



III CENTRAL  
AND EASTERN EUROPEAN  
INVESTMENT CONFERENCE  
7 November 2014



**ATHEXGROUP**  
Athens Exchange Group

# III CEE Investment Conference

*Talking about a Brighter Future: The Road to Prosperity*

PANEL DISCUSSION II

*Developing a Financial Centers Network:  
Collaborating for developing Financial Markets in CEE*

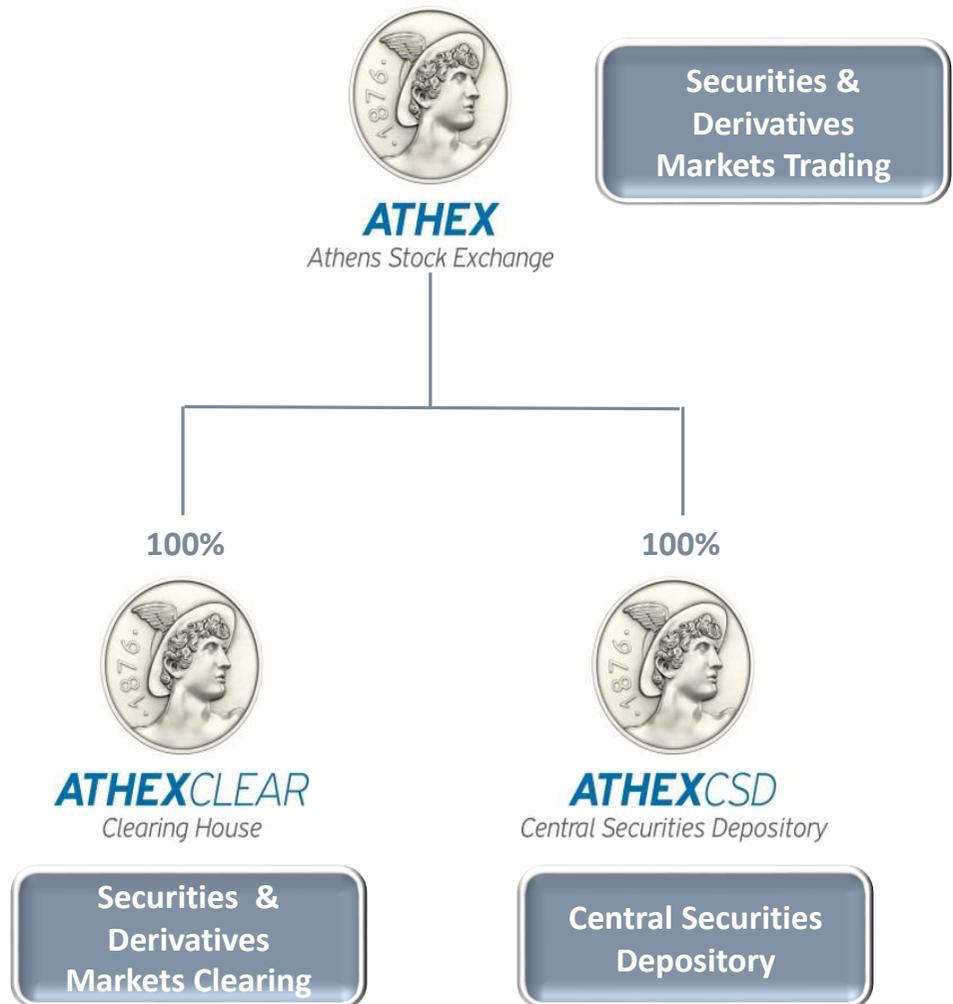
**Nikos Porfyris, Deputy Chief Operating Officer**

- **Why further Integration is necessary for deeper financial markets**
- **Ways of collaboration that will benefit all centers in the region**
- **The prospects of new trading platforms and integration of existing ones**

# We fully support further integration ...

## .... as we are

- a fully privatized group (since 2003)
- with over 51% international investors and 100% free float
- vertically Integrated: Trading, Clearing, Settlement and Registry systems
- **ATHEXGROUP** listed on Athens Stock Exchange (Aug. 2000)  
Market Cap. approx. €400m
- **Net Earnings**
  - FY 2013: €32.8m
  - H1 2014: €13.1m
- that needs to **create value** for investors



# We fully support further integration ...

## .... as our main role is

- ✓ to finance our local economy
- ✓ with a large number of exporters / producers abroad
  - [FTSE/ATHEX Global Traders index](#)
  - [FTSE/ATHEX Global Traders Plus index](#)
- ✓ with SMEs being the **backbone** of the economy
  - in need of capital to grow and sustain the yoy GDP growth, which just turned positive
  - with opportunities, as reflected in the [FTSE/ATHEX Small and Midcap Factor Weighted index](#)
- ✓ which following a long recession period
  - Have **already reduced costs** and restructured products & services
  - Are restructuring their balance sheets by **raising equity**

# We fully support further integration ...

## ... as although in the midst of a 5 year crisis, where

- ✓ ATHEX ranked **3<sup>rd</sup>** according to **capital raised** among FESE members In 2013
- ✓ Greek companies **raised €41bn** in the **last 3 years**
- ✓ 4 systemic banks raised **€28.6bn** in 2013 and **€7.6bn** during 2014, mainly from international investors
- ✓ **International investors holdings** have reached a **high of 61%**, being over 50% for over 6 years
- ✓ **International investors trading volumes** account for **over 66%**
- ✓ We have had **8** consecutive quarters of **capital inflows from abroad**, totaling over €3bn
- ✓ Strategic investors such as **Fairfax Financial, York Capital, Qatar Petroleum, John Paulson, Emma Delta** have taken substantial strategic stakes in Greek Largecaps and Midcaps

....

# We fully support further integration ...

... the size of our region (CEE) is still small as compared to West Europe

Market Cap	€11,136 bn
Trading Volumes	€25,992 bn
Number of trades	562 mn
Listed companies	10,376



€397 bn
€1,386 bn
68 mn
1,275

# We fully support further integration ...

.... to safeguard our future



**Regulatory Pressure in Trading**

## MiFID – MiFID II/MIFIR

- **Remote Members** (European passport)
- **Increased OTC trades:** Concentration rule abolition
- **New venues:** Multilateral Trading Facilities (MTFs), Systematic Internalisers (SIs), Crossing Networks

■ **Increased competition** between trading venues within EU – New trading venues locally or from US

**Regulatory Pressure in Post-Trading**

## EMIR

- **ESCB/CESR Standards :** Safety and soundness in Clearing
- **European passport** for all CCPs
- **Access & Interoperability:** Increase of – Access to Trading Venue, CCPs or CSDs
- **Price Transparency:** Increase of Competition and price pressure

■ **Increased safety and competition** between CCPs and price pressure – Possible consolidation

**Regulatory Pressure in Post-Trading**

## CSDs

- **ESCB/CESR Standards :** Safety and soundness in Settlement
- **European passport** for all CSDs
- **Access & Interoperability:** Increase of – Access to Trading Venue, CCPs or CSDs
- **Price Transparency:** Increase of Competition and price pressure

■ **Soundness and Safety for Cross-border transactions** - Increased competition

**European Central Bank**

## Target 2 Securities – T2S

- **Settlement of Securities in Europe:** Same treatment of domestic and cross-border settlement in EU
- **Integration of EU post-trading Infrastructure:** similarities to DTCC
- **In parallel to Target 2:** Extension of T2 for cash settlement integration in central bank money

■ **Reduced Cross-Border Settlement Cost & Harmonization of Settlement**

- **There is a need for establishing New Strategies for Exchanges, CCPs and CSDs**
- **Infrastructures outside EU will eventually be affected because of 3<sup>rd</sup> country regimes equivalence**

# Ways of collaboration....

- ✓ Eventually, **local brokers** will mainly serve **local investors** in each country in the region - Each country must become a 1-stop shop

## **EXAMPLE – X-Net services**

- ✓ We have to **strengthen and link our Members' networks**

## **EXAMPLE – Common platforms**

- ✓ **Strong IT know how** and **cheap IT services** will be the **competitive advantage** of the region - Whoever does not have the necessary infrastructure should share to decrease set up and maintenance costs



# HELEX's Proposition: Integrated Access to world markets

ATHEXGroup developed the **XNET platform**

- ✓ to offer **its Members and their clients FULL access to world markets**
- ✓ for a **variety** of traded instruments
- ✓ **by using their existing infrastructure (trading, clearing, settlement, registry)**
- ✓ **with no additional cost or technical overhead**

Through a **full suite of services including**

- ✓ **info dissemination** services (data vendor information)
- ✓ **order routing** services
- ✓ **execution** services
- ✓ **clearing and risk management** services
- ✓ **settlement and registration** services
- ✓ **safekeeping and corporate actions support** services

At a **very competitive fee**

Currently : 17 + 4 markets

Future : 13 markets

## Western Europe

- Austria
- Belgium
- Denmark
- Finland
- France
- Germany
- Ireland
- Italy
- Netherlands
- Norway
- Portugal
- Spain
- Sweden
- Switzerland
- UK LSE/IOB

## North America

- USA
- Canada

## Custody only

### Asia/Africa

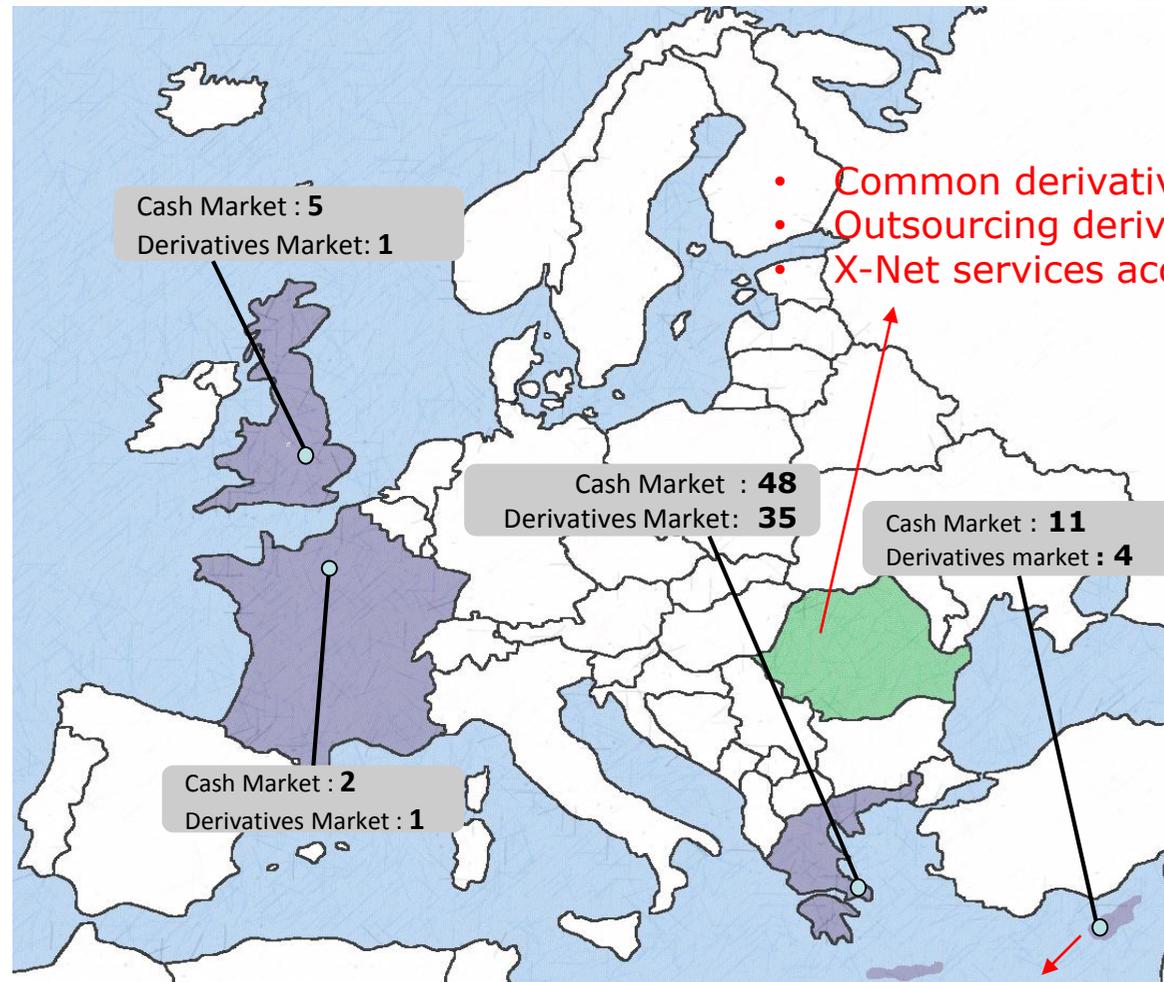
- Japan
- Hong Kong
- Australia
- South Africa

### East Europe

- Bulgaria
- Croatia
- Czech Republic
- Estonia
- Hungary
- Israel
- Latvia
- Lithuania
- Poland
- Romania
- Russia
- Serbia
- Slovenia
- Turkey

# Common platforms: Membership enhancement, sharing the benefits

- ✓ **Wider investors network:** ATHEX's, CSE's & SIBEX's products and services will be offered to a broader investment community.
- ✓ **Enhanced Membership:** common membership facilitates access to more Markets & Products at no additional infrastructure cost.
- ✓ **Economies of scale:** lower operations costs for Members and Exchanges.
- ✓ **Increased liquidity:** Increased depth for products of all markets,
- ✓ **50/50 revenue sharing:** win-win in cross border business



- Common derivatives trading
- Outsourcing derivatives Clearing
- X-Net services access

- Common securities trading
- Same CSD system
- X-Net services access

# Ways of collaboration....

- ✓ X-Net can **increase Members linkage and participation** from all regional markets
- ✓ **Listing** will remain local business for each Exchange
- ✓ **Exchanges** will benefit from revenue sharing
- ✓ Members will **lower their costs** and **increase their products portfolio**
- ✓ **Markets will increase their liquidity** from the cross-border flow
- ✓ **Shareholder participation** in X-net is possible

# Prospects of new trading platforms and integration of existing ones....

- ✓ Trading platform integration is **not needed** – X-Net can achieve the same effect with standardizations at a different “systems level” (eg FIX protocol), at a lower cost, with lower complexity
- ✓ Each Exchange can **keep the systems** it wishes - **CAPEX**
- ✓ The **business value for infrastructures** has moved to **post-trading and added value services**
- ✓ **Post-trading systems integration** is **more difficult** mainly due to legal differences and processes – **Links between CSDs** are feasible

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OASIS: **EXAE**

Bloomberg: **EXAE GA**

Reuters: **EXCr.AT**

## Disclaimer

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# Annex – Value Proposition of X-Net

The XNET service is **offered exclusively to Members and their clients** and allows them to :

- ✓ Develop a **new source of income** from cross border transactions
- ✓ Focus and invest on **sales, research and client servicing**
- ✓ **Re-use the existing connectivity** to ATHEXGroup valid for the Greek market and **achieve economies-of-scale** for:
  - **Connectivity to other markets** - through the ATHEX private network connectivity, the back-up connectivity, the ATHEX Disaster Recovery sites
  - **Infrastructure needs** - e.g. re-using front office, back office, risk management applications
  - **Systems and interfaces needs** – through the existing interfaces and standard APIs with HELEX
  - **Operational, procedural and contractual needs** – same processes, same flow
  - **Centralized agreements** organized by ATHEX with XNET agents (brokers, custodians, CSDs)
- ✓ Reliable services at end client level **for providing one-stop shop services**
  - Safekeeping segregation at Registry level
  - Operators continue to service the clients – ATHEX does NOT serve clients although it, by law, segregates accounts at beneficiary level
  - Tax certificates, cash payments certificates, registry services (inheritance etc) per client



# ATHEX's Value Proposition to its Members' Clients – the advantages

The XNET service **allows the Clients** of its Members to :

- ✓ Be able to keep their **international portfolio in their single DSS Investor Account under their name**
- ✓ Have the **choice to use** :
  - **One or more account servicers** for trading or custody
  - **Switch their account servicer** for a part or the whole of their portfolio within minutes
- ✓ Enjoy **competitive pricing** from their service providers
- ✓ Increased **security and monitoring** :
  - **Avoid the legal uncertainty** and the risk of default of intermediaries (e.g. MF Global case)
  - **Ability to directly monitor their Investor Account** through
    - **AxiaSMS** alerts (via SMS and or e-mail) of ATHEX through the Members/Operators
    - **AxiaWeb** service of HELEX
- ✓ Ability to **re-use easily their whole portfolio** for
  - Constitution of **collaterals**
  - Use of **margin trading** in the securities market
  - Use of **margin for derivatives** with appropriate haircuts