

## German bidder in talks with LSE

Deutsche Boerse bosses have held "constructive, professional and friendly" talks with the London Stock Exchange (LSE), its chief has said.

Werner Seifert met LSE chief executive Clara Furse amid rumours the German group may raise its bid to £1.5bn (\$2.9bn) from its initial £1.3bn offer. However, rival suitor Euronext also upped the ante in the bid battle. Ahead of talks with the LSE on Friday, the pan-European bourse said it may be prepared to make its offer in cash. The Paris-based exchange, owner of Liffe in London, is reported to be ready to raise £1.4bn to fund a bid.

The news came as Deutsche Boerse held its third meeting with the LSE since its bid approach in December which was turned down by the London exchange for undervaluing the business. However, the LSE did agree to leave the door open for talks to find out whether a "significantly-improved proposal" would be in the interests of LSE's shareholders and customers. In the meantime, Euronext, which combines the Paris, Amsterdam and Lisbon stock exchanges, also began talks with the LSE. In a statement on Thursday, Euronext said any offer was likely to be solely in cash, but added that: "There can be no assurances at this stage that any offer will be made." A deal with either bidder would create the biggest stock market operator in Europe and the second biggest in the world after the New York Stock Exchange. However, neither side has made a formal offer for the LSE, with sources claiming such a step may still be weeks away.

Deutsche Boerse could also face mounting opposition to a bid at home. Among sweeteners reported to have been discussed by Mr Seifert with Ms Furse were plans to move the management of its cash and Eurex derivatives market to London, as well as two members of its executive board. But, Hans Reckers, a board member of Germany's central bank, the Bundesbank, said that cash

trading should also remain in Frankfurt, something Deutsche Boerse could move to the UK. "It is not just the headquarters of the Boerse but also important market segments that must stay permanently in Frankfurt. This has special importance for the business activities of the banks and the consultants," he said. Local government officials in Frankfurt's state of Hessen have also spoken out against the move. "It is our wish that the headquarters stay here to maintain Frankfurt's standing as the number one financial centre in continental Europe," Alois Rhiel, its minister for economic affairs added.