	0.8%
High Technology	104	15.1%	$13.8	3.3%
Industrials	161	23.4%	$86.4	20.6%
Materials	84	12.2%	$10.7	2.5%
Media and Entertainment	35	5.1%	$23.7	5.6%
Real Estate	29	4.2%	$52.8	12.6%
Retail	39	5.7%	$23.0	5.5%
Telecommunications	21	3.1%	$43.7	10.4%
Total	688	100.0%	$420.2	100.0%

Tokyo Stock Exchange listed companies by industry—2007

Sector	No. listed companies	% listings	Market capitalization US$B	% market capitalization
Consumer Products and Services	183	7.7%	$500.3	10.5%
Consumer Staples	218	9.2%	$422.9	8.8%
Energy and Power	90	3.8%	$114.9	2.4%
Financials	163	6.8%	$371.3	7.8%
Healthcare	53	2.2%	$46.6	1.0%
High Technology	299	12.6%	$646.5	13.5%
Industrials	616	25.9%	$1,438.2	30.0%
Materials	325	13.6%	$687.2	14.4%
Media and Entertainment	75	3.1%	$86.7	1.8%
Real Estate	100	4.2%	$145.2	3.0%
Retail	219	9.2%	$233.6	4.9%
Telecommunications	40	1.7%	$93.1	1.9%
Total	2,381	100.0%	$4,786.5	100.0%

Listed companies by country of domicile

The following tables analyze each stock exchange by the corporate domicile of its listed companies, providing an indication of geographic concentration or diversity.

Australian Securities Exchange—2007

Country	No. companies	Percent
Australia	1,760	96.4%
New Zealand	17	0.9%
Others	49	2.7%
Total	1,823	100.0%

Deutsche Börse General/Prime Standards—2007

Country	No. companies	Percent
Germany	654	86.5%
US	20	3.5%
Netherlands	18	2.5%
Austria	13	2.5%
Japan	10	1.5%
Switzerland	10	1.5%
Others	31	1.5%
Total	756	100.0%

Deutsche Börse Entry Standard—2007

Country	No. companies	Percent
Germany	72	92.3%
Switzerland	3	3.8%
Canada	1	1.3%
Italy	1	1.3%
Luxembourg	1	1.3%
Total	78	100.0%

Euronext Eurolist—2007

Country	No. companies	Percent
France	718	55.1%
Netherlands	175	13.4%
Belgium	173	13.3%
US	58	4.4%
Portugal	51	3.9%
UK	19	1.5%
Others	110	8.4%
Total	1,304	100.0%

Euronext Alternext—2007

Country	No. companies	Percent
France	72	85.7%
Belgium	6	7.1%
Netherlands	2	2.4%
Canada	1	1.2%
Spain	1	1.2%
UK	1	1.2%
Italy	1	1.2%
Total	84	100.0%

Hong Kong Stock Exchange—2007

Country	No. companies	Percent
Hong Kong	818	83.6%
China	156	15.9%
Others	5	0.5%
Total	979	100.0%

Note: Hong Kong Stock Exchange listed companies have been classified by their operational domicile. Companies must be registered Hong Kong, Mainland China, Bermuda or the Cayman Islands to list on the Hong Kong Stock Exchange.

London Stock Exchange—2007

Country	No. companies	Percent
UK	1,143	78.9%
US	37	2.6%
Republic of Ireland	35	2.4%
Bermuda	18	1.2%
Russia	17	1.2%
Japan	16	1.1%
Others	183	12.6%
Total	1,449	100.0%

London Stock Exchange AIM—2007

Country	No. companies	Percent
UK	1,329	81.4%
Australia	44	2.7%
Canada	44	2.7%
Republic of Ireland	41	2.5%
US	39	2.4%
Bermuda	23	1.4%
British Virgin Islands	23	1.4%
Cayman Islands	23	1.4%
Israel	18	1.1%
Others	48	2.9%
Total	1,632	100.0%

NASDAQ—2007

Country	No. companies	Percent
US	2,878	90.6%
Israel	64	2.0%
Canada	60	1.9%
China	26	0.8%
Others	147	4.6%
Total	3,175	100.0%

New York Stock Exchange—2007

Country	No. companies	Percent
US	1,673	78.8%
Canada	82	3.9%
UK	48	2.3%
Brazil	35	1.6%
Bermuda	25	1.2%
Others	259	12.2%
Total	2,122	100.0%

Singapore Stock Exchange—2007

Country	No. companies	Percent
Singapore	630	91.6%
China	40	5.8%
Hong Kong	11	1.6%
Others	7	1.0%
Total	688	100.0%

Tokyo Stock Exchange—2007

Country	No. companies	Percent
Japan	2,381	100.0%
Total	2,381	100.0%

Exchange IPO activity by industry

The following tables analyze IPO activity on each exchange from 2002 to 2006 by industry,[1] both in terms of number of transactions and capital raised. Ranking the industries in terms of number of IPO transactions, this analysis provides an indication of the exchanges' industry strengths in attracting new listings.

Australian Securities Exchange: IPOs by industry 2002–2006

IPO Sector	No. of IPOs	% of IPOs	Capital raised (US$B)	% of capital raised
Materials	280	43.1%	$3.7	13.1%
Financials	80	12.3%	$8.3	29.4%
Energy and Power	70	10.8%	$2.4	8.5%
Healthcare	57	8.8%	$0.6	2.2%
Consumer Products and Services	36	5.5%	$1.6	5.8%
Industrials	36	5.5%	$4.8	16.9%
High Technology	22	3.4%	$0.3	0.9%
Consumer Staples	20	3.1%	$2.8	9.8%
Media and Entertainment	14	2.2%	$1.7	6.1%
Retail	13	2.0%	$1.0	3.5%
Real Estate	12	1.8%	$0.8	2.8%
Telecommunications	9	1.4%	$0.2	0.9%
Total	649	100.0%	$28.1	100.0%

Deutsche Börse General/Prime Standards: IPOs by industry 2002–2006

IPO Sector	No. of IPOs	% of IPOs	Capital raised (US$B)	% of capital raised
High Technology	11	17.2%	1.5	9.4%
Financials	9	14.1%	3.0	18.3%
Industrials	9	14.1%	2.4	14.6%
Materials	7	10.9%	2.3	14.3%
Real Estate	7	10.9%	1.7	10.2%
Energy and Power	5	7.8%	1.0	6.2%
Consumer Products and Services	4	6.3%	0.2	1.1%
Telecommunications	4	6.3%	0.2	1.0%
Healthcare	3	4.7%	0.2	1.2%
Media and Entertainment	3	4.7%	1.4	8.4%
Consumer Staples	1	1.6%	1.8	11.4%
Retail	1	1.6%	0.6	4.0%
Total	64	100.0%	16.3	100.0%

1. Thomson Financial industry classifications

Deutsche Börse Entry Standard: IPOs by industry 2002–2006

IPO Sector	No. of IPOs	% of IPOs	Capital raised (US$B)	% of capital raised
Consumer Products and Services	8	21.6%	$0.12	4.6%
High Technology	6	16.2%	$0.04	1.3%
Financials	5	13.5%	$0.02	2.5%
Industrials	4	10.8%	$0.17	6.2%
Real Estate	4	10.8%	$0.04	15.3%
Telecommunications	3	8.1%	$0.03	28.1%
Energy and Power	2	5.4%	$0.04	16.9%
Healthcare	2	5.4%	$0.03	4.1%
Materials	2	5.4%	$0.09	18.2%
Media and Entertainment	1	2.7%	$0.00	0.1%
Total	37	100.0%	$0.57	2.7%

Euronext Eurolist:[2] IPOs by industry 2002–2006

IPO Sector	No. of IPOs	% of IPOs	Capital raised (US$B)	% of capital raised
Real Estate	18	19.0%	$3.1	5.8%
Healthcare	12	12.6%	$1.3	2.4%
Industrials	11	11.6%	$8.4	15.7%
Consumer Products and Services	9	9.5%	$0.5	1.0%
Financials	9	9.5%	$9.2	17.2%
High Technology	9	9.5%	$2.2	4.2%
Energy and Power	8	8.4%	$15.2	28.3%
Telecommunications	8	8.4%	$10.0	18.7%
Materials	5	5.3%	$1.4	2.7%
Consumer Staples	3	3.2%	$0.0	0.0%
Media and Entertainment	3	3.2%	$2.2	4.1%
Total	95	100.00%	$53.6	100.00%

Euronext Alternext: IPOs by industry 2002–2006

IPO Sector	No. of IPOs	% of IPOs	Capital raised (US$B)	% of capital raised
High Technology	23	31.1%	$0.23	21.9%
Consumer Products and Services	19	25.7%	$0.16	15.9%
Real Estate	5	6.8%	$0.19	18.9%
Energy and Power	4	5.4%	$0.19	18.7%
Financials	4	5.4%	$0.07	6.7%
Healthcare	4	5.4%	$0.04	4.1%
Materials	4	5.4%	$0.04	3.8%
Media and Entertainment	4	5.4%	$0.04	3.9%
Consumer Staples	2	2.7%	$0.01	1.2%
Industrials	2	2.7%	$0.02	1.6%
Retail	2	2.7%	$0.02	2.3%
Telecommunications	1	1.4%	$0.01	1.1%
Total	74	100.0%	$1.03	100.0%

2. Excludes IPOs completed on the Marché Libre

Hong Kong Stock Exchange Main Board: IPOs by industry 2002–2006

IPO Sector	No. of IPOs	% of IPOs	Capital raised (US$B)	% of capital raised
Financials	49	20.8%	$48.8	61.9%
Industrials	38	16.1%	$9.7	12.3%
Consumer Staples	29	12.3%	$1.9	2.4%
Materials	28	11.9%	$8.1	10.2%
High Technology	25	10.6%	$1.8	2.3%
Consumer Products and Services	12	5.1%	$0.5	0.6%
Media and Entertainment	12	5.1%	$1.0	1.3%
Retail	11	4.7%	$1.1	1.4%
Energy and Power	10	4.2%	$2.3	2.9%
Real Estate	9	3.8%	$2.4	3.1%
Telecommunications	7	3.0%	$1.2	1.6%
Healthcare	6	2.5%	$0.1	0.1%
Total	236	100.0%	$78.9	100.0%

London Stock Exchange Main Board: IPOs by industry 2002–2006

IPO Sector	No. of IPOs	% of IPOs	Capital raised (US$B)	% of capital raised
Consumer Products and Services	17	13.4%	$4.0	6.3%
Financials	17	13.4%	$8.2	13.0%
Materials	17	13.4%	$9.4	14.8%
Energy and Power	13	10.2%	$17.0	26.8%
Industrials	12	9.4%	$3.0	4.8%
High Technology	11	8.7%	$4.5	7.0%
Healthcare	10	7.9%	$1.2	1.9%
Media and Entertainment	7	5.5%	$4.2	6.7%
Retail	7	5.5%	$4.6	7.2%
Consumer Staples	6	4.7%	$2.5	4.0%
Real Estate	5	3.9%	$1.1	1.8%
Telecommunications	5	3.9%	$3.6	5.7%
Total	127	100.0%	$63.4	100.0%

London Stock Exchange AIM: IPOs by industry 2002–2006

IPO Sector	No. of IPOs	% of IPOs	Capital raised (US$B)	% of capital raised
Financials	114	17.5%	$5.89	29.2%
Materials	89	13.7%	$1.98	9.8%
Consumer Products and Services	78	12.0%	$1.44	7.1%
High Technology	78	12.0%	$1.66	8.2%
Energy and Power	53	8.1%	$2.24	11.1%
Media and Entertainment	52	8.0%	$1.51	7.5%
Healthcare	50	7.7%	$0.69	3.4%
Industrials	49	7.5%	$1.39	6.9%
Telecommunications	35	5.4%	$0.73	3.6%
Real Estate	24	3.7%	$2.00	9.9%
Consumer Staples	16	2.5%	$0.38	1.9%
Retail	13	2.0%	$0.31	1.5%
Total	651	100.0%	$20.19	100.0%

NASDAQ: IPOs by industry 2002–2006

IPO Sector	No. of IPOs	% of IPOs	Capital raised (US$B)	% of capital raised
Healthcare	107	21.9%	$7.8	14.2%
High Technology	107	21.9%	$13.1	23.9%
Financials	76	15.6%	$8.8	16.0%
Consumer Products and Services	50	10.2%	$5.6	10.1%
Industrials	38	7.8%	$5.4	9.9%
Retail	28	5.7%	$2.4	4.3%
Energy and Power	25	5.1%	$3.0	5.4%
Telecommunications	20	4.1%	$2.1	3.7%
Materials	14	2.9%	$2.1	3.9%
Media and Entertainment	14	2.9%	$3.6	6.6%
Consumer Staples	5	1.0%	$0.7	1.3%
Real Estate	4	0.8%	$0.4	0.7%
Total	488	100.0%	$55.1	100.0%

New York Stock Exchange: IPOs by industry 2002–2006

IPO Sector	No. of IPOs	% of IPOs	Capital raised (US$B)	% of capital raised
Financials	41	17.7%	$28.0	26.3%
Energy and Power	39	16.8%	$11.2	10.5%
Industrials	37	15.9%	$12.3	11.5%
High Technology	22	9.5%	$12.9	12.1%
Consumer Products and Services	20	8.6%	$9.6	9.0%
Materials	19	8.2%	$8.4	7.8%
Retail	15	6.5%	$4.1	3.8%
Healthcare	12	5.2%	$5.5	5.1%
Media and Entertainment	12	5.2%	$6.2	5.8%
Telecommunications	8	3.4%	$5.4	5.1%
Consumer Staples	4	1.7%	$1.7	1.6%
Real Estate	3	1.3%	$1.3	1.2%
Total	232	100.0%	$106.8	100.0%

Singapore Stock Exchange: IPOs by industry 2002–2006

IPO Sector	No. of IPOs	% of IPOs	Capital raised (US$B)	% of capital raised
High Technology	33	15.2%	$0.6	8.1%
Consumer Staples	29	13.4%	$2.0	26.5%
Industrials	29	13.4%	$0.9	11.6%
Materials	27	12.4%	$0.5	6.5%
Consumer Products and Services	22	10.1%	$0.8	11.1%
Financials	19	8.8%	$0.3	3.9%
Energy and Power	17	7.8%	$0.5	7.2%
Healthcare	14	6.5%	$0.4	5.7%
Telecommunications	10	4.6%	$0.5	7.0%
Media and Entertainment	7	3.2%	$0.4	5.6%
Real Estate	5	2.3%	$0.3	3.7%
Retail	5	2.3%	$0.2	3.2%
Total	217	100.0%	$7.6	100.0%

Tokyo Stock Exchange: IPOs by industry 2002—2006

IPO Sector	No. of IPOs	% of IPOs	Capital raised (US$B)	% of capital raised
High Technology	23	21.9%	$6.4	21.3%
Financials	13	12.4%	$8.9	29.7%
Consumer Products and Services	12	11.4%	$1.2	3.9%
Retail	12	11.4%	$0.9	2.9%
Industrials	11	10.5%	$1.2	3.9%
Real Estate	8	7.6%	$2.6	8.6%
Energy and Power	7	6.7%	$6.4	21.3%
Materials	6	5.7%	$0.4	1.2%
Media and Entertainment	6	5.7%	$1.8	6.1%
Consumer Staples	3	2.9%	$0.1	0.3%
Healthcare	3	2.9%	$0.2	0.7%
Telecommunications	1	1.0%	$0.1	0.2%
Total	105	100.0%	$30.0	100.0%

Global initial public offerings by industry 2002–2006: exchange ranking

As we saw in the preceding section, each stock exchange in our study possesses a different mix of industry strengths. To provide more detailed information into how the exchanges in our study compare on a global basis, we examine their share of total global IPOs in major industry sectors. The exchanges are ranked by the number of IPO transactions in a given industry from 2002 to 2006.

Exchange ranking: global consumer products and services IPOs 2002–2006

Exchange	No. of IPOs	% of sector IPOs	Proceeds US$B	% of sector proceeds	Avg. proceeds US$M
London Stock Exchange AIM	78	13.7%	$1.4	4.3%	$18.4
NASDAQ	50	8.8%	$5.6	16.7%	$111.7
Australian Securities Exchange	36	6.3%	$1.6	4.9%	$45.4
Singapore Stock Exchange	22	3.9%	$0.8	2.5%	$38.6
New York Stock Exchange	20	3.5%	$9.6	28.9%	$482.3
Euronext Alternext	19	3.3%	$0.2	0.5%	$8.6
London Stock Exchange Main Board	17	3.0%	$4.0	11.9%	$234.4
Hong Kong Stock Exchange Main Board	12	2.1%	$0.5	1.4%	$40.0
Tokyo Stock Exchange	12	2.1%	$1.2	3.5%	$96.4
Euronext Eurolist	9	1.6%	$0.5	1.6%	$59.4
Deutsche Börse Entry Standard	8	1.4%	$0.1	0.4%	$15.0
Deutsche Börse General/Prime Standards	4	0.7%	$0.2	0.5%	$45.9
Rest of the world	281	49.5%	$7.5	22.7%	$87.2
Total	568	100.0%	$33.4	100.0%	$58.7

Exchange ranking: global consumer staples IPOs 2002–2006

Exchange	No. of IPOs	% of sector IPOs	Proceeds US$B	% of sector proceeds	Avg. proceeds US$M
Hong Kong Stock Exchange Main Board	29	10.5%	$1.9	9.0%	$64.0
Singapore Stock Exchange	29	10.5%	$2.0	9.8%	$69.7
Australian Securities Exchange	20	7.2%	$2.8	13.4%	$137.6
London Stock Exchange AIM	16	5.8%	$0.4	1.8%	$23.8
London Stock Exchange Main Board	6	2.2%	$2.5	12.2%	$418.5
NASDAQ	5	1.8%	$0.7	3.4%	$138.7
New York Stock Exchange	4	1.4%	$1.7	8.3%	$429.7
Euronext Eurolist	3	1.1%	$0.0	0.1%	$7.2
Tokyo Stock Exchange	3	1.1%	$0.1	0.4%	$26.4
Euronext Alternext	2	0.7%	$0.0	0.1%	$6.0
Deutsche Börse General/Prime Standards	1	0.4%	$1.8	9.0%	$1,846.2
Deutsche Börse Entry Standard	-	-	-	-	-
Rest of World	159	57.4%	$6.7	32.4%	$82.6
Total	277	100.0%	$20.6	100.0%	$74.3

Exchange ranking: global energy and power IPOs 2002–2006

Exchange	No. of IPOs	% of sector IPOs	Proceeds US$B	% of sector proceeds	Avg. proceeds US$M
Australian Securities Exchange	70	14.5%	$2.4	2.5%	$34.1
London Stock Exchange AIM	53	11.0%	$2.2	2.3%	$42.2
New York Stock Exchange	39	8.1%	$11.2	11.6%	$286.3
NASDAQ	25	5.2%	$3.0	3.1%	$119.8
Euronext Eurolist	8	1.7%	$15.2	15.7%	$1,897.2
Euronext Alternext	4	0.8%	$0.2	0.2%	$48.1
Singapore Stock Exchange	17	3.5%	$0.5	0.6%	$32.2
London Stock Exchange Main Board	13	2.7%	$17.0	17.6%	$1,308.8
Hong Kong Stock Exchange Main Board	10	2.1%	$2.3	2.4%	$228.7
Tokyo Stock Exchange	7	1.4%	$6.4	6.6%	$912.4
Deutsche Börse General/Prime Standards	5	1.0%	$1.0	1.0%	$200.0
Deutsche Börse Entry Standard	2	0.4%	$0.0	0.0%	$20.5
Rest of the world	253	52.4%	$35.2	36.4%	$273.1
Total	**483**	**100.0%**	**$96.7**	**100.0%**	**$200.1**

Exchange ranking: global financials IPOs 2002–2006

Exchange	No. of IPOs	% of sector IPOs	Proceeds US$B	% of sector proceeds	Avg. proceeds US$M
London Stock Exchange AIM	114	12.3%	$5.9	3.6%	$51.7
Australian Securities Exchange	80	8.6%	$8.3	5.0%	$103.3
NASDAQ	76	8.2%	$8.8	5.3%	$115.9
Hong Kong Stock Exchange Main Board	49	5.3%	$48.8	29.4%	$996.7
New York Stock Exchange	41	4.4%	$28.0	16.9%	$683.8
Singapore Stock Exchange	19	2.1%	$0.3	0.2%	$15.7
London Stock Exchange Main Board	17	1.8%	$8.2	5.0%	$484.8
Tokyo Stock Exchange	13	1.4%	$8.9	5.4%	$685.0
Euronext Eurolist	9	1.0%	$9.2	5.5%	$1,021.5
Deutsche Börse General/Prime Standards	9	1.0%	$3.0	1.8%	$330.8
Deutsche Börse Entry Standard	5	0.5%	$0.0	0.0%	$4.7
Euronext Alternext	4	0.4%	$0.1	0.0%	$17.2
Rest of the world	485	52.4%	$36.3	21.9%	$141.6
Total	**925**	**100.0%**	**$165.9**	**100.0%**	**$179.3**

Exchange ranking: global healthcare IPOs 2002–2006

Exchange	No. of IPOs	% of sector IPOs	Proceeds US$B	% of sector proceeds	Avg. proceeds US$M
NASDAQ	107	23.2%	$7.8	30.8%	$73.2
Australian Securities Exchange	57	12.3%	$0.6	2.4%	$10.9
London Stock Exchange AIM	50	10.8%	$0.7	2.7%	$13.7
Euronext Eurolist	12	2.6%	$1.3	5.0%	$106.1
Singapore Stock Exchange	14	3.0%	$0.4	1.7%	$31.1
New York Stock Exchange	12	2.6%	$5.5	21.6%	$458.0
London Stock Exchange Main Board	10	2.2%	$1.2	4.7%	$118.5
Hong Kong Stock Exchange Main Board	6	1.3%	$0.1	0.4%	$15.7
Euronext Alternext	4	0.9%	$0.0	0.2%	$10.7
Deutsche Börse General/Prime Standards	3	0.6%	$0.2	0.7%	$63.1
Tokyo Stock Exchange	3	0.6%	$0.2	0.8%	$71.3
Deutsche Börse Entry Standard	2	0.4%	$0.0	0.1%	$13.7
Rest of the world	182	39.4%	$7.3	28.7%	$69.1
Total	462	100.0%	$25.5	100.0%	$55.1

Exchange ranking: global industrials IPOs 2002–2006

Exchange	No. of IPOs	% of sector IPOs	Proceeds US$B	% of sector proceeds	Avg. proceeds US$M
London Stock Exchange AIM	49	6.9%	$1.4	1.7%	$28.3
Hong Kong Stock Exchange Main Board	38	5.3%	$9.7	12.2%	$255.7
NASDAQ	38	5.3%	$5.4	6.8%	$143.1
New York Stock Exchange	37	5.2%	$12.3	15.4%	$332.7
Australian Securities Exchange	36	5.0%	$4.8	6.0%	$132.1
Singapore Stock Exchange	29	4.1%	$0.9	1.1%	$30.4
London Stock Exchange Main Board	12	1.7%	$3.0	3.8%	$253.3
Euronext Eurolist	11	1.5%	$8.4	10.5%	$762.8
Tokyo Stock Exchange	11	1.5%	$1.2	1.5%	$105.5
Deutsche Börse General/Prime Standards	9	1.3%	$2.4	3.0%	$264.2
Deutsche Börse Entry Standard	4	0.6%	$0.2	0.2%	$41.3
Euronext Alternext	2	0.3%	$0.0	0.0%	$8.5
Rest of the world	439	61.4%	$30.1	37.7%	$191.6
Total	715	100.0%	$79.8	100.0%	$111.6

Exchange ranking: global materials IPOs 2002–2006

Exchanges	No. of IPOs	% of sector IPOs	Proceeds US$B	% of sector proceeds	Avg. proceeds US$M
Australian Securities Exchange	280	33.3%	$3.7	7.2%	$13.1
London Stock Exchange AIM	89	10.6%	$2.0	3.9%	$22.3
Hong Kong Stock Exchange Main Board	28	3.3%	$8.1	15.7%	$288.0
Singapore Stock Exchange	27	3.2%	$0.5	1.0%	$18.2
New York Stock Exchange	19	2.3%	$8.4	16.3%	$440.8
London Stock Exchange Main Board	17	2.0%	$9.4	18.3%	$551.1
NASDAQ	14	1.7%	$2.1	4.2%	$152.6
Deutsche Börse General/Prime Standards	7	0.8%	$2.3	4.5%	$331.7
Tokyo Stock Exchange	6	0.7%	$0.4	0.7%	$62.0
Euronext Eurolist	5	0.6%	$1.4	2.8%	$284.6
Euronext Alternext	4	0.5%	$0.0	0.1%	$9.8
Deutsche Börse Entry Standard	2	0.2%	$0.1	0.2%	$43.5
Rest of the world	342	40.7%	$13.0	25.3%	$61.8
Total	841	100.0%	$51.3	100.0%	$61.0

Exchange ranking: global media and entertainment IPOs 2002–2006

Exchanges	No. of IPOs	% of sector IPOs	Proceeds US$B	% of sector proceeds	Avg. proceeds US$M
London Stock Exchange AIM	52	17.4%	$1.5	4.6%	$29.0
Australian Securities Exchange	14	4.7%	$1.7	5.2%	$122.1
NASDAQ	14	4.7%	$3.6	11.0%	$259.7
Hong Kong Stock Exchange Main Board	12	4.0%	$1.0	3.0%	$82.5
New York Stock Exchange	12	4.0%	$6.2	18.8%	$517.8
London Stock Exchange Main Board	7	2.3%	$4.2	12.8%	$606.6
Singapore Stock Exchange	7	2.3%	$0.4	1.3%	$60.8
Tokyo Stock Exchange	6	2.0%	$1.8	5.5%	$304.2
Euronext Alternext	4	1.3%	$0.0	0.1%	$10.0
Euronext Eurolist	3	1.0%	$2.2	6.7%	$738.5
Deutsche Börse General/Prime Standards	3	1.0%	$1.4	4.1%	$453.0
Deutsche Börse Entry Standard	1	0.3%	$0.0	0.0%	-
Rest of the world	164	54.8%	$8.9	26.9%	$172.3
Total	299	100.0%	$33.1	100.0%	$110.6

Exchange ranking: global real estate IPOs 2002–2006

Exchange	No. of IPOs	% of sector IPOs	Proceeds US$B	% of sector proceeds	Avg. proceeds US$M
London Stock Exchange AIM	24	10.9%	$2.0	7.5%	$83.2
Euronext Eurolist	18	8.2%	$3.1	11.7%	$172.3
Australian Securities Exchange	12	5.5%	$0.8	2.9%	$65.3
Hong Kong Stock Exchange Main Board	9	4.1%	$2.4	9.2%	$272.2
Tokyo Stock Exchange	8	3.6%	$2.6	9.8%	$324.2
Deutsche Börse General/Prime Standards	7	3.2%	$1.7	6.2%	$237.2
Euronext Alternext	5	2.3%	$0.2	0.7%	$39.0
London Stock Exchange Main Board	5	2.3%	$1.1	4.2%	$222.8
Singapore Stock Exchange	5	2.3%	$0.3	1.1%	$56.7
Deutsche Börse Entry Standard	4	1.8%	$0.0	0.2%	$10.6
NASDAQ	4	1.8%	$0.4	1.5%	$102.2
New York Stock Exchange	3	1.4%	$1.3	5.0%	$441.5
Rest of the world	116	52.7%	$10.5	39.7%	$135.3
Total	220	100.0%	$26.6	100.0%	$120.8

Exchange ranking: global retail IPOs 2002–2006

Exchange	No. of IPOs	% of sector IPOs	Proceeds US$B	% of sector proceeds	Avg. proceeds US$M
NASDAQ	28	10.0%	$2.4	9.1%	$85.1
New York Stock Exchange	15	5.4%	$4.1	15.7%	$273.3
Australian Securities Exchange	13	4.6%	$1.0	3.7%	$74.9
London Stock Exchange AIM	13	4.6%	$0.3	1.2%	$23.6
Tokyo Stock Exchange	12	4.3%	$0.9	3.3%	$72.8
Hong Kong Stock Exchange Main Board	11	3.9%	$1.1	4.1%	$96.9
London Stock Exchange Main Board	7	2.5%	$4.6	17.5%	$654.2
Singapore Stock Exchange	5	1.8%	$0.2	0.9%	$49.0
Euronext Eurolist	3	1.0%	$0.0	0.1%	$0.0
Euronext Alternext	2	0.7%	$0.0	0.1%	$12.0
Deutsche Börse General/Prime Standards	1	0.4%	$0.6	2.5%	$649.1
Deutsche Börse Entry Standard	0	0.0%	$0.0	0.0%	$0.0
Rest of the world	170	60.7%	$11.0	41.9%	$125.7
Total	280	100.0%	$26.2	100.0%	$93.5

Exchange ranking: global technology IPOs 2002–2006

Exchange	No. of IPOs	% of sector IPOs	Proceeds US$B	% of sector proceeds	Avg. proceeds US$M
NASDAQ	107	9.6%	$13.1	21.3%	$122.9
London Stock Exchange AIM	78	7.0%	$1.7	2.7%	$21.2
Singapore Stock Exchange	33	2.9%	$0.6	1.0%	$18.9
Hong Kong Stock Exchange Main Board	25	2.2%	$1.8	3.0%	$73.2
Euronext Alternext	23	2.1%	$0.2	0.4%	$9.8
Tokyo Stock Exchange	23	2.1%	$6.4	10.4%	$278.2
Australian Securities Exchange	22	2.0%	$0.3	0.4%	$11.8
New York Stock Exchange	22	2.0%	$12.9	20.9%	$588.0
Deutsche Börse General/Prime Standards	11	1.0%	$1.5	2.5%	$138.5
London Stock Exchange Main Board	11	1.0%	$4.5	7.2%	$405.7
Euronext Eurolist	9	0.8%	$2.2	3.6%	$248.0
Deutsche Börse Entry Standard	6	0.5%	$0.0	0.1%	$5.9
Rest of the world	749	66.9%	$16.4	26.5%	$60.1
Total	1,119	100.0%	$61.8	100.0%	$55.2

Exchange ranking: global telecommunications IPOs 2002–2006

Exchange	No. of IPOs	% of sector IPOs	Proceeds US$B	% of sector proceeds	Avg. proceeds US$M
London Stock Exchange AIM	35	16.7%	$0.7	2.0%	$20.8
NASDAQ	20	9.6%	$2.1	5.7%	$103.1
Singapore Stock Exchange	10	4.8%	$0.5	1.5%	$53.2
Australian Securities Exchange	9	4.3%	$0.2	0.7%	$27.6
Euronext Eurolist	8	3.8%	$10.0	27.4%	$1,248.5
New York Stock Exchange	8	3.8%	$5.4	14.9%	$680.9
Hong Kong Stock Exchange Main Board	7	3.3%	$1.2	3.4%	$177.4
London Stock Exchange Main Board	5	2.4%	$3.6	10.0%	$728.9
Deutsche Börse General/Prime Standards	4	1.9%	$0.2	0.5%	$41.1
Deutsche Börse Entry Standard	3	1.4%	$0.0	0.1%	$9.6
Euronext Alternext	1	0.5%	$0.0	0.0%	$11.0
Tokyo Stock Exchange	1	0.5%	$0.1	0.2%	$61.0
Rest of the world	98	46.9%	$12.3	33.7%	$142.5
Total	209	100.0%	$36.5	100.0%	$174.7

Initial public offerings by listing company country of domicile 2002–2006

The following tables show the origin of IPOs 2002–2006 by country of corporate domicile. Although IPOs are becoming increasingly globalized, a look at the geographic origins of the new listings on the exchanges in our study shows that a substantial majority of IPOs are still conducted on their home markets. The majority becomes even stronger when expanded to a regional level. Few companies list outside their home markets, and even fewer list outside their region.

Australian Securities Exchange IPOs by country of domicile, 2002–2006

Domicile nation	No. companies	Percent
Australia	647	99.7%
New Zealand	1	0.2%
Singapore	1	0.2%
Total	649	100.0%

Deutsche Börse General/Prime Standards IPOs by country of domicile, 2002–2006

Domicile nation	No. companies	Percent
Germany	57	89.1%
Switzerland	3	4.7%
Austria	2	3.1%
Luxembourg	1	1.6%
Netherlands	1	1.6%
Total	64	100.0%

Deutsche Börse Entry Standard IPOs by country of domicile, 2002–2006

Domicile nation	No. companies	Percent
Germany	37	100%
Total	37	100.0%

Euronext Eurolist IPOs by country of domicile, 2002–2006

Domicile nation	No. companies	Percent
France	67	70.5%
Belgium	14	14.7%
Netherlands	9	9.5%
Portugal	4	4.2%
Switzerland	1	1.1%
Total	95	100.0%

Euronext Alternext IPOs by country of domicile, 2002–2006

Domicile nation	No. companies	Percent
France	67	90.54%
Belgium	4	5.41%
Italy	1	1.35%
Netherlands	1	1.35%
UK	1	1.35%
Total	74	100.00%

Hong Kong Stock Exchange Main Board IPOs by country of domicile, 2002–2006

Domicile nation	No. companies	Percent
Hong Kong	146	61.9%
China	88	37.3%
Others	2	0.8%
Total	**236**	**100.0%**

Note: Hong Kong Stock Exchange listed companies have been classified by their operational domicile. Companies must be registered Hong Kong, Mainland China, Bermuda or the Cayman Islands to list on the Hong Kong Stock Exchange.

London Stock Exchange Main Board IPOs by country of domicile, 2002–2006

Domicile nation	No. companies	Percent
UK	84	66.1%
Russian Federation	16	12.6%
Kazakhstan	4	3.1%
Guernsey	3	2.4%
Israel	3	2.4%
Bermuda	2	1.6%
Netherlands	2	1.6%
Others	13	10.2%
Total	127	100.0%

London Stock Exchange AIM IPOs by country of domicile, 2002–2006

Domicile nation	No. companies	Percent
UK	492	75.6%
US	25	3.8%
Israel	21	3.2%
China	19	3.0%
Ireland	14	2.2%
Australia	7	1.1%
Canada	7	1.1%
Russia	7	1.1%
Others	59	9.0%
Total	**651**	**100.0%**

NASDAQ IPOs by country of domicile, 2002–2006

Domicile nation	No. companies	Percent
US	426	87.3%
China	20	4.1%
Israel	11	2.3%
Greece	6	1.2%
Others	25	5.1%
Total	**488**	**100%**

NYSE IPOs by country of domicile, 2002–2006

Domicile nation	No. companies	Percent
US	188	81.0%
Bermuda	11	4.7%
China	8	3.4%
Greece	3	1.3%
Others	22	9.6%
Total	**232**	**100.0%**

Singapore Stock Exchange IPOs by country of domicile, 2002–2006

Domicile nation	No. companies	Percent
Singapore	110	50.7%
China	68	31.3%
Hong Kong	21	9.7%
Bermuda	4	1.8%
Malaysia	4	1.8%
Others	10	4.6%
Total	217	100.0%

Tokyo Stock Exchange IPOs by country of domicile, 2002–2006

Domicile nation	No. companies	Percent
Japan	104	99.0%
Hong Kong	1	1.0%
Total	105	100.0%

Notes on methodology

Data on currently listed companies on the Deutsche Börse (General, Prime and Entry Standards), Euronext (Eurolist and Alternext) and NASDAQ were provided by the respective exchanges. Data of listed companies on the London Stock Exchange Main Board and Alternative Investment Market are downloaded from the Exchange's website ***http://www.londonstockexchange.com/en-gb/about/statistics/***. Data for the Australian and Hong Kong Exchanges' listed companies were collected from DatAnalysis and Bloomberg databases, respectively. Listed companies on the NYSE, Singapore and Tokyo Stock Exchanges were collected from database FactSet. Data on currently listed companies on the Deutsche Börse are those listed as of 2 February 2007. Listed companies on the Australian Securities Exchange were analyzed as of 26 February 2007. Listed companies for NASDAQ, the NYSE, Singapore and Tokyo Stock Exchanges were collected as of 27 February. For listed companies on Euronext, the London Stock Exchange and the Hong Kong Stock Exchange, listed company data was recorded as of 28 February 2007.

The number and market capitalization of listed companies for each exchange include common shares of domestic companies (that are listed in that exchange only and those that are dual-listed) and foreign-listed companies. Thus, companies that are listed on two or more exchanges are included in each exchange. We have excluded from our analysis warrants, preferred shares and debentures listed in each exchange. Where possible, we have also excluded exchange-traded funds, real estate investment trusts (REITs) and mutual funds.

We were able to collect market capitalization data for more than 95% of currently listed companies on each exchange. For companies whose market capitalization data were not provided by their respective exchanges, we used the database FactSet to fill in this gap. All available market capitalization data were used to find the total and average market capitalization for each exchange. For several exchanges, their listed company market capitalization was denominated in their local currency. We converted this into US dollars using the Federal Exchange Bank of New York exchange rate as of the date that the listed companies' data were collected.

We have used Thomson Financial's industry classifications in the industry analysis of currently listed companies and initial public offerings on the exchanges 2002–2006. We were able to match each company to its Thomson industry of operation using the individual company's Standard Industry Classification (SIC) code, Industry Classification Benchmark (ICB) or Global Industry Classification Standard (GICS) classification, and so forth.

For analysis on currently listed companies and companies that completed their IPOs between 2002 and 2006, we have attributed the company's domicile nation to its operating domicile. For companies with offshore incorporation domiciles (such as in Bermuda, British Virgin Islands, Cayman Islands and others), every effort has been made to find the companies' operation domicile. This practice is particularly frequent for Greater China companies that are listed on the Hong Kong or Singapore Stock Exchange.

Data on companies that completed their IPOs between 2002 and 2006 were collected from Ernst & Young's IPO database, Dealogic, Thomson Financial and Bloomberg. For the purposes of this publication, an IPO is a company's first offering of equity to the public and the first approach to market. We focus on IPOs of operating companies.

Only those IPOs for which Dealogic, Thomson Financial and Ernst & Young hold data regarding the issue date (the day the offer is priced and allocations are subsequently made), trading date (the date on which the security first trades) and proceeds (funds raised, including any over-allotment sold) are included. Postponed IPOs or those that have not yet priced are therefore excluded. We focus on IPOs of operating companies only. Thus, we exclude non-operating company IPOs such as REITs, asset management companies (such as pension funds and other financial vehicles) and open-end investment funds.

Chapter 4

Stock market listing standards and fees

The stock exchange listing standards presented below represent a summary, for illustrative purposes only, of the criteria upon which the respective exchanges assess company applications for admission.

The summarized criteria pertain to companies making initial common stock offerings, with the exception of closed-end management investment companies (closed-end funds). The listing criteria for closed-end funds, as well as for other kinds of listings (dual listings, secondary offerings, offerings of other securities), are not in the scope of this report.

This summary is not intended to provide guidance on the eligibility of any company on any of the given exchanges. A company considering listing on any stock market must consult with the exchange directly and with the company's business advisors to determine how listing standards would be applicable in its specific situation. Stock exchange admission is made at the discretion of the exchange organization.

For complete details on the listing standards of the stock exchanges in this study, please refer to the following exchange documents:

Exchange	Document	Website
Australian Securities Exchange	ASX Listing Rules	<http://www.asx.com.au>
Deutsche Börse	FAQs: Going Public on the Deutsche Börse	<http://www.deutsche-boerse.com>
Euronext	Summary of listing requirements and procedures for admission of securities to the Eurolist by Euronext (Main Market)	<http://www.euronext.com>
Hong Kong Stock Exchange	Listing in Hong Kong	<http://www.hkex.com.hk>
London Stock Exchange	London Stock Exchange Admission and Disclosure Standards	<http://www.londonstockexchange.com>
NASDAQ	NASDAQ Listing Standards and Fees	<http://www.nasdaq.com>
New York Stock Exchange	NYSE, Market of Choice, April 2007	<http://www.nyse.com>
Singapore Stock Exchange	Listing Companies	<http://www.ses.com>
Tokyo Stock Exchange	Tokyo Stock Exchange Requirements for Listing	<http://www.tse.or.jp/english>

Exchange listing standards

Stock exchanges generally require that companies meet certain minimum standards—whether financial, operational or relating to capital structure—to qualify for a listing. The listing standards help to maintain the quality of a given market and ensure that it functions efficiently.

The following provides a side-by-side comparison of the listing requirements of the world's major exchanges.

Income, revenue and/or profits

Summarized listing standard information is for illustrative purposes only. Criteria definitions may vary. Please refer to the individual stock exchange standard documents listed above for complete details. Contact the exchanges directly to determine the applicability of a standard to your company.

<table>
<tr><th>Exchange</th><th>Sub-Exchange</th><th colspan="4">Standard</th></tr>
<tr><td>Australian Securities Exchange</td><td>-</td><td colspan="4">AU$1 million (US$777,000) net profit over the last three years and AU$400,000 (US$310,000) net profit over the last year (market cap and working capital requirements can be substituted)</td></tr>
<tr><td rowspan="2">Deutsche Börse</td><td>General/
Prime Standards</td><td colspan="4">No minimum requirements</td></tr>
<tr><td>Entry Standard</td><td colspan="4">No minimum requirements</td></tr>
<tr><td rowspan="2">Euronext</td><td>Eurolist</td><td colspan="4">N/A</td></tr>
<tr><td>Alternext</td><td colspan="4">N/A</td></tr>
<tr><td rowspan="2">Hong Kong
Stock Exchange</td><td>Main</td><td colspan="4">Profit Test: HK$20 million (US$2.5 million) in most recent year; min. aggregate of HK$30 million (US$3.8 million) in the two preceding years
Market capitalization/revenue/cash-flow test: Revenue of at least HK$500 million (US$64 million) for the most recent audited financial year
Market capitalization/revenue test: HK$500 million (US$64 million) for the most recent audited financial year</td></tr>
<tr><td>GEM</td><td colspan="4">N/A</td></tr>
<tr><td rowspan="2">London
Stock Exchange</td><td>Main</td><td colspan="4">Income requirement: 75% of an applicant's business must be supported by the three-year earnings record</td></tr>
<tr><td>AIM</td><td colspan="4">N/A</td></tr>
<tr><td rowspan="6">NASDAQ[1]</td><td rowspan="4">Global Select</td><td></td><td>Standard 1</td><td>Standard 2</td><td>Standard 3</td></tr>
<tr><td>Pre-Tax Earnings (income from continuing operations before income taxes)</td><td>Aggregate in prior three fiscal years ≥ US$11 million and each of the two most recent fiscal years ≥ US$2.2 million and each of the prior three fiscal years ≥ US$0</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Cash flows</td><td>N/A</td><td>Aggregate in prior three fiscal years ≥ US$27.5 million and each of the prior three fiscal years ≥ US$0</td><td>N/A</td></tr>
<tr><td>Revenue</td><td>N/A</td><td>Previous fiscal year ≥ US$110 million</td><td>Previous fiscal year ≥ US$90 million</td></tr>
<tr><td>Global</td><td>Income from continuing operations before income taxes (in latest fiscal year or in two of the three last fiscal years)</td><td>Minimum US$1 million</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Capital</td><td>Income from continuing operations before income taxes (in latest fiscal year or in two of the three last fiscal years)</td><td>N/A</td><td>N/A</td><td>Minimum US$750,000</td></tr>
<tr><td rowspan="4">NYSE</td><td rowspan="3">Main</td><td colspan="2"></td><td>Foreign</td><td>Domestic</td></tr>
<tr><td colspan="2">Adjusted pre-tax income: Aggregate for last three years</td><td>US$100 million</td><td>US$10 million[2]</td></tr>
<tr><td colspan="2">Adjusted pre-tax income for each of the two most recent years</td><td>US$25 million</td><td>N/A</td></tr>
<tr><td>ARCA</td><td colspan="4">Two of the following: total assets ≥ US$75 million, annual sales ≥ US$50 million, total equity ≥ US$50 million, positive pre-tax earnings</td></tr>
<tr><td rowspan="2">Singapore
Stock Exchange</td><td>Main</td><td colspan="4">Alternative 1: Cumulative pre-tax profit of at least S$7.5 million (US$4.9 million) over the last three consecutive years, with a pre-tax profit of at least S$1 million (US$650,000) in each of those three years.
Alternative 2: Cumulative pre-tax profit of at least S$10 million (US$6.5 million) for the latest one or two years
Criteria 3: N/A</td></tr>
<tr><td>SESDAQ</td><td colspan="4">N/A - Business is expected to be viable and profitable, with good growth prospects</td></tr>
<tr><td rowspan="2">Tokyo
Stock Exchange</td><td>Main</td><td colspan="4">Either:
A) Pre-tax profit for the last two years: first year JP¥100 million (US$830,000) or more; and second year JP¥400 million (US$3.3 million)
B) Pre-tax profit for the last three years: first year JP¥100 million or more; third year JP¥400 million or more; and the total of three years JP¥600 million (US$5.2 million) or more</td></tr>
<tr><td>Mothers</td><td colspan="4">Sales amount is recorded for the applicant's main business</td></tr>
</table>

1. A company wishing to list on the NASDAQ Global Select market must meet all the criteria under at least one of the three financial standards.
2. Recent rule change allows for demonstration of US$10 million in aggregate for two years and nine months.

Flotation and market capitalization

Summarized listing standard information is for illustrative purposes only. Criteria definitions may vary. Please refer to the individual stock exchange standard documents listed on p.38 for complete details. Contact the exchanges directly to determine the applicability of a standard to your company.

Exchange	Sub-exchange (if applicable)	Alternative tests (if applicable)	Standard		
Australian Securities Exchange	-	-	Minimum AU$10 million (US$7.8 million) market capitalization (asset or profit requirements can be substituted)		
Deutsche Börse	General/Prime Standards	-	Minimum €1.25 million (US$1.6 million) value of shares issued Minimum 10,000 shares		
	Entry Standard	-	No minimum requirements		
Euronext	Eurolist	-	N/A		
	Alternext	-	Companies wishing to make a public offer must have a minimum free float of €2.5 million (US$3.25 million)		
Hong Kong Stock Exchange	Main	Profit Test	Min. HK$200 million (US$26.5 million) market capitalization at time of listing		
		Market Cap/Revenue Test	Min. HK$4 billion (US$511.7 million) market capitalization at time of listing		
		Market Cap/Revenue/Cash Flow Test	Min. HK$2 billion (US$256.3 million) market capitalization at time of listing		
	GEM	-	N/A		
London Stock Exchange	Main	-	At least £700,000 (US$1.4 million) market capitalization		
	AIM	-	N/A		
NASDAQ[3]	Global Select		Standard 1	Standard 2	Standard 3
		Market capitalization	N/A	Market Cap Average ≥ US$550 million over prior 12 months	Market Cap Average US$850 million over previous 12 months
		Market value of publicly held shares	Minimum US$70 million	Minimum US$70 million	Minimum US$70 million
		Bid Price	Minimum US$5.00	Minimum US$5.00	Minimum US$5.00
		Market Makers	Minimum 3	Minimum 3	Minimum 3
	Global	Stockholders' Equity	Minimum US$15 million	Minimum US$30 million	N/A
		Market Value of Publicly Held Shares	US$8 million	US$18 million	US$20 million
		Bid Price	Minimum US$5.00	Minimum US$5.00	Minimum US$5.00
		Market Makers	Minimum 3	Minimum 3	Minimum 4
	Capital	Stockholders' Equity	Minimum US$5 million	Minimum US$4 million	Minimum US$4 million
		Market Value of Publicly Held Shares	US$15 million	US$15 million	US$5 million
		Market Value of Listed Securities[4]	N/A	Minimum US$50 million	N/A
		Bid Price	Minimum US$4.00	Minimum US$4.00	Minimum US$4.00
		Market Makers	Minimum 3	Minimum 3	Minimum 4
NYSE	Main	-		Foreign Domicile	Domestic
			Valuation with cash flow	Min. US$500 million	Min. US$500 million
			Pure valuation (six-month average or at IPO)	Min. US$750 million	Min. US$750 million
	ARCA	-	Minimum US$150 million market capitalization		
		Two of the following: total assets ≥ US$75 million, annual sales ≥ US$50 million, total equity ≥ US$50 million, positive pre-tax earnings			

3. A company wishing to list on one of the NASDAQ markets must meet all the criteria in at least one of the three standards.
4. Securities listed on NASDAQ or another national securities exchange.

Exchange	Sub-exchange (if applicable)	Alternative tests (if applicable)	Standard
Singapore Stock Exchange	Main	Alternative 1&2	N/A
	-	Alternative 3	Minimum S$80 million (US$52.1 million) based on issue price
	SESDAQ	-	N/A
Tokyo Stock Exchange	First Section	-	Minimum JP¥50 billion (US$414.8 million) minimum market capitalization Minimum 100,000 shares
	Second Section	-	Minimum JP¥2 billion (US$16.6 million) minimum market capitalization Minimum 4,000 shares
	Mothers	-	Minimum JP¥2 billion (US$8.3 million) minimum market capitalization Minimum 1,000 shares

Operating history

Summarized listing standard information is for illustrative purposes only. Criteria definitions may vary. Please refer to the individual stock exchange standard documents listed on p.38 for complete details. Contact the exchanges directly to determine the applicability of a standard to your company.

Exchange	Sub-exchange (if applicable)	Standard		
Australian Securities Exchange	-	No requirement as long as minimum profit, assets or market capitalization requirements are met		
Deutsche Börse	General/Prime Standards	Three years		
	Entry Standard	One year		
Euronext	Eurolist	Three years		
	Alternext	Two years		
Hong Kong Stock Exchange	Main	At least three financial years		
	GEM	Two financially active years*		
London Stock Exchange	Main	Three years		
	AIM	N/A		
NASDAQ[5]	Global Select	**Standard 1**	**Standard 2**	**Standard 3**
		N/A	N/A	N/A
	Global	N/A	Two years	N/A
	Capital	Two years	N/A	N/A
NYSE	Main	Three years		
	ARCA	N/A		
Singapore Stock Exchange	Main	Alternative 1: Three years operating history, three years continuity of management Alternative 2: One to two years continuity of management Alternative 3: N/A		
	SESDAQ	A company with no track record must demonstrate that it requires funds to finance a project or develop a product, which must have been fully researched and costed		
Tokyo Stock Exchange	Main	At least three years		
	Mothers	Applicant's core business must be effectively operational for at least one year under board of directors' control before the application date		

**May be reduced to one year if a) turnover of last financial year is at least HK$500 million b)recorded total assets of at least HK$500 million c) new applicant is expected to have a market capitalization of at least HK$500 million at time of listing.*

5. A company wishing to list on one of the NASDAQ markets must meet all the criteria in at least one of the three standards.

Working capital and/or assets

Summarized listing standard information is for illustrative purposes only. Criteria definitions may vary. Please refer to the individual stock exchange standard documents listed on p.38 for complete details. Contact the exchanges directly to determine the applicability of a standard to your company.

Exchange	Sub-exchange (if applicable)	Standard
Australian Securities Exchange	-	AU$2 million (US$1.6 million) net tangible assets (market capitalization requirement or profit requirement can be substituted)
Deutsche Börse	General/ Prime Standards	N/A
	Entry Standard	N/A
Euronext	Eurolist	N/A
	Alternet	N/A
Hong Kong Stock Exchange	Main	N/A
	GEM	N/A
London Stock Exchange	Main	Sufficient working capital for at least the next 12 months
	AIM	Sufficient working capital for at least the next 12 months
NASDAQ	Global Select	Standards 1-3: Minimum 450 round lot beneficial shareholders or minimum 2,200 beneficial shareholders; 1.25 million publicly held shares
	Global	Standards 1-3: Minimum 400 round lot shareholders; minimum 1.1 million publicly held shares
	Capital	Standards 1-3: Minimum 300 round lot shareholders; minimum 1 million publicly held shares
NYSE	Main	N/A
	ARCA	N/A
Singapore Stock Exchange	Main	Group must be in a healthy financial position with regard to positive cash flow from operating activities
	SESDAQ	N/A
Tokyo Stock Exchange	1st section	Minimum JP¥1 billion (US$810.0 million) net assets
	2nd section	Minimum JP¥1 billion (US$810.0 million) net assets
	Mothers	JP¥1 billion (US$8.25 million)

Number of shareholders and/or share distribution

Summarized listing standard information is for illustrative purposes only. Criteria definitions may vary. Please refer to the individual stock exchange standard documents listed on p.38 for complete details. Contact the exchanges directly to determine the applicability of a standard to your company.

Exchange	Sub-exchange (if applicable)	Standard
Australian Securities Exchange	-	Min. 500 shareholders with parcel of at least AU$2,000 (US$1,684) in value, or min. 400 shareholders of same value and 25% of security held by unrelated parties
Deutsche Börse	General/ Prime Standards	N/A
	Entry Standard	N/A
Euronext	Eurolist	Minimum 25% shares distributed to the public
	Alternext	N/A

Exchange	Sub-exchange (if applicable)	Standard
Hong Kong Stock Exchange	Main	Minimum 300 shareholders; not more than 50% of the securities in public hands can be owned by the three largest shareholders
	GEM	Minimum 300 shareholders
London Stock Exchange	Main	No requirements, although at least 25% of shares must be held by the public
	AIM	N/A
NASDAQ	Global Select	Beneficial shareholders: 2,200; publicly held shares: 1,250,000
	Global	Round lot holders: 400; publicly held shares: 1.1 million (all three standards)
	Capital	Round lot holders: 300; publicly held shares: 1 million
NYSE	Main	Total international shareholders: 5,000 Domestic (a,b,or c): a: 2,000 round lot shareholders; b: 2,200 total shareholders and 100,000 shares monthly trading volume; c: 500 total shareholders and 100,000,000 shares monthly trading volume
	ARCA	N/A
Singapore Stock Exchange	Main	25% of issued shares held by at least 1,000 shareholders
	SESDAQ	Min. 500,000 shares or 15% of issued shares (whichever is greater) in the hands of at least 500 shareholders
Tokyo Stock Exchange	Domestic 1st Section	If the number of shares listed is: a) < 30,000 units, then ≥2,200 shareholders b) ≥30,000 units but <200,000, 2,300 shareholders plus 100 shareholders for each additional 10,000 units above 30,000.
	Domestic 2nd Section	Up to 9,999 units—800 shareholders 10,000–19,999 units—1,000 shareholders ≥20,000 units—1,200 shareholders (+ 100 shareholders for each 10,000 units in excess of 20,000 units up to 2,200 shareholders)
	Mothers	Minimum of 300 additional shareholders who should hold at least one unit of the shares

Requirements for foreign issuers

In addition to the regulatory requirements of its country of domicile, a foreign issuer must also comply with the regulatory requirements of the competent authority in the foreign country in which the listing is sought. The competent authority in each country (e.g., the UK Listing Authority or the US Securities and Exchange Commission) sets the specific regulatory requirements for securities traded in that country, and such requirements may vary depending on whether the listing company is foreign or domestic.

A foreign issuer—depending on the exchange and the competent authority—may be required to present financial information in accordance with accounting principles generally accepted in the foreign country, in addition to financial statements prepared under the home country's generally accepted accounting principles (GAAP). GAAP is a country's standard framework of guidelines for financial accounting. It includes the standards, conventions and rules accountants follow in recording and summarizing transactions and in the preparation of financial statements. For example, foreign companies seeking listing in the US are required to include audited financial information prepared under US GAAP in the registration statement filed with the SEC.

An exchange's listing rules are discretionary—it may impose additional requirements or subject the listing to special conditions whenever it considers appropriate. Conversely, an exchange may waive or modify compliance requirements under the listing rules in individual cases, based on the specific facts and circumstances (though any waiver or modification of a rule that is intended to be generally applicable to all issuers is usually granted only with the prior consent of the foreign country's competent authority). For these reasons, in addition to complying with the foreign listing requirements, a company seeking listing in a foreign country may need to speak directly with the stock exchange and the foreign regulator concerned to identify any listing issues.

Foreign issuer requirements comparison

Summarized information is for illustrative purposes only. Regulatory and exchange requirements may vary depending on a company's specific situation. Companies should consult their business advisors regarding the applicable foreign issuer requirements.

Country	Company reporting language	Foreign issuer requirements
Australia	English	‣ A company admitted to list under the Foreign Exempt Listing operational at the ASX is required to comply with the rules of its home exchange. Except to a limited extent, it will not be required to comply with ASX listing rules. Foreign entities that do not fall under the exempt listing category are obliged to observe the ASX listing requirements. ‣ For a company to be admitted as a Foreign Exempt Listing it must: – Have an overseas stock exchange that is a member of the Fédération Internationale des Bourses de Valeurs (FIBV) – Be subject to the home market's listing requirements – Provide the ASX with a copy of its last annual report and any subsequent interim report – Establish in Australia an Australian securities register if it has a certified sub-register for quoted securities – Apply for quotation of securities that are in the class for which it seeks flotation – Satisfy either the ASX's profit test or its net tangible test – Have at least 1,000 holders, each having a parcel of securities that are in the class for which it seeks quotation, with a value of at least AU$500 million – Be registered as a foreign company under the Corporations Act – Appoint a person to be responsible for communication with ASX in relation to listing rule matters ‣ If the entity is a trust, it must appoint an agent for service of process in Australia, and no one must be under obligation to buy back units in the trust or to allow a security holder to withdraw from the trust.
Germany	German or English	‣ Generally, listing requirements for foreign issuers do not differ from those for domestic issuers, with some marginal variations primarily due to foreign company and tax laws. ‣ On the Deutsche Börse, shares of foreign companies can be included in trading in Entry Standard or admitted to either General Standard (listing based on national requirements: annual report, half-year report, ad hoc disclosure in German) or Prime Standard (all corporate information in English, international accounting – IFRS7[6]/US GAAP, ad hoc disclosure, quarterly financial reporting, corporate calendar). ‣ Subject to certain exemptions, the listing of shares requires a stock exchange admission prospectus in German or English. For foreign entities, this means that an EU prospectus in English has to be prepared, as well as a summary in German. ‣ The application for admission must be sponsored by an accredited institution that is admitted to a German stock exchange.
Hong Kong	Chinese or English	‣ In addition to observing the rules applicable to Hong Kong issuers, foreign companies are required to include in the listing document a summary of the constitutive documents and the relevant regulatory provisions of the jurisdiction in which it is incorporated or otherwise established. ‣ Listing entities that are incorporated in one of the following jurisdictions are generally acceptable to the exchange: Hong Kong, Bermuda, Cayman Islands, People's Republic of China. Entities incorporated in other jurisdictions may be accepted by the exchange on a case-by-case basis and are subject to rules governing oversea issuers.
France Netherlands Belgium Portugal	Language of country or English	‣ For European Union-based investment firms and credit institutions, authorization is required from the competent authorities of its home Member State to conduct business on the market.[7] Where relevant, it must give notification to the competent authority concerned that it wishes to take up its EEA[8] Right in the jurisdiction in which the relevant Euronext market undertaking is situated. ‣ For European Union-based non-ISD[9] firms, authorization is required from the competent authority to conduct business on the market, or in the absence of a requirement for aut horization, they must otherwise demonstrate that they are fit and proper for listing. ‣ The company must demonstrate fluency of its relevant personnel in English or in one of the languages of the relevant Euronext market undertaking. ‣ If the issuer is incorporated or otherwise established in a non-Member State, the terms shall be construed in accordance with the Directives of the European Union.[10]
Singapore	English	‣ A foreign issuer who has a primary listing on the exchange must comply with the listing rules in full. ‣ For foreign issuers, at least two independent directors are required, one of whom must be resident in Singapore. ‣ Singapore, US, or international accounting standards are acceptable on the Singapore Exchange.

6. International Financial Reporting Standards
7. *Euronext Rule Book*, Book 1
8. European Economic Area
9. European Commission Investment Services Directive
10. e.g., The IAS Regulation (EC) 1606/2002 or (EC) 2273/2003

Country	Company reporting language	Foreign issuer requirements
Tokyo	Japanese[11]	‣ A foreign company wishing to list must furnish the exchange with a document showing that the decision for a listing application has been made by the board of directors. ‣ A statement of legal opinion written by a legal professional certifying that matters pertaining to laws or regulations stated in the application for security listing and documents attached thereto are truthful and accurate must be provided by the prospective lister, as well as a document showing that a representative officer stated in the application for security listing is a person duly authorized to act for listing of such security. ‣ For an initial listing of a foreign stock depository security, a copy of the document demonstrating that a depository agreement for the depository security for which listing application is made must be supplied by the foreign company wishing to list, as well as a copy of the document evidencing that the depository organization of the depository security for which listing application is made is in agreement on such matters as the exchange deems necessary. ‣ Foreign companies must appoint an attorney-in-fact residing in the Tokyo area, who will fulfill the continuous disclosure requirements on their behalf.
UK	English	‣ Issuers must, if they are overseas companies, be in compliance with the requirements of: (i) any overseas stock exchange on which it has its securities listed and (ii) any competent authority or equivalent regulatory body which regulates it. ‣ The issuer must, if any of its securities are listed by the UK Listing Authority and on overseas stock exchanges, ensure that equivalent information is made available at the same time to the public (by way of notification to a Regulatory Information Service) and at each such other stock exchange. ‣ A foreign company wishing to list on a UK stock exchange must abide by the United Kingdom Listing Authority's regulatory criteria if applying for a secondary listing of equity securities. Overseas issuers seeking a secondary listing must notify the exchange of any changes in capital structure or changes to major interests in the company.[12] ‣ An overseas issuer applying for a secondary listing of equity securities will need to comply with the standard listing application imposed on all prospective listings. ‣ If an application is made for the admission for a class of shares, a sufficient number of shares (≥25%[13]) of that class must, no later than the time of admission, be distributed to the public in one or more EEA[14] States. Account may also be taken of holders in one or more states that are not EEA States if the shares are listed in that state or states. ‣ Shares from a company incorporated in a non–EEA state that are not listed either in its country of incorporation or in the country in which a majority of its shares are held will not be admitted unless the FSA is satisfied that the absence of the listing is not due to the need to protect investors. ‣ An overseas issuer with a secondary listing of equity securities applying for a primary listing must comply with the standard listing application as if it were a new applicant, as well as satisfying the additional requirements for listing for equity securities. ‣ On AIM, there are no additional rules for foreign companies, but it is best practice to comply with certain aspects of UK law and investor guidelines as set out in the Main Board's criteria above. ‣ On AIM, there are no minimum criteria in relation to company size, trading record or number of shares to be in public hands, but all prospective companies need a nominated adviser (Nomad) from an approved register who is responsible to the LSE for ensuring that all applicants are suitable.[15] ‣ On AIM, companies must produce an admission document that includes information about the company's directors, promoters, business activities and financial position (the admission document is not vetted by the Exchange or the UK listing requirements). The UKLA will only reference an AIM Admission Document where it is also a prospectus under the Prospectus Directive. ‣ On AIM, there is a streamlined admission process to facilitate foreign companies who have been listed on certain other major markets[16] for at least 18 months. For these companies, no admission document is necessary, but they need to make a detailed pre-admission announcement. The latest annual accounts may not be more than nine months out of date.
US	English	‣ Foreign private issuers are required to comply with the requirements of the Sarbanes-Oxley Act of 2002. ‣ If the foreign private issuer does not apply US GAAP for purposes of preparing its primary financial statements, then it is obliged to reconcile from the primary GAAP used to US GAAP. ‣ Most foreign private issuers are obliged to provide an audited balance sheet as of the end of the latest two years and audited statements of income and cash flows for the latest three years in annual periodic filings done under Form 20-F.17 ‣ The NYSE requires that the listed foreign private issuer must disclose any significant ways in which its corporate governance practices differ from those followed by domestic companies.18 ‣ On NASDAQ, foreign private issuers may follow certain home country governance practices in lieu of the comparable NASDAQ requirements. To do so, a company must provide NASDAQ with a letter from outside counsel in the company's home country, certifying that the company's practices are not prohibited by home country law.19

11. Excluding specified cases, the documents to be submitted to the Exchange can also be prepared in English.
12. Ref: <http://fsahandbook.info/FSA/html/handbook>
13. The FSA may accept a percentage less than 25% if it considers that the market will operate properly with a lower percentage in view of the large number of shares of the same class and the extent of their distribution to the public.
14. European Economic Area
15. Source: <http://www.stikeman.com/newslett/AIM_Feb05.pdf.> Stikeman Elliott
16. Australian Securities Exchange, Euronext, Johannesburg Stock Exchange, NASDAQ, NYSE, Stockholmbörsen, Swiss Exchange, Toronto Stock Exchange, UK Official List
17. This is true for domestic listings too.
18. Foreign private issuers must also comply with corporate governance requirements mandated by US securities laws and regulations.
19. Foreign private issuers must also comply with corporate governance requirements mandated by US securities laws and regulations.

Lock-up requirements

Initial public offerings usually involve an agreement called a lock-up (or lock-in) that prevents insider shareholders, such as executive management and private equity investors, from selling their public shares for a certain period of time. Ordinarily, lock-up agreements are not stipulated by the exchanges themselves but are frequently required by the underwriters involved in the IPO (for example, a bank or investment house). Since insiders hold significant blocks of stock, the lock-up protects the offering price by preventing the market from being flooded by insiders cashing out their shares.

Exchange lock-up requirements

Exchange		Exchange lock-up requirements
Australian Securities Exchange		Depending on which admission test is used to qualify for listing, trading in some proportion of shares may be restricted for up to two years.
Deutsche Börse General/ Prime Standards		None
Deutsche Börse Entry Standard		None
Euronext (Main)		None, but investment banks generally require a lock-up of three to 12 months, most commonly six months.
Alternext		None, but investment banks generally require a lock-up of three to 12 months, most commonly six months.
Hong Kong Stock Exchange Main Board		Yes, the controlling shareholder(s) is/are prohibited from: ‣ reducing any interests in the securities of the issuer within the first six months after the listing ‣ reducing interests in the securities of the issuer to such an extent as to cease to become a controlling shareholder within the second six months after the listing
Hong Kong Stock Exchange GEM		Yes (same as Main)
London Stock Exchange Main Board		A 12-month lock-up period may be required in certain circumstances if there is a meaningful sell-down.
London Stock Exchange AIM		Related parties, including shareholders owning more than 10% of the shares of companies with less than a two-year trading record are locked up for one year from admission. Exploration and development companies that have not been independent and earning revenue for at least two years will need to ensure that all related parties and applicable employees comply with the lock-up requirements of AIM Rule 7. Nominated Advisors typically require a lock-up even for companies that have the requisite track record to engender investor confidence and help maintain an orderly market in the company's shares. In certain circumstances, exceptions may be made for private equity investors.
NASDAQ	Global Select	None, but it is customary for underwriters to require a 180-day lock-up period.
	Global	None, but it is customary for underwriters to require a 180-day lock-up period.
	Capital	None, but it is customary for underwriters to require a 180-day lock-up period.
NYSE		None, but it is customary for underwriters to require a 180-day lock-up period.
Singapore Stock Exchange		Yes, usually for six months. There is a moratorium on disposing certain volumes of shares during the first six months after the listing: ‣ Entire shareholding at initial listing of the promoters ‣ Number of shares computed based on the given formulae regarding shares held by other shareholders who hold 5% or more of the issued shares and acquired those shares within 12 months prior to listing Second six months after listing: ‣ 50% of initial shareholding of the promoters
SESDAQ		Yes, usually for six months. Certain shareholders (those who hold 5% or more of the issued shares and acquired those shares within 12 months prior to listing) must undertake not to dispose of such number of shares as computed based on given formulae within the first six months after the listing.
Tokyo Stock Exchange Main Board[20]		Yes, the exchange imposes a mandatory six-month lock-up on shares issued during the fiscal year prior to the year of listing. Under this rule, conversion of preferred stock and exercise of options or warrants for common stock are each considered a new issuance to third parties.
Tokyo Stock Exchange Mothers		None

20. *http://www.mofo.com/news/news/files/article548.html*

Equity market listing fees

Stock exchanges charge listing fees using a variety of methods—volume of shares offered, value of shares offered, market capitalization or flat fee.

Equity market listing fees by exchange

Summarized listing fee information is for illustrative purposes only. Listing fees may vary. Please refer to the individual stock exchange standard documents listed on p.38 for complete details. Contact the exchanges directly to determine the applicability of a standard to your company.

Exchange	Sub-exchange	Listing fees	
Australian Securities Exchange	-	**Value of Securities (AU$)** Up to $3 million (US$2.5 million) $3,000,001 to $10 million $10,000,001 to $50 million $50,000,001 to $100 million $100,000,001 to $1 billion Over $1 billion (US$820 million)	**Fee Applicable (AU$)** $13,310 (US$10,925) $13,310+0.2671429% on excess over $3 million $32,010+0.07975% on excess over $10 million $63,910+0.04004% on excess over $50 million $83,930+0.02262333% on excess over $100 million $287,540 (US$ 241,775)+0.01331% on excess over $1 billion
Deutsche Börse	General Standard and Prime Standard	Admission: €3,000 (US$4,005) Inclusion: €2,500 (US$3,359)	
	Entry Standard	Admission/Introduction: €750 (US$1,001)	
Euronext	Eurolist-Domestic Issuers	Market capitalization at offering price: Up to €10,000,000 (US$13.4 million) From €10,000,001 to €100,000,000 From €100,000,001 to €500,000,000 From €500, 000,001 to €1,000,000,000 Over €1,000,000,000	Fee: €10,000 flat fee (US$13,434) 0.6% market capitalization 0.4% 0.3% 0.1% **Max:** €3 million fee (US$34 million)
	Alternext	Market capitalization at offering price: Up to €10,000,000 (US$13.4 million) From €10,000,001 to €100,000,000 From €100,000,001 to €500,000,000 From €500, 000,001 to €1,000,000,000 Over €1,000,000,000	Fee: €10,000 flat fee (US$13,434) 0.6% market capitalization 0.4% 0.3% 0.1% **Max:** €3 million fee (US$34 million)
Hong Kong Stock Exchange	Main	**Value of equities listed (HK$ million)** Not exceeding (NE) 100 (US$12.8 million) NE 200 NE 300 NE 400 NE 500 NE 750 NE 1,000 NE 1,500 NE 2,000 NE 2,500 NE 3,000 NE 4,000 NE 5,000 5,000 + (US$640.5 million)	**Initial fee HK$** 150,000 (US$19,214) 175,000 200,000 225,000 250,000 300,000 350,000 400,000 450,000 500,000 550,000 600,000 600,000 650,000 (US$83,256)
	GEM	Equity security value equals: HK$100 million (US$12.8 million) or more: Up to HK$1 billion (US$128.1 million): More than HK$1 billion:	 HK$100,000 (US$12,809) HK$150,000 (US$19,214) HK$2 million (US$256,185)

Exchange	Sub-exchange	Listing fees
London Stock Exchange	Main	Market Cap (£) Million / Fee Per Million Market Cap (£) / Max increment (£) / Max fee (£) 0-18 (US$36.7 million) / Min. 5,450.00 (US$10,852) / - / 15,736 18-50 / 563.80 (US$1,151.30) / 18,041 (US$36,844) / 33,778 50-250 / 281.35 / 56,270 / 90,048 250-500 / 124.80 / 31,200 / 121,248 500-1,000 / 56.95 / 28,475 / 149,723 1,000-2,000 / 35.00 / 35,000 / 184,723 2,000+ (US$4.1 billion) / 16.45 (US$33.59) / 95,957 (US$195,940) / 280,680 (US$573,140) VAT, currently at 17.5%, must be added to the fee derived for issuers incorporated in the United Kingdom
	AIM	Flat fee of £4,340 (US$8,641)
NASDAQ	Global Select	Up to 30 million shares: US$100,000 30 million to 50 million shares: US$125,000 Over 50 million shares: US$150,000
	Global	Up to 30 million shares: US$100,000 30 million to 50 million shares: US$125,000 Over 50 million shares: US$150,000
	Capital	Up to 15 million shares: US$50,000 Over 15 million shares: US$75,000
NYSE	Main	Fee per share: Up to and including 75 million shares: US$0.0048 Over 75 million shares up to and including 300 million shares: US$0.00375 Over 300 million shares: US$0.0019
	Arca	Up to and including 30 million shares: US$100,000 30 to 50 million shares: US$125,000 More than 50 million shares: US$150,00
Singapore Stock Exchange	Main	S$100 (US$65) per million dollars or part thereof of the market value of the securities admitted, subject to a minimum fee of S$50,000 (US$32,684) and a maximum fee of S$200,000 (US$130,736)
	SESDAQ	S$100 (US$65) per million dollars or part thereof of the market value of the securities admitted, subject to a minimum fee of S$10,000 (US$6,536) and a maximum fee of S$20,000 (US$13,070) NB: The fees set out in this schedule for both the Main and SESDAQ board do not include the goods and services tax (GST) or any other levies, duties, or taxes that are not imposed by the exchange.
Tokyo Stock Exchange	Main	(1) Stocks assigned to the First Section at the time of listing: ¥15 million (US$123,098) per issuer (2) Stocks assigned to the Second Section at the time of listing: ¥12 million (US$98,478) per issuer If public offering is made at the time of listing, in addition to initial listing fee, the following additional fees must be paid. (1) 0.09% of the total paid-in value of newly issued shares offered (2) 0.01% of the total paid-in value of secondary offering (public offering previously issued shares held by shareholders for sale) Domestic: Japanese consumption tax will be added to the above fees.
	Mothers	N/A
	Foreign Stocks	Fixed fee: ¥2.5 million (US$20,516) Proportional Fee: ¥0.0225 x No. of shares listed x Rate of reduction The maximum amount of this proportional fee shall be ¥13.5 million (US$110,791).

Assessment fees

Assessment fees are paid to the exchange to evaluate a company's readiness to list and ability to fulfill the exchange's listing requirements. Levied by only a few of the exchanges, these minor fees do not represent a major listing cost.

Summarized listing fee information is for illustrative purposes only. Listing fees may vary. Please refer to the individual stock exchange standard documents listed on p.38 for complete details. Contact the exchanges directly to determine the applicability of a s tandard to your company.

Exchange	Sub-Exchange	Assessment Fees
Australian Securities Exchange	-	Application for an "in-principle" decision (e.g., a listing rule waiver) by an unlisted entity: AU$7,500 (US$6,251). If listing proceeds, all of this amount may be set off against the minimum application.
Deutsche Börse	Main	Not Applicable
	Entry Standard	Not Applicable
Euronext	Eurolist	Not Applicable
	Alternext	Not Applicable
Hong Kong Stock Exchange	Main	Not Applicable
	GEM	Not Applicable
London Stock Exchange	Main	Not Applicable
	AIM	Not Applicable
NASDAQ	Global Select	Not Applicable
	Global	Not Applicable
	Capital	Not Applicable
NYSE	Main	Not Applicable
	Arca	Not Applicable
Singapore Stock Exchange	Main	Not Applicable
	SESDAQ	Not Applicable
Tokyo Stock Exchange	Main	Listing Examination Fee: ¥2,000,000 (US$16,412)
	Mothers	Initial Listing Examination: ¥1,000,000 (US$8,206)

Annual exchange fees

The structure of annual exchange fees largely reflects the pricing levels and schemes employed for the initial listings.

Comparison of annual exchange fees

Summarized annual fee information is for illustrative purposes only. Annual fees may vary. Please refer to the individual stock exchange standard documents listed on p.38 for complete details. Contact the exchanges directly to determine the applicability of a standard to your company.

Exchange	Sub-exchange	Annual fees	
Australian Securities Exchange	-	**Value of quoted securities (AU$)**	**Fee (AU$)**
		up to $3 million (US$2.5 million)	$7,450 (US$6,212)
		$3,000,001 to $10 million	$7,450+0.106401448% on excess over $3 million
		$10,000,001 to $100 million	$14,900+0.011531668% on excess over $10 million
		$100,000,001 to $1,000 million	$25,270+0.002143532% on excess over $100 million
		$1,000,000,001 to $10,000 million	$44,570+0.000657986% on excess over $1,000 million
		over $10,000,000,001 (US$8.3 billion)	$103,790 (US$86,541) +0.000067155% capped at $147,500 (US$124,134)
		ASX Foreign Exempt Listings: $19,800 (US$16,509) annual fee	
Deutsche Börse	General Standard	€7,500 (US$10,189)	
	Prime Standard	€10,000 (US$13,478)	
	Entry Standard	€5,000 (US$6,739)	
Euronext	Eurolist	**Number of shares**	**Fee (€)**
		0-2,500,000	3,000 (US$4,043)
		2,500,001-5,000,000	4,000
		5,000,001-10,000,000	8,000
		10,000,001-50,000,000	12,000
		50,000,001-100,000,000	16,000
		100,000,000+	20,000 (US$26,956)
		Non-domestic issuers: €10,000 (US$13,478)	
	Alternext	**Number of shares**	**Fee (€)**
		0-2,500,000	3,000 (US$4,043)
		2,500,001-5,000,000	4,000
		5,000,001-10,000,000	8,000
		10,000,001-50,000,000	12,000
		50,000,001-100,000,000	16,000
		100,000,000+	20,000 (US$26,956)
		Centralization fees: 0.3% of offering amount	

Exchange	Sub-exchange	Annual fees
Hong Kong Stock Exchange	Main	**Value of equities listed (HK$ million) — Annual listing fee (HK$)** Not exceeding (NE) 200 (US$25.6 million) — 145,000 (US$18,557) NE 300 — 172,000 NE 400 — 198,000 NE 500 — 224,000 NE 750 — 290,000 NE 1,000 — 356,000 NE 1,500 — 449,000 NE 2,000 — 541,000 NE 2,500 — 634,000 NE 3,000 — 726,000 NE 4,000 — 898,000 NE 5,000 — 1,069,000 5,000+ (US$640.5 million) — 1,188,000 (US$152,042)
	GEM	**Value of equities listed (HK$ million) — Annual Listing Fee (HK$)** Not exceeding (NE) 100 (US$12.8 million) — 100,000 (US$12,797) NE 1,000 — 150,000 1,000+ (US$128.0 million) — 200,000 (US$25,597)
London Stock Exchange	Main	**Market cap (£) million — Fee per million market cap (£) — Max increment (£) — max fee (£)** 50<0≥ (US$99.0 million) — Min. 3,585.00 (US$7,100) — - — 3,585.00 500<50≥ — 10.75 — 4,837.50 — 8,422.50 2,000<500≥ — 17.97 — 26,925.00 — 35,347.50 >2000 — Max. 35,347.00 (US$69,517.00) — - — 35,347.00 VAT, currently at 17.5%, must be added to the fee derived where applicable.
	AIM	Annual Fee £4,340 (US$8,537) VAT, currently at 17.5%, must be added to the fee derived where applicable.
NASDAQ	Global Select	**Total number of shares outstanding (M) — Annual fees (US$)** 0-10 — $30,000 10-25 — $35,000 25-50 — $37,500 50-75 — $45,000 75-100 — $65,000 100-150 — $85,000 150+ — $95,000
	Global	**Total number of shares outstanding (M) — Annual fees (US$)** 0-10 — US$30,000 10-25 — US$35,000 25-50 — US$37,500 50-75 — US$45,000 75-100 — US$65,500 100-150 — US$85,000 150+ — US$95,000
	Capital	**Total number of shares outstanding (M) — Annual fees (US$)** 0-10 — $27,500 10+ — $27,500
NYSE		US$0.00093 per share; minimum US$38,000
Singapore Stock Exchange	Main	S$25 (US$16.20) per million dollars or part thereof of the market value of the securities listed, subject to a minimum fee of S$25,000 (US$16,205) and a maximum fee of S$100,000 (US$64,835).
	SESDAQ	Market capitalization of less than S$50 million (US$32.4 million): fixed fee of S$5,000 (US$3,241). Market capitalization of S$50 million or greater: fixed fee of S$25,000 (US$16,205).

Exchange	Sub-exchange	Annual fees	
Tokyo Stock Exchange	Main	**First Section**	
		Market capitalization (¥ billion)	**Amount (¥)**
		0–5 (US$41.0 million)	960,000 (US$7,886)
		5–25	1,680,000
		25–50	2,400,000
		50–250	3,120,000
		250–500	3,840,000
		500+ (US$4.1 billion)	4,560,000 (US$37,462)
		Second Section	
		Market capitalization (¥ billion)	**Amount (¥)**
		0–5 (US$41.0 million)	720,000 (US$5,915)
		5–25	1,440,000
		25–50	2,160,000
		50–250	2,880,000
		250–500	3,600,000
		500+ (US$4.1 billion)	4,320,000 (US$35,495)
	Mothers	**Market capitalization (¥ billion)**	**Amount (¥)**
		0–5 (US$41.0 million)	480,000 (US$3,944)
		5–25	1,200,000
		25–50	1,920,000
		50–250	2,640,000
		250–500	3,360,000
		500+ (US$4.1 billion)	4,080,000 (US$33,523)
		1~3 years after listing: 50% of the above fees	

Cost of Going Public

Going public is an expensive proposition. In most markets, a company must engage business advisors such as attorneys, auditors and underwriters to prepare financial statements and regulatory filings, interact with regulators and represent the company to investors during the IPO transaction. In some markets, securing liability insurance coverage for directors and officers in association with the IPO is a practical necessity. Many stock exchanges require an ongoing sponsor relationship. The high-caliber professional services required to execute an IPO are expensive and typically represent the largest share of listing costs. In Ernst & Young's experience, the total cost of an IPO transaction, including listing fees and business advisor fees, typically runs in the hundreds of thousands of dollars and can exceed US$1 million, depending on a company's specific situation and the selected stock exchange.

Then there are the preparation costs outside the IPO transaction itself. Operating as a public company means meeting a higher standard of financial reporting, risk management, compensation practices and communications. Ernst & Young's research shows that executives who led highly successful IPOs in terms of post-offering performance linked their success to approaching the IPO as a transformation process rather than a financing event—systematically implementing new programs, policies and systems common to public companies one to two years prior to the offering. The executives identified several key areas of pre-IPO transformation: policies and procedures, financial accounting and internal controls, investor relations, board composition and incentive compensation. The IPO transformation requires a significant investment of time and capital.

Which exchange is most or least expensive in terms of listing costs has become a hotly contested point of competition among global stock markets. A study published by Oxera Consulting, the City of London and the London Stock Exchange made an argument that London offered the lowest cost of capital.[20] The Deutsche Börse cites an academic study finding that it has the advantage over London in terms of flotation costs and cost of capital.[21] The US exchanges point to the valuation premium awarded to companies that list on US markets as a result of the rigorous American regulatory framework. Ultimately, it is very difficult to make general conclusions about the total cost of listing on any market—too much depends on factors such as a company's specific structure, operations, transaction history, internal systems and size.

20. *The Cost of Capital: An International Comparison*, Oxera Consulting Ltd., June 2006.
21. Christoph Kaserer and Dirk Schiereck, *Deutsche Börse: Going Public and Being Public. The Impact of the Listing Decision on the Cost of Capital—An International Comparison*, November 2006.

While cost is an important factor to consider when selecting an exchange, it is not the most important factor. More important are factors such as the quality of an exchange's institutional investors and their understanding of a company's business, the likelihood of attracting research coverage, visibility to customers and suppliers and the number of peer companies trading on the market. If a company's selection of exchange doesn't have a clear connection to its business that makes sense to investors, its valuation will likely be reduced. The selection of an exchange is a long-term strategic decision that should be determined primarily by a company's business drivers.

Chapter 5

Process and timetable of going public

In the following section, the IPO process for each of the exchanges in this study is outlined in broad terms. Along with a timeline of the major IPO steps, the role of the competent authority in the listing process is summarized. These IPO timelines and descriptions should be considered for informational and comparative purposes only. The actual IPO process and timeline can vary with the specific circumstances of an individual company. Companies are advised to consult with their business advisors and prospective stock exchanges to determine what the IPO process will be in their particular situation.

Australian Securities Exchange main market IPO process

The Australian financial services industry is regulated by the Australian Securities and Investments Commission (ASIC). The Australian Securities and Investments Commission Act 2001 requires ASIC to meet the following objectives:

- Uphold the law uniformly, effectively and quickly
- Promote confident and informed participation by investors and consumers in the financial system
- Make information about companies and other bodies available to the public
- Improve the performance of the financial system and the entities within it

ASIC, together with the Australian Securities Exchange (ASX), oversees the listing process.

The Australian Securities Exchange Limited offers a market for trading in securities. Trading takes place through trading participants. ASX's market rules govern trading participants' relationships with ASX, with each other and with clients. ASX supervises the market for securities issued by listed entities. One way it does this is by setting standards for the behavior of listed entities through its Listing Rules.

ASX's Listing Rules govern the admission of entities to the official list, quotation of securities, suspension of securities from quotation and removal of entities from the official list. They also govern disclosure and some aspects of a listed entity's conduct. Compliance with the Listing Rules is a requirement for admission to the official list. It is also a requirement under the contract that an entity enters into on being admitted.

In Australia, the ASX recommends companies seeking an IPO to appoint professional advisors as they can help with a wide range of issues, including legal, financial, accounting, valuation, prospectus preparation, due diligence, underwriting and marketing of the IPO. There are also specialist advisors, such as independent valuation experts for specific industries. ASX also encourages companies seeking an IPO to meet and discuss their specific circumstances both at a preliminary stage and at a more advanced stage of listing.

Australian Securities Exchange main market IPO process and timeline

IPO Milestones	Timeline
‣ Contact Australian Securities Exchange ‣ Adopt "best practice" corporate governance standards	12–24 months before admission
‣ Ensure audited financial accounts for three-year period ‣ Consider commissioning an independent expert's report ‣ Make any necessary changes to the executive board ‣ Appoint non-executive directors ‣ Ensure company is incorporated under relevant laws ‣ Decide on method of flotation ‣ Evaluate advisors	6–12 months before admission
‣ Appoint sponsor and other advisors ‣ Prepare listing timetable ‣ Begin preparation of long-form report ‣ Begin preparation of prospectus ‣ Initiate due diligence ‣ Hold first due diligence committee meetings	1–6 months before admission
‣ Review problem areas ‣ Produce draft prospectus ‣ Produce other documents in first draft ‣ Initial review of pricing issues ‣ Hold first drafting meetings ‣ Hold initial meeting with the ASX ‣ Hold PR meetings and analysts roadshow ‣ Continue conduct of due diligence committee meetings	6–12 weeks before admission
‣ Continue drafting meetings ‣ Complete due diligence ‣ Finalize analysts' roadshows ‣ Dissemination of pathfinder prospectus ‣ Submit draft prospectuses to Australian Securities and Investments Commission (ASIC) ‣ Begin investor bookbuilding	1–6 weeks before admission
‣ Complete investor bookbuilding ‣ Make the formal application for listing and admission to trading ‣ Listing and admission to trading granted ‣ Pricing ‣ Trading begins	Admission week

Deutsche Börse IPO process

Deutsche Börse organizes one of the most efficient capital markets worldwide. In Europe, there are two points of access to the capital market: access via markets regulated by the EU (EU-regulated markets) and access via markets regulated by the stock exchanges themselves (regulated unofficial markets). At FWB® Frankfurter Wertpapierbörse (the Frankfurt Stock Exchange), a listing on the EU-regulated Official Market or Regulated Market leads to its General Standard or its Prime Standard segment, while admission to trading on the Regulated Unofficial Market leads to the Open Market with its Entry Standard segment, which is regulated by the stock exchange itself.[1]

For admission to the Prime Standard, the Rules and Regulations of the Frankfurt Stock Exchange require issuers to prepare and publish both consolidated financial statements and quarterly reports under IFRS or US GAAP. This does not affect the additional statutory obligation on German companies to prepare single-entity financial statements in accordance with the HGB (the German Commercial Code) as the basis of taxation and the computation of dividends. Financial statements in accordance with national GAAP (e. g., HGB) are sufficient for the Entry Standard.

Since it was established in May 2002, the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht—known as BaFin for short) has brought the supervision of banks and financial service providers, insurance undertakings and securities trading together under one roof. BaFin is an independent public-law institution and is subject to the legal and functional oversight of the Federal Ministry of Finance.

1. Sources: Deutsche Börse, Deutsche Börse Issuers Guide, <www.bafin.de>

Corporate governance standards were anchored in German law for companies in the General Standard and the Prime Standard when the Transparency and Disclosure Act came into force in July 2002. They oblige the members of executive and supervisory boards of listed German stock corporations to issue a declaration accompanying their annual financial statements as to whether and to what extent they comply with the recommendations set out in the code.

The issuer files the application for admission to the exchange, together with a bank or financial services institution that is approved for trading on a German exchange. The admission procedure can be initiated at the same time as the BaFin prospectus approval procedure, so that the admission resolution can be made on the same day as the approval and (Internet) publication of the prospectus.

Deutsche Börse IPO Process and Timeline

IPO milestones	Timeline
‣ Initiate time and process management ‣ Contact Deutsche Börse ‣ Make necessary changes to meet all legal requirements for IPO within company ‣ Provide regulatory permissions of government and administration ‣ Establish controlling and reporting preconditions within the company ‣ Discuss and develop company strategy ‣ Prepare a business plan ‣ Prepare financial statements ‣ Determine a timetable	6–12 months before admission
‣ Kick-off ‣ Selection of advisors (accountants, law firm, etc.): Deutsche Börse Listing Partner ‣ Selection of investment bank ‣ Planning of the conception of the public offering ‣ Financial and legal due diligence (2-4 weeks) ‣ Preparation of the EU Security Prospectus ‣ Beauty contest ‣ Selection of auditors ‣ Fact book	4–6 months before admission
‣ Preparation of IR activities ‣ Determination of prospectus ‣ Update of interim financial statements ‣ Establish IPO strategy/equity story	3–4 months before admission
‣ Prepare analysts' presentation ‣ Financial and legal due diligence (2-4 weeks) ‣ Prepare and publish research coverage ‣ Apply for admission of shares to trading ‣ Prepare custody and settlement of shares	2–3 months before admission
‣ Pre-marketing with investors and analysts ‣ Determine and publish EU-Security Prospectus ‣ Approval of prospectus by BaFin ‣ Comfort letter	1–2 months before admission
‣ Marketing/Roadshows ‣ Analysts' presentation	2–4 weeks before admission
‣ Complete investors bookbuilding ‣ Allocation/Pricing ‣ Initial price auction ‣ IPO event and media coverage on the floor of the Frankfurt Stock Exchange	Week of offering
‣ Continuous trading on the floor and electronic trading system XETRA	Up to 30–60 days post-offering

Euronext: Eurolist and Alternext IPO process

Euronext was formed in September 2000 from the merger of the equity and derivatives exchanges of Amsterdam, Brussels and Paris and joined in 2002 by the Portuguese exchange (BVLP) and the London International Financial Futures Exchange (LIFFE).

Companies are listed on a single regulated market, the Eurolist of Euronext. Launched in early 2005, this list combines all of Euronext's regulated markets into one listing structure and a single trading platform. Companies can access the Eurolist of Euronext from any of the four marketplaces—Amsterdam, Brussels, Lisbon or Paris—depending on the domestic market and legal framework of their choosing. The companies quoted on the Eurolist are classified in alphabetical order and identified on the basis of capitalization: C compartment for small caps (market capitalization of less than €150 million), B compartment for mid-caps (between €150 million and €1 billion), and A compartment for large caps (more than €1 billion).

In May 2005, Euronext launched Alternext, a new exchange-regulated market, tailor-made for mid- and small-cap companies, which offers them easier listing requirements while providing investors with an appropriate level of transparency.

The French financial market is regulated by the Autorité des Marchés Financiers (AMF), established by the Financial Security Act of 1 August 2003 from the merger of the Commission des opérations de bourse (COB), the Conseil des marchés financiers (CMF) and the Conseil de discipline de la gestion financière (CDGF). The AMF has a wide range of rule-making, supervision, investigatory and enforcement powers.

Euronext IPO process and timeline

IPO milestones	Timeline
‣ Contact Euronext ‣ Adopt "best practice" corporate governance standards ‣ Ensure audited financial accounts for three-year period (two years' financial statements in case of a direct listing on Alternext with no public offer but private placement) and have positive growth ‣ Produce required financial statements in accordance with recognized accounting standards or IFRS ‣ Make any necessary changes to the executive board ‣ Appoint non-executive directors ‣ Ensure company is incorporated under relevant laws ‣ Decide on method of flotation ‣ Evaluate advisors	6–12 months before admission
‣ Appoint a sponsor, the listing agent, among the members of the Euronext Cash Market ‣ Prepare listing timetable ‣ Begin preparation of long-form report ‣ Initiate due diligence	1–6 months before admission
‣ Review problem areas ‣ Produce draft prospectus – If the securities are offered to the public, prepare a prospectus with the listing sponsor (if Alternext) or banks (if Eurolist) – In case of a direct listing on Alternext after a private placement, produce an offering circular (i.e., prospectus not approved by the regulator) prepared under the responsibility of the company and its listing sponsor ‣ Produce other documents in first draft ‣ Perform initial review of pricing issues ‣ Hold first drafting meetings ‣ Submit prospectus and draft documents to the AMF, respond to its inquiries and wait for approval ‣ Hold initial meeting with the exchange ‣ Hold PR meetings and roadshow	6–12 weeks before admission
‣ Continue drafting meetings ‣ Complete due diligence ‣ Conduct review and verification of working capital report ‣ Disseminate pathfinder prospectus	1–6 weeks before admission
‣ Complete investor bookbuilding ‣ Submit 48-hour documents ‣ Make the formal application for listing and admission to trading ‣ Pay AMF and exchange fees ‣ Listing and admission to trading granted ‣ Pricing ‣ Trading begins	Admission week

Source: Euronext website <http://www.euronext.com>

Hong Kong Stock Exchange main board IPO process

The securities and futures markets in Hong Kong are regulated by the Securities and Futures Commission (SFC), an independent non-governmental statutory body. Given statutory powers by the Hong Kong Securities and Futures Ordinance (Chapter 571), the SFC has a wide range of rule-making, investigatory and enforcement powers in order to meet the following objectives:

- Maintain and promote the fairness, efficiency, competitiveness, transparency and orderliness of the securities and futures industry
- Promote understanding by the public of the operation and functioning of the securities and futures industry
- Provide protection for members of the public investing in or holding financial products
- Minimize crime and misconduct in the securities and futures industry
- Reduce systemic risks in the securities and futures industry
- Assist the financial secretary in maintaining the financial stability of Hong Kong by taking appropriate steps in relation to the securities and futures industry

The SFC oversees the performance of the Hong Kong Exchanges and Clearing Limited's (HKEX) role as the frontline regulator of the central securities and derivatives marketplace in Hong Kong. The Hong Kong Exchanges and Clearing Limited, through its subsidiary, The Stock Exchange of Hong Kong Limited (the exchange), oversees the listing process, reviewing and approving company prospectuses and ensuring that its rules are met.

In Hong Kong, a company seeking admission to the exchange must do so through a sponsor. The sponsor takes a leading role in the listing process, representing the issuer to the exchange. In addition, the sponsor coordinates other service providers, advises on valuation and coordinates the overall listing process.

Hong Kong IPO process and timeline

IPO milestones	Timeline
‣ Listing strategy and planning ‣ Pre-initial public offering inquiry	12–18 months before admission
‣ Appoint sponsor and other advisors ‣ Undertake corporate reorganization for listing ‣ Engage reporting accountants to audit the financial statements for the track record period ‣ Appoint non-executive directors and independent non-executive directors ‣ In the case of certain non-Hong Kong issuers, an accountant with qualification recognized by the Hong Kong Institute of Certified Public Accountants must be appointed as a full-time employee of the issuer ‣ Prepare listing timetable	6–12 months before admission 6–12 months before admission
‣ Business and legal due diligence ‣ Develop and initiate a plan for HKEX Listing Rules compliance ‣ Produce draft prospectus ‣ Produce other documents in first draft ‣ Initial review of pricing issues ‣ Property valuation ‣ Review of financial valuation model, profit forecast and cash flow forecast ‣ Hold first drafting meetings ‣ Submit listing application form to the exchange	4–6 months before admission
‣ Receive and respond to the exchange comments ‣ Review problem areas ‣ Continue drafting meetings	2–4 months before admission
‣ Complete due diligence ‣ Documentary submissions for Listing Committee hearing ‣ Roadshow presentation to prospective investors ‣ Comfort letters and consent letters from reporting accountants or other advisors ‣ Distribute prospectus	1–8 weeks before admission

IPO milestones	Timeline
‣ Complete investor bookbuilding and pricing ‣ Make the formal application for listing and admission to trading ‣ Listing and admission to trading granted ‣ Trading begins	Admission week
‣ Exercise of "Greenshoe" over-allotment option (if any) by underwriters ‣ Auditors issue comfort letter in connection with the execution of the over-allotment option	Up to 30 days post-offering

London Stock Exchange: main market and AIM IPO process

The financial services industry in the UK is regulated by the Financial Services Authority, an independent non-governmental body. Given statutory powers by the Financial Services and Markets Act 2000 (FSMA), the FSA has a wide range of rule-making, investigatory and enforcement powers in order to meet four statutory objectives:

- Market confidence: maintaining confidence in the financial system
- Public awareness: promoting public understanding of the financial system
- Consumer protection: securing the appropriate degree of protection for consumers
- Reduction of financial crime: reducing the extent to which it is possible for a business to be used for a purpose connected with financial crime

The FSA, acting as the competent authority for listing, is referred to as the UK Listing Authority (UKLA). The UKLA oversees the listing process, reviewing and approving company prospectus documents and ensuring that its rules are met.

In the UK, a company seeking admission to the London Stock Exchange must do so through an approved sponsor. Normally an investment bank, corporate finance house, stockbroker or accountancy firm, the sponsor takes a leading role in the listing process, representing the company to both the exchange and the UKLA. In addition, the sponsor coordinates other service providers, advises on valuation and coordinates the listing process overall. The UKLA maintains a list of approved sponsors.[2]

LSE main market IPO process and timeline[3]

IPO milestones	Timeline
‣ Contact London Stock Exchange ‣ Adopt "best practice" corporate governance standards	12–24 months before admission
‣ Ensure audited financial accounts for three-year period ‣ Consider commissioning an independent expert's report ‣ Make any necessary changes to the executive board ‣ Appoint non-executive directors ‣ Ensure company is incorporated under relevant laws ‣ Decide on method of flotation ‣ Evaluate advisors	6–12 months before admission
‣ Appoint sponsor and other advisors ‣ Prepare listing timetable ‣ Begin preparation of long-form report ‣ Begin preparation of prospectus ‣ Initiate due diligence	1–6 months before admission

2. *A Practical Guide To Listing*, London Stock Exchange, p. 26.
3. London Stock Exchange, <www.londonstockexchange.com>.

IPO milestones	Timeline
‣ Review problem areas ‣ Produce draft prospectus ‣ Produce other documents in first draft ‣ Perform initial review of pricing issues ‣ Hold first drafting meetings ‣ Submit draft documents to the UKLA ‣ Receive and respond to UKLA comments ‣ Hold initial meeting with the exchange ‣ Hold PR meetings and roadshow	6–12 weeks before admission
‣ Continue drafting meetings ‣ Complete due diligence ‣ Conduct review and verification of working capital report ‣ Dissemination of pathfinder prospectus	1–6 weeks before admission
‣ Complete investor bookbuilding ‣ Submit 48-hour documents ‣ Make the formal application for listing and admission to trading ‣ Pay UKLA and exchange fees ‣ Listing and admission to trading granted ‣ Pricing ‣ Trading begins	Admission week

Alternative investment market

The Alternative Investment Market (AIM) is regulated by the London Stock Exchange. Companies seeking to list on AIM must comply with the LSE's published AIM Rules. In addition to complying with the AIM Rules, companies must also comply with UK legal requirements for offers of securities and restrictions on financial promotions imposed by the FSMA. If a company is incorporated outside the UK, it must also comply with the securities laws of the country in which it is incorporated.[4]

Authority to admit companies to AIM is delegated by the LSE to authorized Nominated Advisors (Nomads). The Nomad determines whether a company is suitable for admission to the market, manages the company's flotation process and advises the company regarding its ongoing compliance with AIM rules and other corporate governance matters. Companies listed on AIM must retain a Nomad at all times to maintain their admission to the market.

While the steps for listing on AIM are similar to those for the Main Market, the process overall is far more flexible because, generally, only an AIM admission document is required rather than a prospectus that must be vetted by the UKLA. An admission document is exempt from submission to the UKLA if the offer is not made to more than 100 persons other than "qualified investors." A company's Nomad will generally seek to ensure that the deal is structured to qualify for this exemption to avoid the time and expense of UKLA vetting.[5]

Alternative Investment market listing process[6]

IPO milestones	Timeline
‣ Contact AIM ‣ Begin adopting "best practice" corporate governance standards	12–24 months before admission
‣ Independently audited financial accounts, if applicable, for a three-year period ‣ Make any necessary changes to the executive board ‣ Appoint non-executive directors ‣ Begin advisor selection	6–12 months before admission
‣ Appoint Nomad and advisors ‣ Prepare listing timetable	12–24 weeks before admission

4. *Joining AIM—A Professional Handbook*, London Stock Exchange, White Page Ltd., pp. 70–71.
5. Robert Brant, Richie Clark and Reeny Modha, *AIM: Gateway to European Markets*, McCarthy Tétrault, White Page Ltd., 2005, <www.lexpert.ca>.
6. Adapted from *AIM Admission Timetable*, London Stock Exchange, <www.londonstockexchange.com>.

IPO milestones	Timeline
‣ Produce the draft prospectus/admission document ‣ Produce the first draft of the other required documents ‣ Conduct the initial review of pricing issues ‣ Review PR presentations ‣ Host analysts presentations	6–12 weeks before admission
‣ Carry out and complete due diligence ‣ Hold PR meetings and roadshow ‣ Submit 10-day announcement to exchange of intention to join AIM	1–6 weeks before admission
‣ All documents completed and approved ‣ Pricing and allocation of the offer ‣ Sign subscription agreement	1 week before admission
‣ Submit documents ‣ Admission to AIM granted ‣ Trading begins	Admission week

NASDAQ and NYSE: the US IPO process

The IPO process in the United States is driven by two primary federal securities laws that govern the offer and sale of securities: the Securities Act of 1933 (1933 Act), which governs the offer and sale of securities and the Securities Exchange Act of 1934 (Exchange Act), which imposes certain public reporting obligations on public companies as well as their officers, directors and large shareholders.

Designed to prohibit fraudulent sales of securities and to provide investors with information material to an investment decision, the 1933 Act requires that each issuer that publicly offers securities in the United States disclose material information—about its business and financial condition and about the security being offered—by publicly filing a registration statement with the SEC. Under the 1933 Act, issuers must also disseminate a prospectus—part of the registration statement—to investors and prospective investors.[7]

Issuers must also be prepared to meet the provisions of certain US laws concerning public companies, such as the Foreign Corrupt Practices Act of 1977 and the Sarbanes-Oxley Act (SOX) of 2002. Public companies governed by the SEC are required to implement sound financial information and records management practices and effective internal controls.

In the US, a company deals directly with the regulatory authority—the SEC—supported by its legal counsel, auditors and other advisors during the IPO process. Interactions with the financial community are managed by the underwriter, an investment bank that structures the offering, markets the securities to investors, assists in developing pricing and supports the offering in the initial period of trading.

US IPO process and timeline

IPO milestones	Timeline
‣ Engage outside counsel, audit firm and other key advisors ‣ Validate two to three years of audited financial statements prepared in companies with US GAAP (IFRS, if applicable) and SEC rules ‣ Review significant accounting policies and company agreements ‣ Review tax structure and regulatory obligations ‣ Develop and initiate a plan for SOX compliance ‣ Recruit or validate public company board of directors ‣ Adopt "best-practice" corporate governance and reporting processes	12–24 months before admission
‣ Select lead underwriter ‣ Establish investor relations and financial planning/analysis functions ‣ Review directors' and officers' (D&O) insurance	6–12 months before admission

7. Larry W. Sonsini, David J. Berger and Matthew Sonsini, "Role of the Law Firm," in *Going Public: A Guide for North American Companies to Listing on the US Securities Markets*, White Page Ltd., 2005.

IPO milestones	Timeline
▸ Determine underwriter syndicate and engage investment banks ▸ Hold organizational meeting ▸ Complete transaction plan and timeline, including process for board approval of milestones, documents and agreements ▸ Prepare draft S-1 registration statement (F-1 for foreign private issuers) with appropriate audited and interim financial statements ▸ Meet with stock exchange (NASDAQ/NYSE)	4–6 months before admission
▸ Complete underwriter due diligence ▸ Review draft registration statement with advisors ▸ Submit listing application to selected exchange ▸ File registration statement with the SEC (consider advance filings) ▸ Receive and respond to initial SEC comments	2–4 months before admission
▸ Update interim financial statements ▸ Receive and respond to ongoing SEC comments	1–2 months before admission
▸ Accountants' comfort letter prepared ▸ Prospectus ('Red Herring") distributed ▸ Roadshow presentations to prospective investors ▸ Underwriter marketing of securities (bookbuilding)	2–4 weeks before admission
▸ Offering declared effective by the SEC ▸ Stock price approved by company board of directors ▸ Auditors' issue comfort letter ▸ Listing and stock exchange admission ▸ Closing — trading commences	Week of offering
▸ Underwriters exercise "Greenshoe" over-allotment option (if any) ▸ Auditors issue comfort letter in connection with the exercise of the over-allotment option	Up to 30–60 days post-offering

Singapore Stock Exchange main board IPO process

The securities and futures markets in Singapore are regulated by the Securities and Futures Act and Regulations (SFA and SFR), administered by the Monetary Authority of Singapore (MAS). In addition, companies seeking admission to Singapore Exchange Securities Trading Limited (SGX-ST) and listed companies have to comply with the rules and regulations of SGX.

The supervisory mandate of MAS is to promote a sound and progressive financial services sector through regulation and supervision. The objectives or desired outcome of MAS's supervisory activities are:

- A stable financial system
- Safe and sound financial intermediaries
- Safe and efficient financial infrastructure
- Fair, efficient and transparent organized markets
- Transparent and fair-dealing intermediaries and offerers
- Well-informed and empowered consumers

Listing applications and company prospectuses are submitted to SGX-ST for review and approval. After obtaining SGX's indication of eligibility to list, the prospectus has to be lodged with MAS, where it will be placed on the MAS website for public comments for a period of three to four weeks. Thereafter, the company will submit replacement supplemental prospectuses to MAS and SGX concurrently. The company is then able to launch the offer of shares.

In Singapore, a company seeking admission to the SGX must do so through a Singapore-based financial institution acting as its sponsor and lead manager. Besides managing the IPO launch, the lead manager also submits the listing application and acts as liaison with SGX on all matters arising from the application for listing.

Singapore Exchange IPO process and timeline

IPO milestones	Timeline
‣ Listing strategy and planning ‣ Pre-submission consultation with SGX ‣ Appoint lead manager and other professional parties, e.g., reporting accountants, solicitors, independent financial advisors ‣ Prepare listing timetable ‣ Undertake corporate reorganization for listing ‣ Perform business and legal due diligence ‣ Draft prospectus, gather supporting documents ‣ Audit the financial statements for the track-record period and review interim-period financial information, where applicable ‣ Issue improvement points on internal control system ‣ Review profit forecast and cash-flow forecast ‣ Draft new Articles of Association ‣ Draft service agreements ‣ Review material contracts, interested person transactions ‣ Hold drafting meetings ‣ Hold verification meeting and preparation of verification notes by solicitors ‣ Complete relevant compliance checklists ‣ Submit new listing application and draft prospectus to SGX	4–12 months before submission to SGX
‣ Receive and respond to SGX comments ‣ Appoint share registrar ‣ Appoint PR firm and printers ‣ Finalize legal due diligence reports ‣ Receive eligibility-to-list letter from SGX	Approval from SGX: 2–4 months
‣ Due diligence meeting and board meeting to approve the lodgment of preliminary prospectus with MAS ‣ Lodge preliminary prospectus with MAS for comments and public scrutiny ‣ Receive and respond to public and MAS comments ‣ Comfort letters and consent letters from reporting accountants or other advisors ‣ Roadshow presentation to prospective investors ‣ Bookbuilding period/closed-door session to gather feedback from investors ‣ MAS approves registration of prospectus	Lodgment with MAS: 3–4 weeks
‣ Submit marked final prospectus to SGX and MAS ‣ Register final prospectus with MAS ‣ IPO launch ‣ Pre-listing requirements: submit relevant documents and confirmations to SGX, e.g., conditions for eligibility to list ‣ Close of offer ‣ Balloting of applications, if necessary ‣ Trading begins	Registration with MAS: 1–2 weeks

JASDAQ and TSE: the Tokyo IPO process

The IPO process in Japan is driven by a primary securities exchange law that governs the offer and sale of securities: the Financial Instruments and Exchange Law (FIEL). The FIEL governs the offer and sale of securities and imposes certain public reporting obligations on public companies as well as on their directors, corporate auditors and large shareholders.

Designed to prohibit fraudulent sales of securities and to provide investors with information material to an investment decision, the law requires that each issuer who publicly offers securities in Japan disclose material information—about its business and financial condition and about the security being offered—by publicly filing a registration statement with the Financial Service Agency (FSA). Under the FIEL, issuers must also disseminate a prospectus—part of the registration statement—to investors and prospective investors.

Issuers will also be prepared to meet the public company requirements of the Management Assessment and Audit Concerning Internal Control Over Financial Reporting regulation as a part of FIEL in the accounting year that starts on or after 1 April 2008 (J-SOX, the Japanese version of SOX). The purpose of J-SOX is to protect shareholders from corporate mismanagement and fraud. Public companies governed by the FSA are required to implement sound financial information and records management to ensure the accuracy of business records and financial statements. J-SOX requires the management of public companies to report annually on the effectiveness of internal control over financial reporting and management to certify the completeness and accuracy of all disclosures in the company's FSA filings.

In Japan, a company deals directly with the regulatory authority, the FSA, supported by its lead underwriter, audit firm and other advisors during the IPO process. Interactions with the financial community are managed by the lead underwriter, which structures the offering, markets the securities to investors, develops pricing and supports the offering in the initial period of trading. The role of lead underwriter is very important throughout the IPO process in Japan.

Tokyo Stock Exchange IPO process and timeline

IPO milestones	Timeline
‣ Begin lead underwriter selection process ‣ Engage outside auditor to audit two to three years of financial statements	24 months before admission
‣ Develop and initiate a plan for J-SOX compliance ‣ Adopt "best practice" corporate governance for a public company ‣ Engage lead underwriter to advise on possible IPO issues	12–24 months before admission
‣ Begin selection process for other advisors, lawyer, printing company ‣ Prepare draft registration statement (Form I and Form II). Both forms will be examined by JASDAQ or TSE as listing examinations ‣ Complete underwriter due diligence ‣ Initial meeting with stock exchange (JASDAQ/TSE) and lead underwriter	4–12 months before admission
‣ Outside auditor review of draft registration statement ‣ Audited financial statements prepared (audited semiannual financial statements, if filing date is subsequent to nine months after current year end) ‣ Submit listing application to selected exchange ‣ Start listing examination by JASDAQ/TSE	3–4 months before admission
‣ File initial registration statement with FSA ‣ Accountants' comfort letter prepared ‣ Prospectus distributed ‣ Roadshow presentations to prospective investors	3–4 weeks before admission
‣ Underwriter marketing of securities (bookbuilding)	2 weeks before admission
‣ Offering declared effective by the FSA ‣ Stock price approved by company Board of Directors Pricing Committee ‣ Outside auditors' issue comfort letter ‣ Listing and stock exchange admission ‣ Closing–trading commences	Week of offering

Chapter 6

Regulatory environment

The expanding presence of globally operating businesses makes understanding the similarities and differences between national practices of securities market regulation central for key stakeholders, including regulators, market operators, issuers and investors. In addition, recent trends of demutualization and international mergers between exchanges are changing the framework of capital markets and necessitating adaptive regulatory regimes.

Regulatory Environment

Regulation is an increasingly overlapping and collaborative endeavor between and among the global stock exchanges and various oversight bodies. Legislation, codes, recommendations, standards and principles regulating equity markets and securities issuers emanate from a variety of sources, including government bodies, government-appointed bodies, commissions, committees and industry establishments.

In the EU, member countries that meet the requirements of the prospectus directive when listing can have their prospectuses "passported" in EU member states. The directive, which came into effect on 1 July 2006, allows investors in the EU to buy securities if a prospectus has been approved by the issuer's home regulator. Keeping with the EU's common market objectives, the directive allows companies and investors to benefit from an integrated capital market. Companies will be allowed to "passport" a prospectus approved by the competent authority of one member state into another, without further consents or approvals in those member states.[1]

Corporate Governance

Across all countries, high-profile cases of fraud have revealed the need for corporate governance reform. The regulatory environments of stock exchanges and listed companies in all global regions are evolving to guide, support and help companies to develop and put into place effective corporate governance systems to ensure company management is acting on behalf of shareholders and stakeholders by creating company value and producing accurate and timely reports upon which investors can base informed decisions. Such measures create fair and transparent securities markets in which investors may have confidence.

The following section outlines the regulatory authorities and corporate governance standards—including internal control disclosures and management and board certifications—in the domicile countries of the exchanges in our study. The information in this section is not comprehensive and is intended for informational and comparative purposes only.

1. *The EU's Prospectus Directive and Prospectus Passporting*, Ernst & Young Center for Business Knowledge, February 2007.

Regulators: Exchange Competent Authorities

<table>
<tr><th colspan="2">Stock Exchange</th><th>Competent authority for oversight of market</th><th>Description/Function</th></tr>
<tr><td colspan="2">Australian Securities Exchange</td><td>Australian Securities and Investments Commission (ASIC)</td><td>ASIC is an independent government body that enforces and regulates company and financial services law.</td></tr>
<tr><td colspan="2">Deutsche Börse</td><td>Börsenaufsichtsbehörden der Länder (stock exchange supervisory authorities of the federal states) and Federal Financial Services Supervisory Authority (BaFin)</td><td>BaFin supervises the four subsidiary companies of Deutsche Börse AG: Clearstream Frankfurt AG, Eurex Clearing AG, Eurex Bonds GmbH and Eurex Repo GmbH. Deutsche Börse AG itself is supervised by BaFin as an issuer of financial instruments that are admitted to trading on an organized market pursuant to §§ 15 ff. and §§ 21 ff. of the Wertpapierhandelsgesetz (securities trading act) and the Wertpapiererwerbs und Übernahmegesetz (German Securities Acquisition and Takeover Act).</td></tr>
<tr><td rowspan="4">Euronext</td><td>France</td><td>Proposition de l'Autorité des marchés financiers (AMF)</td><td>AMF is a financial institution that oversees the activity of the financial market.</td></tr>
<tr><td>Netherlands</td><td>Recognition by the minister of finance after advice from the Netherlands Authority for the Financial Markets (AFM)</td><td>AFM is the regulatory authority for financial services under the Act on the Supervision of the Securities Trade 1995.</td></tr>
<tr><td>Portugal</td><td>Finance Ministry authorizes markets on basis of proposal from Comissão do Mercado de Valores Mobiliários (CMVM), which is responsible for regulation and oversight of market.</td><td>CMVM is an independent public institution responsible for the supervision of securities and stock markets.</td></tr>
<tr><td>Belgium</td><td>Commission for Banking, Finance and Insurance (CBFA)</td><td>CBFA, the sole supervisor of financial institutions, is responsible for regulation of financial sectors and services.</td></tr>
<tr><td colspan="2">Hong Kong Stock Exchange</td><td>The Securities and Futures Commission (SFC)</td><td>The SFC is a non-governmental entity established under the Securities and Futures Commission Ordinance. It is the key regulator of Hong Kong's securities markets, responsible for regulating the industry, providing investor protection and containing market misconduct.</td></tr>
<tr><td rowspan="2">LSE</td><td>Main Board</td><td>Entities operating regulated markets are recognized investment exchanges within the meaning of s285 of the Financial Services and Markets Act 2000 and are regulated by the Financial Services Authority.</td><td>The FSA is an independent body that regulates the securities industry in the UK and serves as the competent authority for listing shares on a UK stock exchange.</td></tr>
<tr><td>AIM</td><td>London Stock Exchange</td><td></td></tr>
<tr><td colspan="2">NASDAQ</td><td rowspan="2">Securities and Exchange Commission (SEC)</td><td rowspan="2">The SEC is a government agency established under the Securities and Exchange Act of 1934 and has the responsibility of enforcing securities laws and regulating the security industry.</td></tr>
<tr><td colspan="2">NYSE</td></tr>
</table>

Stock Exchange	Competent authority for oversight of market	Description/Function
Singapore Stock Exchange	Ministry of Finance (MOF)	The MOF operates as a part of the government and is responsible for regulating businesses within Singapore's jurisdiction in areas such as company law, accounting standards and corporate governance principles.
Tokyo Stock Exchange	Financial Supervisory Agency (FSA)	The FSA is a government organization responsible for overseeing the financial industry.

Corporate Governance Standards[2]

Country	Corporate governance code	Board structure	Board composition	Audit committee composition	Remuneration disclosure	Compliance provision
Australia	ASX Corporate Governance Council—Principles of Good Corporate Governance and Best Practice Recommendations, March 2003	Unitary	Majority of board to be independent	‣ Only non-executive directors ‣ A majority of independent directors ‣ An independent chairperson who is not chairperson of the board ‣ At least three members		Comply or explain
Belgium	Corporate Governance Committee—Belgian Corporate Governance Code, December 2004	Unitary	Majority non-executive	All independent non-executive		Comply or explain
France	The Corporate Governance of Listed Corporations: Principles for Corporate Governance (consolidated 1995, 1999 and 2002 AFEP and MEDEF reports), October 2003	Unitary, two-tier (optional)	Between one-third and one-half of board to be independent	Two-thirds independent non-executive directors		Comply or explain
Germany	Cromme Commission Code and Amendments, February 2002/ May 2003	Two-tier	Maximum of two former management board/senior management appointed to supervisory board	Committee chair not to be former management board	Management board only	Comply or explain

2. Stephanie Maier, *How Global is Corporate Governance?*, Ethical Investment Research Services, August 2005.

Country	Corporate governance code	Board structure	Board composition	Audit committee composition	Remuneration disclosure	Compliance provision
Hong Kong	Hong Kong Stock Exchange Listing Requirements—Principles of Good Governance, Code Provisions and Recommended Best Practices, November 2004	Unitary	At least one-third independent	Non-executive directors only; minimum of three members; majority of independent directors	Disclosure of individual directors' remuneration on a "named" basis	Comply or explain
Japan	Corporation Law and TSE requirements	Unitary (board of auditors required), two-tier (optional)	Not specified	Majority independent	Covered by Japanese disclosure rules	Comply or explain
Netherlands	The Dutch Corporate Governance Code (Tabakslatt), December 2003	Two-tier	Wholly independent supervisory board (except one)	Maximum of one member not independent		Comply or explain
Portugal	Securities Market Commission Recommendations and Revisions, November 2001/ November 2003	Unitary (board of auditors required)	At least one independent director	Not specified	Not specified	Comply or explain
Singapore	Code of Corporate Governance, March 2001 (proposed revisions published for consultation, December 2004)	Unitary	At least one-third independent	All non-executive; majority of independent directors	Disclosure of individual directors' remuneration on a "named" basis	Comply or explain

Country		Corporate governance code	Board structure	Board composition	Audit committee composition	Remuneration disclosure	Compliance provision
UK	LSE Main Board	Combined Code, June 2006	Unitary	At least half the board (excluding chair), independent for larger companies	All independent non-executive directors	Separate remuneration report	Comply or explain
UK	AIM[3]	The Quoted Companies Alliance (QCA) Corporate Governance Guidelines	Unitary	The roles of chairman and chief executive should not be exercised by the same individual. A company should have at least two independent non-executive directors.	All independent non-executive directors	The remuneration committee should be made up of at least two independent non-executive directors. It must fulfill provisions for disclosure as set out in the Directors' Remuneration Report Regulations 2002.	The Combined Code does not apply to AIM companies. However, big institutional investors expect the Quoted Companies Alliance Guidelines to be adhered to.
US		Securities Exchange Act of 1934, Sarbanes-Oxley Act of 2002	Unitary	Majority of the members of the board of directors must be independent	Audit Committee of at least three members; all must be independent	Covered by US disclosure rules	Comply

Disclosure of internal controls comparison

Country	Code	Internal control disclosure
Australia	Australian Securities Exchange listing rules	Companies to disclose governance practices and explanation for any departure from "best practice" principles
Belgium	Changes to the EU Company Law Directives 4 and 7	Corporate governance statement describing main features of company's internal control and risk management systems in relation to their financial reporting processes required
France		
Germany		
Portugal		
Hong Kong	Stock Exchange of Hong Kong's Corporate Governance Practices (the Code)	‣ Recommends the disclosure of directors' review of the issuing company's system of internal control and any significant views or proposals put forward by the Audit Committee ‣ Requires a report of the work performed by the Committee during the year in discharging its responsibilities regarding the reviews of system of internal control

3. *Corporate Governance Guidance for AIM Companies*, The Quoted Companies Alliance, February 2007.

Country		Code	Internal control disclosure
Japan		Financial Instruments and Exchange Law (applied to business year starting on and after 1 April 2008)	Introducing mandatory management assessment (internal control report) and auditor's audit of management assessment
Netherlands		The Dutch Corporate Governance Code	Listed companies to devote a chapter in the annual report to the broad outline of their corporate governance structure and to compliance with the corporate governance code, as well as the non-application of any "best practice" provisions
Singapore		The Singapore Exchange (SGX) listing manual	Requires all listed companies to disclose their corporate governance practices in their annual reports with reference to the Code and disclose and explain areas of deviation from the Code
UK	Main Board	Combined Code June 2006	Corporate Governance statement describing main features of company's internal control and risk management systems in relation to their financial reporting processes required as part of company's corporate governance disclosures
	AIM[4]	The Quoted Companies Alliance (QCA) Corporate Governance Guidelines	The annual report should include a statement of how the board operates, including a high-level statement of which types of decisions are to be taken by the board and which are to be delegated to management.
US		US Congress—The Accounting Industry Reform Act 2002 (Sarbanes-Oxley Act) ‣ Company's annual report must state the responsibility of the management for internal controls ‣ Company's annual report must contain an assessment of the effectiveness of internal control for financial reporting ‣ Auditor to report on the assessment made by the management.	

Director/executive/board certification/responsibility statements

<table>
<tr><th>Country</th><th>Director/executive/board certification/responsibility statements</th></tr>
<tr><td>Australia[5]</td><td>Directors required by the Corporations Act to:
‣ State whether, in their opinion, the accounts are true and fair
‣ Give details of any significant after-balance-date events
‣ State whether or not, in their opinion, there are any grounds to believe that the company will be unable to pay its debts as and when they fall due</td></tr>
<tr><td>Belgium</td><td rowspan="5">Transparency directive requires persons responsible within the listed company—usually the directors—to state publicly that:
‣ To the best of their knowledge, the annual financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the company's consolidated assets, liabilities, financial position and profit or loss.
‣ The annual management report includes a fair review of the development and performance of the business and the company's position, with a description of the principal risks and uncertainties that it faces (the same wording as used in the new directors' report business review requirements in the Companies Act 1985).
‣ The half-year management report includes a fair review of the important events that have occurred in the first six months of the financial year and their impact on the financial statements, with a description of the principal risks and uncertainties for the remaining six months (there are additional requirements concerning related parties' transactions).</td></tr>
<tr><td>France</td></tr>
<tr><td>Germany</td></tr>
<tr><td>Netherlands</td></tr>
<tr><td>Portugal</td></tr>
<tr><td>Hong Kong</td><td>‣ Directors have a legal obligation to prepare statements of accounts that give a true and fair view of the company's financial position at the end of its financial year. Failure to do so is a criminal offense under the Companies Ordinance.
‣ Although the company's statement of accounts is signed by two of the directors, the board of directors has collective responsibility for the company's accounts, as it must be approved by the board of directors.</td></tr>
</table>

4. *Corporate Governance Guidelines for AIM Companies*, The Quoted Companies Alliance, February 2007.
5. *Australian External Reporting Environment*, The Australian National University.

Country	Director/executive/board certification/responsibility statements
Japan[6]	Financial Instruments and Exchange Law (Investment and Service Law) requires the submission to the prime minister of a certification by management of annual reports (including quarterly reports and semi-annual reports).
Singapore	The Companies Act makes it an offense for any person to willfully make or authorize the making of a statement that is false or misleading in any material particular in relation to any return, report, certificate, balance sheet or any other document required by the Act. Similarly, officers who, with intent to deceive, make or furnish, or knowingly and willfully authorize or permit the making or furnishing of any false or misleading statement or reports are guilty of an offense (s 402).
UK	‣ Transparency directive responsibility statement ‣ Under UK law, liability for misstatements in a prospectus falls on the issuer and each of the directors. Third-party experts (e.g., auditors) may also be liable for misstatements in portions of the prospectus for which they are responsible.
US	Sarbanes-Oxley requires the Principal Executive Officer and the Principal Financial Officer to certify that each annual and quarterly report filed with the SEC fully complies with the requirements of the Securities Exchange Act of 1934 and that the report fairly presents, in all material respects, the financial condition of the operations of the issuer.

The preceding section outlines the regulatory authorities and corporate governance standards—including internal control disclosures and management and board certifications—in the domicile countries of the exchanges in our study. The information in this section is not comprehensive and is intended for informational and comparative purposes only.

6. <http://www.fsa.go.jp/en/refer/others/20060621.pdf>.

Class action lawsuit considerations

The legal environment for companies going public varies greatly in countries around the world. This section focuses on securities class action lawsuits, given that they are one of the main legal concerns for companies about to list. Securities class action lawsuits can be both costly and extremely damaging to an issuer's reputation.

Despite a much smaller number of securities settlements outside the US, securities litigation is increasingly becoming a global phenomenon. In a recent study of institutional investors, Institutional Shareholder Services found that there is growing interest from countries outside the US in securities class actions. Changes in European Commission competition law have encouraged private action for violations. There have been no billion-dollar settlements outside the US, but investors have obtained settlements reaching US$100 million in Canada and Australia. Other countries where there have been class action lawsuits are South Korea, Israel, Sweden, Germany, Italy and the Netherlands.

The following section briefly highlights some of the important class action lawsuit considerations in each of the countries in our study that host an exchange. The information below does not provide legal advice. Please consult your legal advisor regarding the specific class action laws in a given country.

Australia

Like other British Commonwealth nations, Australia has a "loser pays" rule for attorneys' fees. In other words, investors face the potential liability of having to pay millions of dollars in corporate legal fees if their lawsuit is unsuccessful. In addition, there are fewer financial incentives for plaintiffs' lawyers to assume the risk of litigating these cases than in the United States—contingency fee arrangements are prohibited, for example.

Another significant barrier is that Australian courts have not yet accepted the "fraud on the market" theory. That concept, which presumes that the market price of a security reflects all the publicly available information about a company, has been accepted in the US for decades and spares investors from having to prove that they relied on particular misstatements or omissions by a company.

France

Class actions are not yet permitted in France. A bill to allow class action was introduced in 2006 but withdrawn in early 2007. Any system established under French law is likely to be different from the Anglo Saxon class action concept because, under French law, the system of discovery does not exist, contingency and success fees are heavily regulated and the principles of indemnification exclude the possibility of punitive damages.

Germany

German statutory and case law is well developed in the field of prospectus liability and allows investors to compel issuers to repurchase securities for the original subscription price if the prospectus is defective. However, Germany has other provisions that discourage securities litigation. Discovery is limited compared with the US and possible only in circumstances according to the German Code of Civil Procedure which allows demanding a certain specified document. This increases the likelihood that a complaint will be dismissed. Moreover, contingent fees are prohibited, there are neither jury trials nor punitive damages and the losing party is responsible for the legal fees of the prevailing party, defined as a function of the amount in controversy. [7]

Netherlands

Investors can't bring class actions under Dutch law, but they can join together to bring a collective action, typically through an association or a foundation. Traditionally, monetary damages have not been available, but such a group can seek a court order to bring about change at a company. However, recent new legislation allows for the creation of classes for settlement purposes.

Hong Kong

Among Hong Kong companies, there is a fear of the rising risk of governance-related litigation—not from shareholders, due to the absence of a class action system, but from the government and regulatory bodies. Given the high cost of litigation in Hong Kong, those in the middle-income group, whose means are above the limits

7. *Securities Litigation,* Freshfields Bruckhaus Deringer, February 2005.

set down by the Legal Aid Scheme and the Supplementary Legal Aid Schemes, would have difficulty financing litigation.

Hong Kong does not have a lot of lawyers compared with the United States. There are about 5,300 lawyers in about 300 law firms. A third of the lawyers are sole practitioners, and more than two-thirds of the firms have fewer than five lawyers. Swiss Re rates the importance of Directors' and Officers' Insurance for Hong Kong as low.

Japan
It is difficult to bring action under securities law, and cases are usually brought under tort or contract law. A company and its directors can agree to set a cap on the damages that directors are liable for through a board of directors' resolution or special resolution by shareholders. However, the Corporation Law sets the following minimum limits:[8]

- Representative director: six times the director's annual remuneration
- Outside director: twice the director's annual remuneration
- Other director: four times the director's annual remuneration

United Kingdom
Group Litigation Orders (GLOs) can provide benefits for both parties, including an efficient and cost-effective way of managing cases and the avoidance of a proliferation of claims in various courts. However, it is still some way away from its US counterpart. Funding for claimants is much harder to obtain, and losing poses the risk of adverse cost consequences. In the absence of punitive damages and jury trials, damages awards for successful claimants are also likely to be lower.

United States
The United States has a long-established tradition of litigation and class action lawsuits, but the number of class actions brought by plaintiffs against companies has declined dramatically over recent years. The most commonly relied-upon basis for securities loss gains is the general anti-fraud commission contained in section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 adopted thereunder. It is important to note that, under Rule 10b-5 of the Securities Exchange Act of 1934, claims can be made against not only the issuing company but also against its officers, directors or underwriters.

According to a Stanford Law School publication, class action securities fraud filings plunged to a record low in 2006, a year characterized by a strong stock market that exhibited lower volatility and an increased focus on corporate controls. Filings are down 38% from the 173 filed in 2005 and 43% lower than the 10-year historical average of 193. Of all the companies listed on the NYSE, NASDAQ and Amex at the start of the year, only 1.5% were defendants in traditional class action lawsuits, compared with 2.4% in 2005 and with the 2.2% annual average from 1996 to 2005.[9]

The Stanford publication suggests that the sharp fall in litigation activity is most likely attributable to three factors. First, the dramatic boom and bust of US equities in the late 1990s and early 2000s has sufficiently passed, and the vast majority of lawsuits relating to fraud during that period are behind us. Second, it is also possible that improvements to corporate governance brought about by the Sarbanes-Oxley Act in light of high-profile filings and settlements has significantly reduced the grounds for filings. Finally, US stock prices have generally increased, and stock markets became less volatile in 2006 than at any time since 1996. As volatility on the markets increases the likelihood of securities litigation, it follows that less volatility is associated with a lower number of filings.[10]

8. *International Financial Law Review*, May 2002.
9. *Securities Class Action Case Filings, 2006: A Year in Review*, Cornerstone Research, 2007.
10. Ibid.

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