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# SCENARIOS-For exchanges, hunt is on for alternate partners

Tue, May 17 2011

\* [Nasdaq](#), Singapore, London grow anxious in merger frenzy

\* Some tie-ups thwarted by nationalism, antitrust concerns

\* The three may look to each other for contingency plans

\* Nasdaq now far more likely a takeover target -experts

By [Jonathan Spicer](#)

NEW YORK, May 17 (Reuters) - The exchanges left without merger partners are expected to jump back onto the dance floor, undeterred by fresh rejection and anxious not to fall behind in the scramble to grow larger.

Nasdaq OMX Group ([NDAQ.O](#)) -- likely the boldest of the bunch under CEO Robert Greifeld -- is far more likely, however, to end up a takeover target now that its offer for Big Board parent NYSE Euronext ([NYSE.N](#)) failed, experts said on Tuesday.

Also on the prowl is the larger Singapore Exchange Ltd (SGX) ([SGX.SI](#)) -- spurned last month by [Australia](#) -- as well as London Stock Exchange Group Plc ([LSE.L](#)), whose bid for the Toronto bourse faces resistance and now a strong counterbid in Canada.

Though nationalistic and antitrust pitfalls lurk everywhere, few expect the three to stand by idly while Germany's Deutsche Boerse AG ([DB1Gn.DE](#)) seals its \$9.8 billion [deal](#) to buy NYSE, creating the world's biggest exchange.

A combination of two of the three is the most obvious scenario. But with Singapore's size, London fighting hard to bulk up with TMX Group Inc ([X.TO](#)), and larger players in Sao Paulo, Hong Kong and Chicago that could yet pounce, Nasdaq could well sell out.

"What Bob Greifeld was trying to do with the NYSE was to take a last chance at trying to be a leader. Now, he's becoming prey," said Georges Ugeux, chairman of Galileo Global Advisors, who has worked on several cross-border exchange [deals](#).

Jamie Selway, market structure expert and managing director of strategy at Investment Technology Group ([ITG.N](#)), said: "If the vision is parity with NYSE, I don't see how Nasdaq can acquire their way to that."

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Graphic comparing exchanges: [r.reuters.com/zex59r](http://r.reuters.com/zex59r)

Dealtalk on LSE's battle for TMX: [ID:nLDE74G1L7]

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The U.S. Justice Department scuttled the plan by Nasdaq and partner IntercontinentalExchange Inc ([ICE.N](#)) to buy and split between them NYSE Euronext, which runs stock and derivatives [markets](#) in the United States and Europe. [ID:nLDE74F0SA]

On the weekend, a group of Canadian banks and pension funds launched a rival offer for the Toronto Stock Exchange owner, complicating things for LSE. And in April, SGX withdrew its bid for Australia's ASX Ltd ([ASX.AX](#)) after the government there blocked it. [ID:nN17142333]

Given the new state of play, here are some possible combinations in the months ahead:

\* Singapore/Nasdaq:

This would be the first significant international deal involving an Asian exchange, and would create a geographically diverse operator trading several asset classes. It has been seen as a possibility since former Nasdaq president Magnus Bocker left in 2009 to become CEO of SGX; Bocker and Greifeld have since remained close, and SGX uses Nasdaq's trading technology.

Such a tie-up could be Nasdaq's best option to compete with long-time rival NYSE. "Singapore has got a number of attractions in that it gets Nasdaq to Asia before Deutsche Boerse and NYSE," said Selway. SGX, with \$6.5 billion in market capitalization, would almost certainly be the buyer of Nasdaq, at \$4.6 billion.

But with the Germans already poised to take over the Big Board, some in Washington could dump on the prospect of foreigners owning both of the country's traditional stock and listing markets.

\* LSE/Nasdaq:

A bitter history hangs over these two: Nasdaq finally withdrew its hostile offer for LSE back in 2007 after a lengthy battle for control.

Though the UK operator is now far cheaper, and about \$700 million smaller than New York-based Nasdaq on a market cap basis, it's a toss-up who would be the buyer. LSE would have the advantage if it is able to prevail with TMX.

Boasting very strong stock-listing and -trading brands, the pair would combine U.S., UK, Scandinavian and Italian markets -- though it would be eclipsed by the profitable derivatives business of the combined Deutsche Boerse and NYSE Euronext.

"Both of them could find themselves frustrated in their takeover attempts, and turn to each other," said Andre Cappon, president of CBM Group, a consultant for global exchanges.

"Canada would likely be a stepping stone to London buying Nasdaq, anyway," he said.

\* Singapore/LSE:

As in a Nasdaq deal, Singapore would get a stock-heavy foothold outside Asia, this time solely in Europe. If LSE buys the Toronto market, however, the two would be closer in size; and like a SGX-Nasdaq deal, SGX-LSE-TMX would run exchanges virtually 24 hours a day.

"Singapore needs to go out of Singapore one way or another, and Magnus knows that, hence the move for Australia," said Galileo's Ugeux. Relatively tough limits across Asia on exchange ownership make it difficult for SGX to expand regionally, he added.

\* Other possibilities:

Brazil's BM&F Bovespa ([BVMF3.SA](#)), Hong Kong Exchanges and Clearing Ltd ([0388.HK](#)), and Chicago Mercantile Exchange parent CME Group Inc ([CME.O](#)) are all top-tier operators that have so far remained quiet. But given the competitive threat posed by Deutsche Boerse-NYSE Euronext, that could change, leaving Nasdaq, Singapore and London as clear targets.

The big three could be waiting to see whether European regulators block the Frankfurt-NYSE merger before acting.

Chicago Board Options Exchange parent CBOE Holdings Inc ([CBOE.O](#)), with a \$2.5 billion market cap and long seen as a takeover target, could also help diversify a larger exchange.

It's unlikely that ICE feels as anxious as others to do a deal, given the derivatives exchange saw the NYSE effort as opportunistic, not defensive.

Then there is BATS Global Markets, the privately held exchange operator that is in the process of buying Chi-X Europe and that said this month it plans to go public. It could make an attractive target for Nasdaq, whose CEO Greifeld argued in the NYSE bid that he could run a profitable business focused on low-margin stock-trading.

"I know that Nasdaq bid pretty aggressively for Chi-X Europe," said a financial services investment banker familiar with the exchanges sector. "I can only imagine BATS being the natural next opportunity." (Reporting by Jonathan Spicer; additional reporting by Paritosh Bansal; Editing by [Gary Hill](#))