SIFMA
Securities Industry and
Financial Markets Association

# RESEARCH REPORT

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- **MEASURING GLOBAL MARKET SHARE – THE COMPETITIVENESS OF NEW YORK CITY AS A FINANCIAL CENTER**
  By: Frank A. Fernandez

- **A PUBLIC/PRIVATE PARTNERSHIP FOR THE DEVELOPMENT OF GOVERNORS ISLAND**
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- **U.S. SECURITIES INDUSTRY 3Q'06 RESULTS**
  By: Frank A. Fernandez

- **MONTHLY STATISTICAL REVIEW**
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Prepared by SIFMA Research Department

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# MEASURING GLOBAL MARKET SHARE – THE COMPETITIVENESS OF NEW YORK CITY AS A FINANCIAL CENTER

## Introduction

"We are the international finance and business capital of the world, the world's greatest global financial center, without question," boasted David Brewer, the Lord Mayor of London, recently[1] as part of a well orchestrated campaign. This campaign involves the United Kingdom's government and private sector joining forces "to develop and support a coordinated strategy for promoting Britain's financial services sector around the world."[2] Recognizing the opportunities in rapidly expanding global financial markets, similar public/private "partnerships" are underway to promote other financial centers.[3]

"The possibility New York is losing ground has raised alarms in Washington and in [New York]"[4] and prompted a number of comments by public officials[5] and efforts to assess United States competitiveness in capital markets.[6] This, along with a steady stream of questions and requests for data on the issue of competitiveness and primacy in global financial markets and about New York City as a financial center, prompted what follows.

## Summary

The securities industry and the capital markets in which it operates have shown exceptional growth in recent years and become increasingly global, continuous and geographically dispersed. Recently, the decline in large, global initial public offerings (IPOs) in US capital markets, which at one time held a virtual monopoly in these equity listings, sparked concerns of a broader loss of US competitiveness in global financial markets. Although US financial markets generally, and NYC specifically, maintain their leading role, they have suffered a generalized decline in global market share in overall industry revenues and in a broad range of financial services and products.

While NYC clearly has declined in relative importance as the global financial center for the provision of certain financial services, the worst of this decline may have already occurred, and it remains preeminent in other product and service lines in this highly innovative and rapidly changing industry. The loss in market share largely reflects long-term trends, such as globalization and the impact of a revolution in communications and information technology that were accelerated by a series of exceptional, unfortunate events that produced a profound downturn in the industry between 2001 and 2003. As the US securities industry enters the fourth year of its recovery, it appears to have stabilized its market share in a number of activities, while partially recouping some lost ground in others.

**US Share of Global Financial Markets**

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|---|---|
| Securities Industry Revenues | N/A | 62.3% | 59.1% | 58.6% | 56.0% | 55.0% | 58.2% |
| Bonds Outstanding | 45.4% | 47.1% | 44.6% | 41.1% | 39.2% | 41.2% | 40.9% |
| Equity Market Capitalization | 46.9% | 49.7% | 47.2% | 44.4% | 41.7% | 38.9% | 36.8% |
| Mutual Funds | 58.7% | 59.8% | 56.4% | 52.8% | 50.2% | 50.1% | N/A |
| Options and Futures Contracts | 43.9% | 36.0% | 29.7% | 26.8% | 31.5% | 35.6% | N/A |
| Syndicated Loans | N/A | 59.8% | N/A | 48.2% | 51.2% | 45.4% | 46.8% |
| M&A Announced | 50.5% | 45.4% | 36.4% | 41.0% | 43.4% | 41.8% | 39.3% |
| M&A Completed | 47.6% | 53.2% | 42.2% | 39.2% | 48.2% | 40.9% | 44.5% |
| Debt Issuance | 65.0% | 69.1% | 69.6% | 62.0% | 56.4% | 56.3% | N/A |
| Equity Issuance | 48.7% | 64.9% | 73.3% | 70.5% | 57.6% | 62.5% | N/A |
| Debt and Equity Bookrunners | 63.2% | 63.4% | 67.2% | 65.6% | 64.6% | 61.8% | 63.8% |
| Venture Capital | 70.0% | 59.3% | 54.2% | 46.9% | 50.1% | 53.2% | 52.6% |

Sources: SIFMA, using various outside sources: Bank for International Settlements (BIS), FOW Tradedata, Futures Industry Association (FIA), International Financial Services London (IFSL) "Guide to Sources of Statistics," Investment Company Institute (ICI).

Notes: 2006 data is as of 9/30/06, except for Bonds Outstanding (3/31/06). Explanatory notes to this table are contained in the Appendix on p. 34.

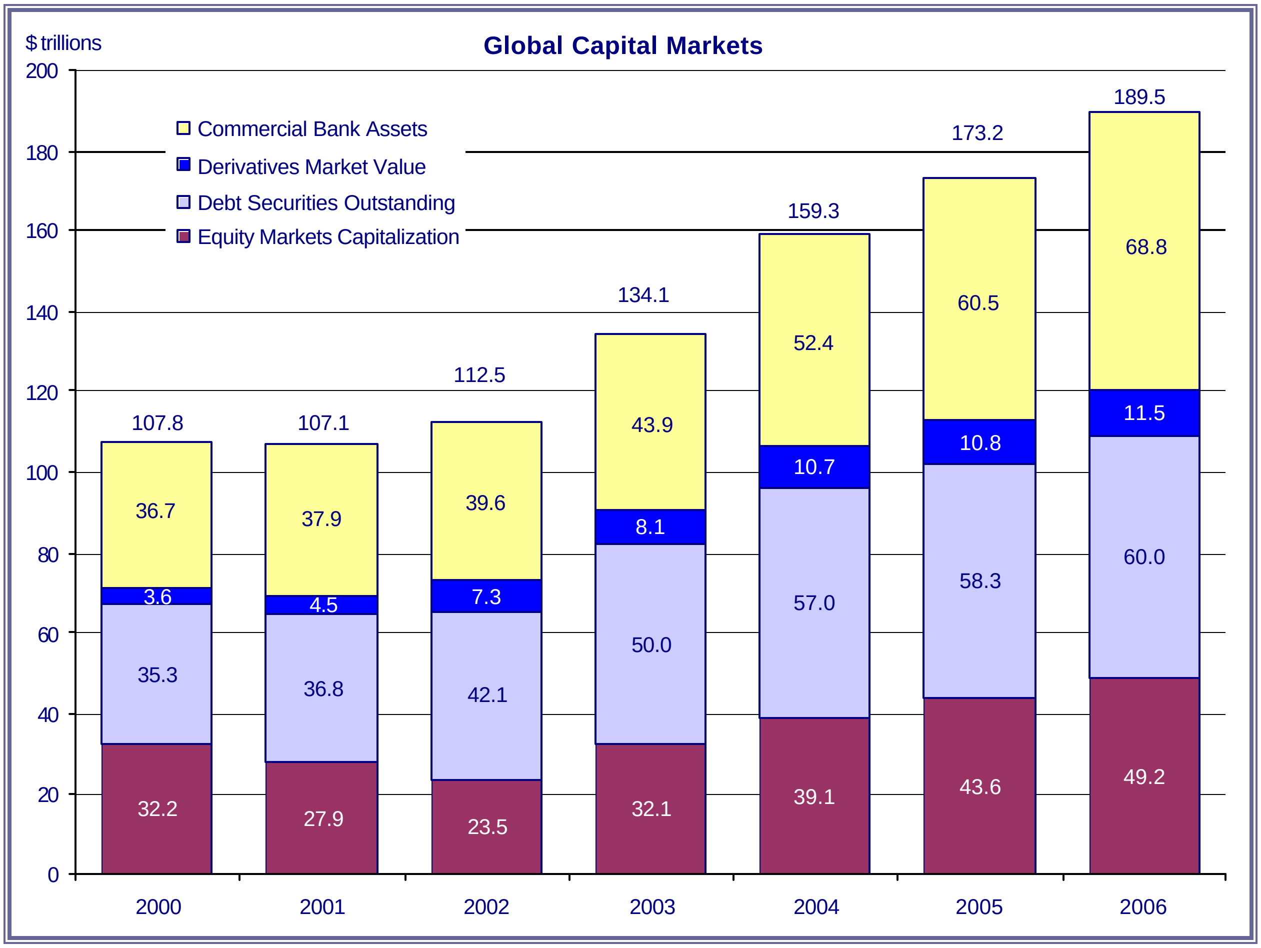
## Defining Terms: The Financial Services Industry and Global Financial Centers

The financial services industry,[7] which includes commercial and investment banks, securities and commodities brokers and insurance companies, provides basic functions and meets core needs that in large part determine the overall efficiency and competitiveness of national economies, while the firms that meet those needs are less and less distinct national industries, with the largest financial services firms operating as multinational entities.

Financial centers are formed "when a local population finds it convenient to centralize its financial arrangements in a geographically-proximate urban center."[8] Increased concentration and greater geographic centralization of financial transactions and of where value-added was created in the design and delivery of financial services was generally the rule during the period from the 1920s through the 1960s. During this time, thanks to historical precedent and rapid domestic financial center development, several cities emerged as not just the largest national financial centers, but leading international financial centers as well, providing the bulk of cross-border financial services.[9] These principally included New York, London, Tokyo, Paris, Frankfurt and Hong Kong.[10]

Since the 1970s, "geographic proximity has become less important"[11] for the delivery of financial services, and the industry has become increasingly decentralized and dispersed. For the principal financial centers, international operations became increasingly important as the firms headquartered there derived an increasing share of their revenues from cross-border transactions, and competition increased. The financial services sectors of the US and the UK are the largest of the national industries that provide comprehensive financial transaction services.[12]

The financial services sector of both these countries also operate at a global level, and at this level they share market participants, as most multinational financial firms operate in both markets. The UK and US financial services sectors – and in particular the City of London and New York – are the two principal hubs of global financial activity. As central, integrated parts of the global financial system, both cities play important roles in securing the benefits that wider, deeper and more integrated markets offer.




Source: SIFMA. Drawn from data provided by the International Monetary Fund, the BIS, Standard and Poor's, MSCI-Barra and the World Federation of Exchanges. Derivatives Market Value is the gross market value of both OTC and exchange-traded derivatives.

A revolution in communications and information technology, rapid growth in emerging economies, shifting demographics, and regulatory changes facilitating cross-border transactions all contributed to the rapid growth and increasing integration of global financial markets. This was aided by substantial cooperation between the authorities and financial firms in the UK, the European Union (EU) and the US in recent years. Recently, however, the competitive aspects of the relationship between London and New York have overshadowed the areas of cooperation, and concerns over a perceived loss of competitiveness by the latter relative to the former, and over proposed cross-border acquisitions of market centers, have emerged.

Given the importance of these financial centers to their local and national economies, their tax bases and prospects for job creation, it is not surprising that keen competition has evolved for a share of the rapidly growing markets for global financial services by not only operators of major market centers, but also their respective local and national governments as well.

However, in assessing the competition between financial centers, private-sector market participants pose very different questions than do government officials, with each set of inquiries presenting different measurement problems. The latter group's first concern is to quantify the overall economic activity generated through the provision of financial services by firms doing business in New York or in London and, secondly, how much such activity would be lost if these services migrated.

Private-sector market participants view both London and New York as critical and complementary industry hubs. Each, along with Asian centers, dominates market activity (to varying degrees depending on the distinct market, product and services lines) in their respective time zones and national and regional geographic areas. The financial services industry is increasingly global in nature and continuous in operation, moving to a 24/7/365 basis. Financial firms are principally concerned with changes in the overall level of competitiveness between different market sites to find the most cost effective allocation of staff and facilities between primary, secondary and tertiary facilities in an industry that is intensely competitive and where profit margins are steadily compressed as product and service lines are rapidly commoditized.

This study begins by reviewing the economic significance of the New York financial services industry. It proceeds to consider changes in market share in terms of location where financial activity is undertaken, where specific types of financial transactions take place, where the underlying value added is generated and where jobs are created.

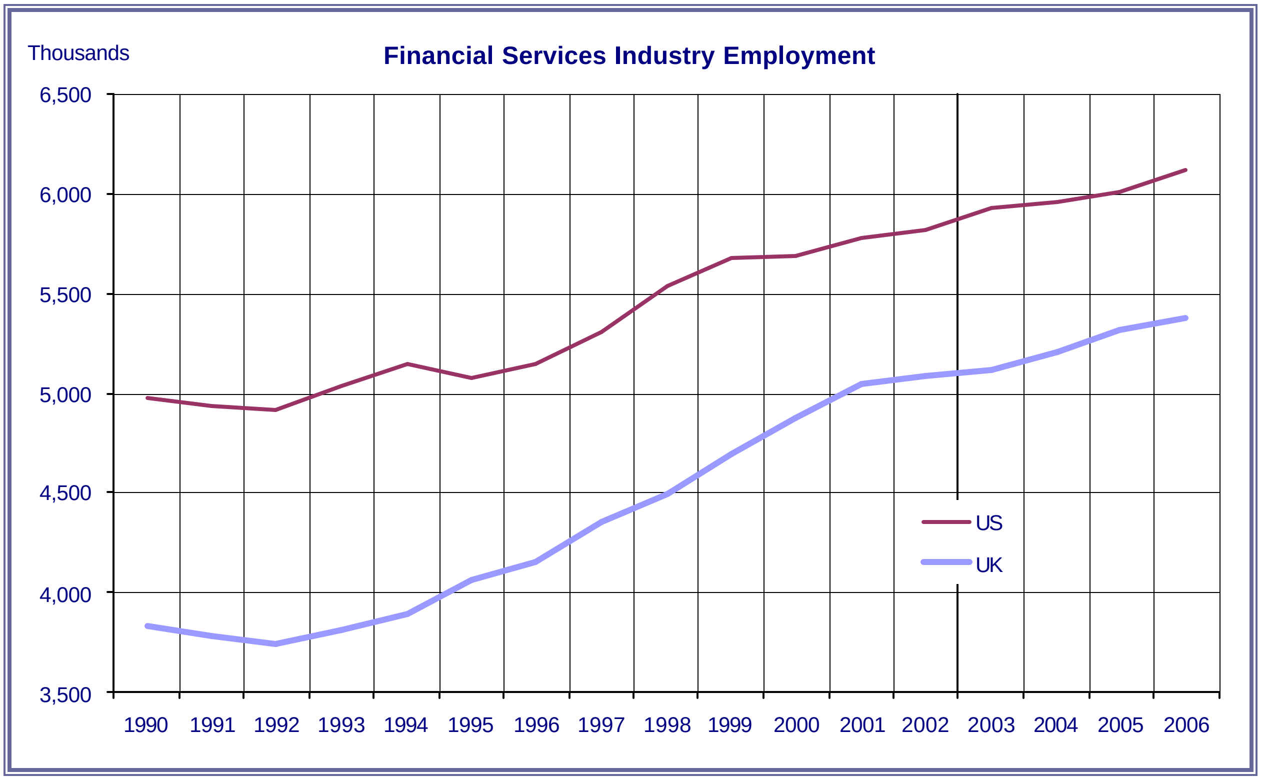
## Economic Significance

The importance of the financial services industry in general, and the securities industry in particular, to New York City (NYC) and New York State (NYS) is long-standing and well recognized. The industry has a profound impact on and makes a disproportionate contribution to personal income, tax revenues and overall economic growth of the state and local economy.[13]

At end-October 2006, the securities industry directly employed 198,600 individuals in NYS, 89.7% of them in NYC. This represents nearly one in every four securities industry jobs nationwide. However, wages in NYC's securities industry accounted for 37% of the total amount paid in the nation to workers in this industry.[14]

Although the securities industry is not a large employer, accounting for only 2.2% and 4.7% of total employment in NYS and NYC, respectively, last year, wages paid to those employees account for a much higher share of total wages and total adjusted gross income (AGI). In 2005, securities industry wages accounted for 12.5% and 20.7% of total wages paid in NYS and NYC, respectively, and 9.2% and 14.1% of total AGI in NYS and NYC, respectively. These highly compensated individuals also pay a disproportionate share of taxes. For example, in fiscal year 2005 the securities industry share of NYS total personal income tax receipts reached 13.8%, and the industry's total tax payments, almost $2.1 billion, reached nearly 11% of total non-property tax receipts.[15]

The securities industry also accounts for a disproportionate and expanding share of the local, state and national economies. Over the past 15 years, growth in the securities industry has outpaced activity in all other sectors of the NYS economy and most areas of the national economy. During this period, the securities industry's share of the Gross State Product (GSP) rose to an estimated 7% from 4.3% and accounted for more than one-quarter of all economic growth in NYS.



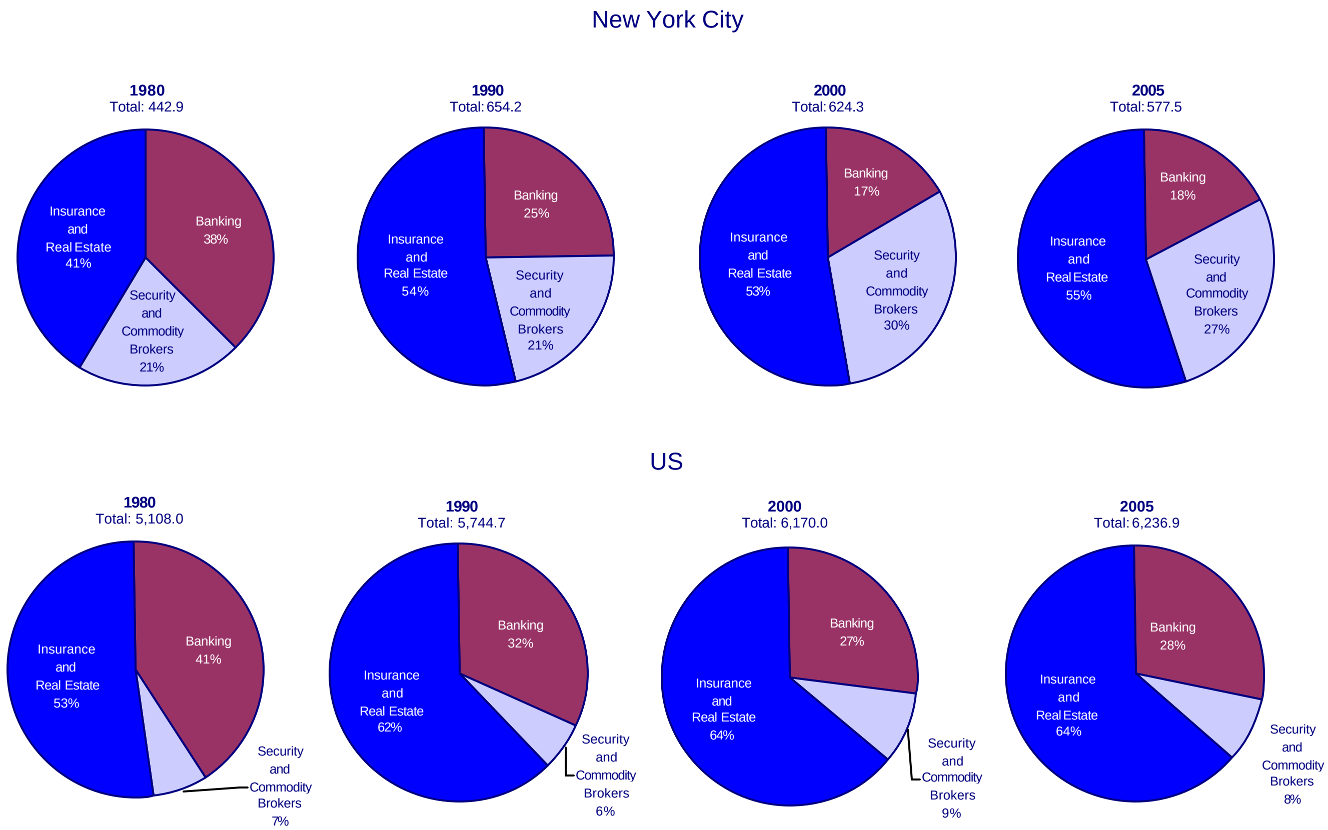

Source: Office of National Statistics, Bureau of Labor Statistics (BLS), US Department of Labor

Notes: Annual averages (2006 is half-year average);
Financial services industry includes securities, banking and insurance.

The US financial services industry and financial markets are also critical parts of the US economy. The US financial services industry's Gross Domestic Product (GDP) exceeded $1 trillion in 2005, accounting for 8.1% of US GDP. The securities industry accounted for more than $175 billion, or about 17% of this total. The financial services sector employed about six million workers last year, accounting for 5% of total private-sector employment.[16] The securities industry directly accounts for more than 800,000 of those jobs.

The broadest measure of the financial services industry is the FIRE (finance, insurance and real estate) definition, which includes banks, securities and commodity brokers, insurance and real estate. As can be seen from the following charts that show the employment breakdowns by sectors for NYC and the US, there has been a disproportionate increase in the securities industry's share in the NYC employment picture as compared to the other sectors of the financial services industry between 1980 and 2000, although that share shrank over the past five years.

**Components of FIRE Employment
(Finance, Insurance, and Real Estate)**

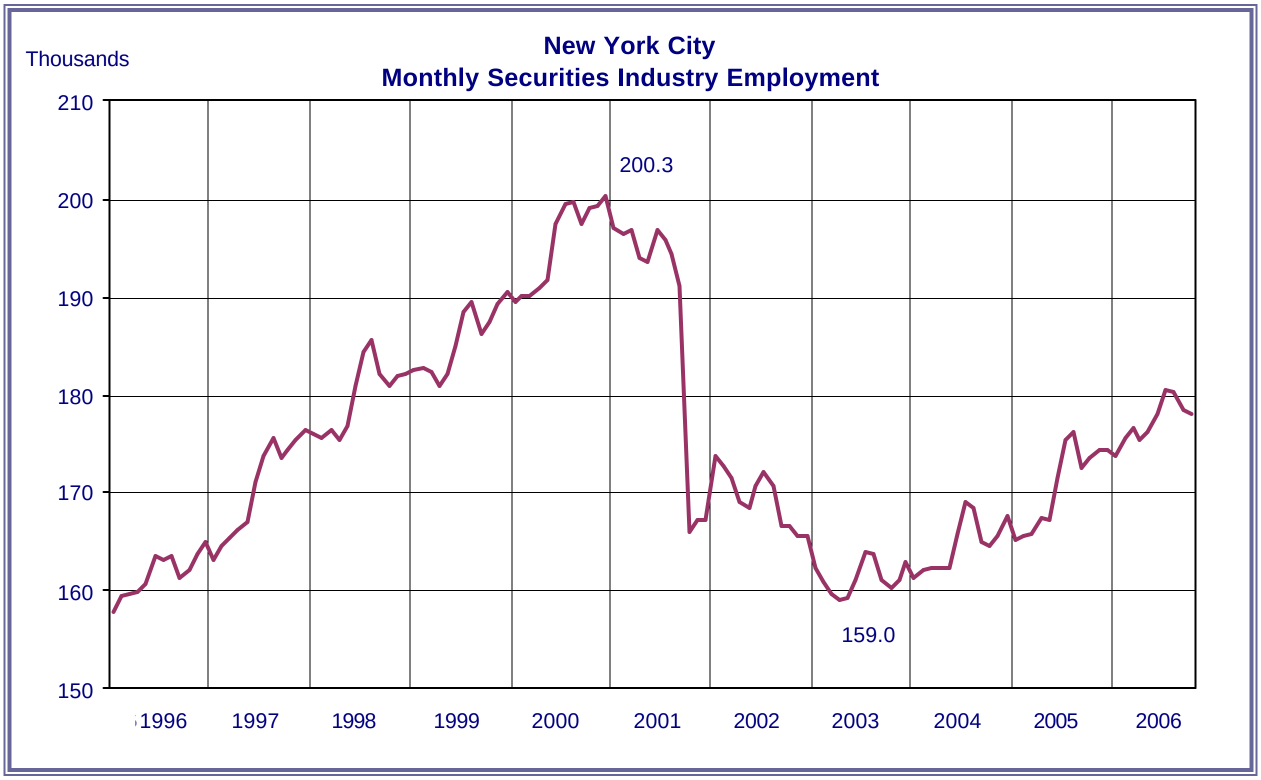



Source: BLS

Notes: Totals are expressed in thousands; "Banking" includes credit agencies; "Security and Commodity Brokers" include holding and investment companies.

Percentage figures may not add to 100% due to independent rounding.

The securities industry has also risen in importance relative to the banking sector at the national level, due in part to a long series of regulatory and legislative changes that spurred the development of capital markets institutions and allowed asset holders, lenders and borrowers to bypass banks altogether.[17] This process of disintermediation, the substitution of the issuance of debt and equity securities for bank lending, and the sale of cash management, investment and mutual funds as a substitute for bank deposits, accelerated 35 years ago and continues today. The US government "began disallowing the charging of industry-wide fixed commissions on securities sales on large transactions in 1971, a process which culminated in the full deregulation of commission rates on April 1, 1975."[18] Also, in 1974, the pension reform act known as ERISA (*Employee Retirement Income Security Act*) was enacted, which facilitated the funding of company and government "defined benefit" pension plans and the choosing of "defined contribution" plans by company employees. These actions injected sharp competition into investment banking and the asset management business and spurred a wave of rapid innovation and adaptation of technological advances and high rates of productivity growth that have become trademarks of the securities industry.

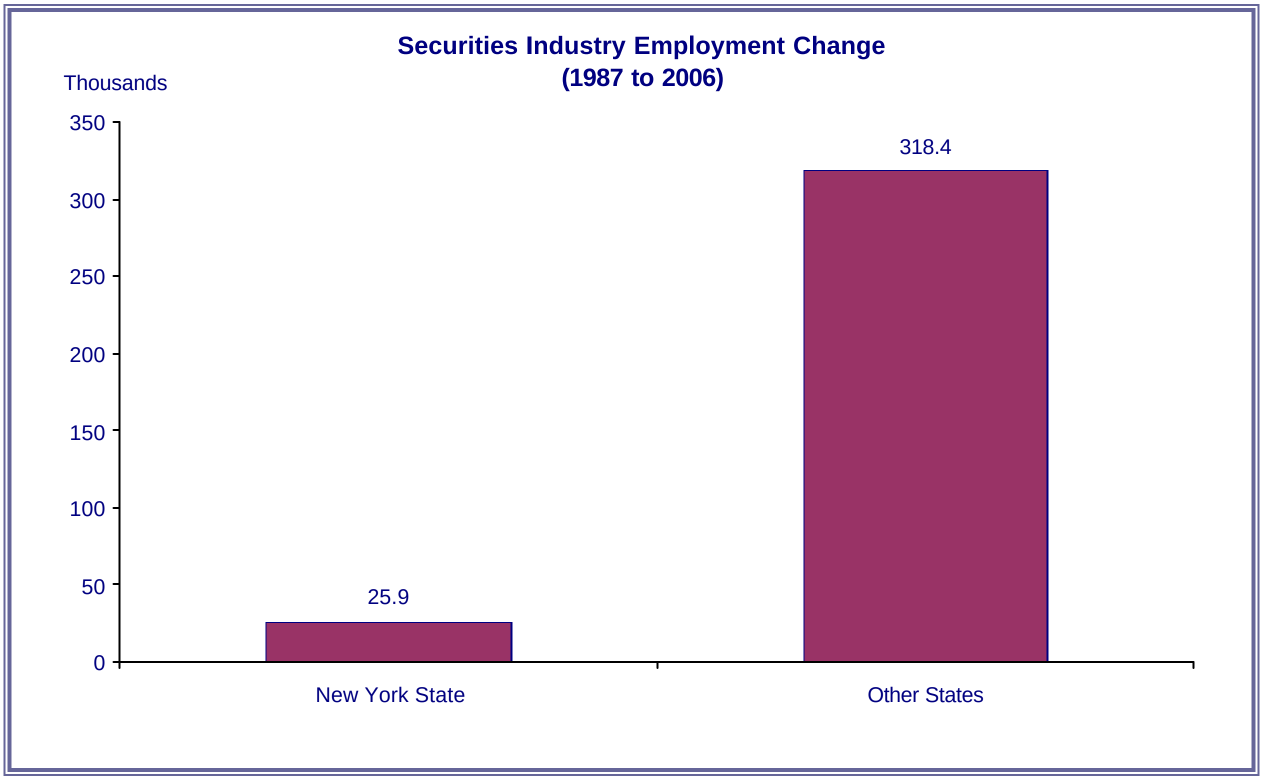



Source: BLS
Note: As of October 2006, preliminary data

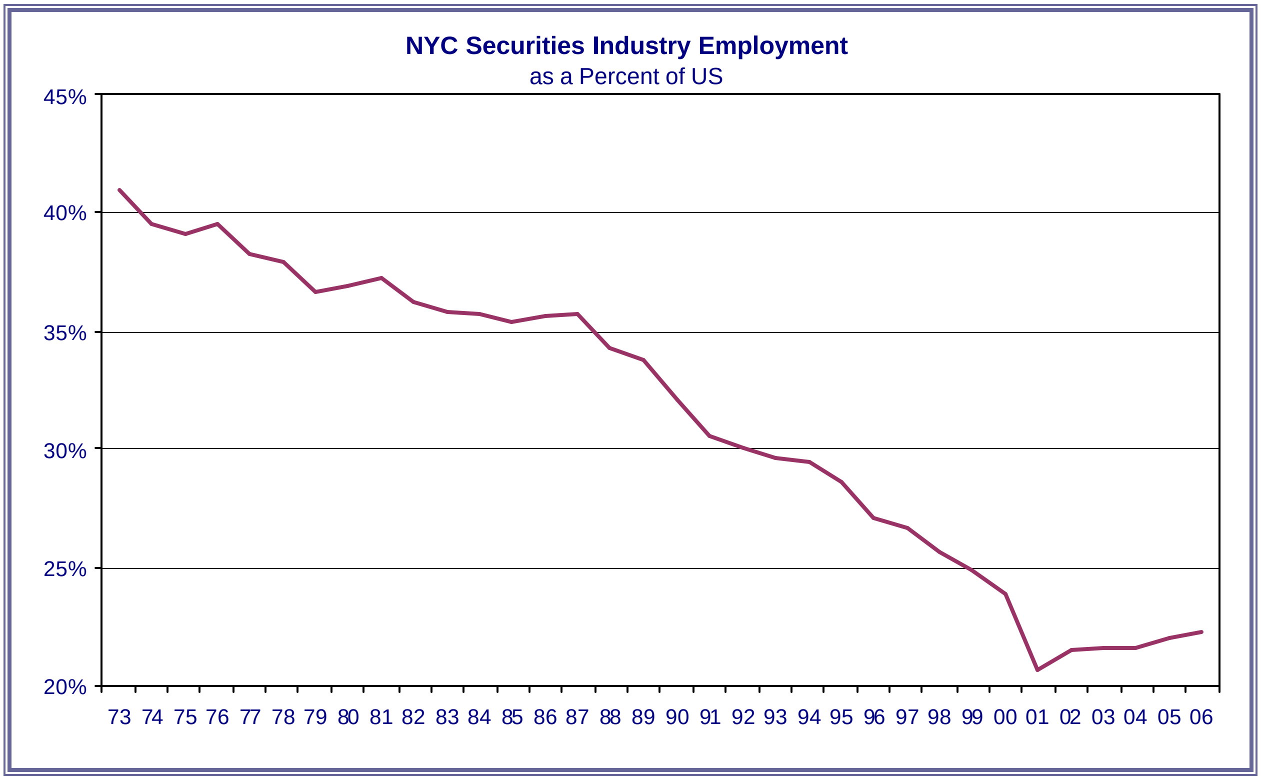
More recently, over the past three years, the stock market, the securities industry and NYC's economic and fiscal health have been recovering from a profound downturn. During this difficult time, not only has the securities industry remained paramount in NYC's employment picture, but it has also contributed much of the growth in employment, income and tax revenues. Securities industry employment grew by 9,500 jobs between 2003 and 2005 – three times faster than overall job growth in NYC. Securities industry wages grew by 36% between 2003 and 2005 – three times faster than wages in the rest of the NYC economy.

The economic significance of the securities industry extends well beyond the direct employment effects mentioned above, and the indirect effects are rising in importance. The City of New York Department of Commerce, Bureau of Economic Analysis's 1988 Input-Output Model suggested a 1.6 employment linkage multiplier for finance, but only 1.25 for insurance, and it was estimated that the securities industry had an employment multiplier of two, versus a weighted average employment multiplier for the FIRE sector as a whole of 1.474.[19] More simply put, 18 years ago it was estimated that every securities industry job supports two more jobs in the local/regional economy. Since that time the securities industry employment multiplier is estimated to have risen to three. "According to the model, the addition of 9,500 jobs in the securities industry between 2003 and 2005 resulted in the creation of 3,040 jobs in other industries and an additional 15,830 jobs because of increased consumption."[20] This represents 42% of NYC's job gains during that period, a much higher percentage than during the last cyclical industry upswing in the late 1990s, when Wall Street accounted for 25.8% of the job growth in NYC.

NYC's share of national securities industry employment had declined steadily for nearly 30 years, falling from 40.9% of the total in 1973 to 20.7% in 2001. The roughly 25,900 new securities industry jobs created in NYS since the 1987 stock market crash is equivalent to only 8.1% of the 318,400 securities industry jobs created in the other 49 states combined. However, since 2001, NYC's and NYS's shares of national industry employment have been rising, as growth has surged in the product and service lines done most intensively by NYC-based firms. These business lines include investment banking activities such as mergers and acquisition (M&A) and private equity advisory services, prime brokerage activities, proprietary trading and generally most types of cross-border transactions.




Source: BLS
Note: As of October 2006, preliminary data

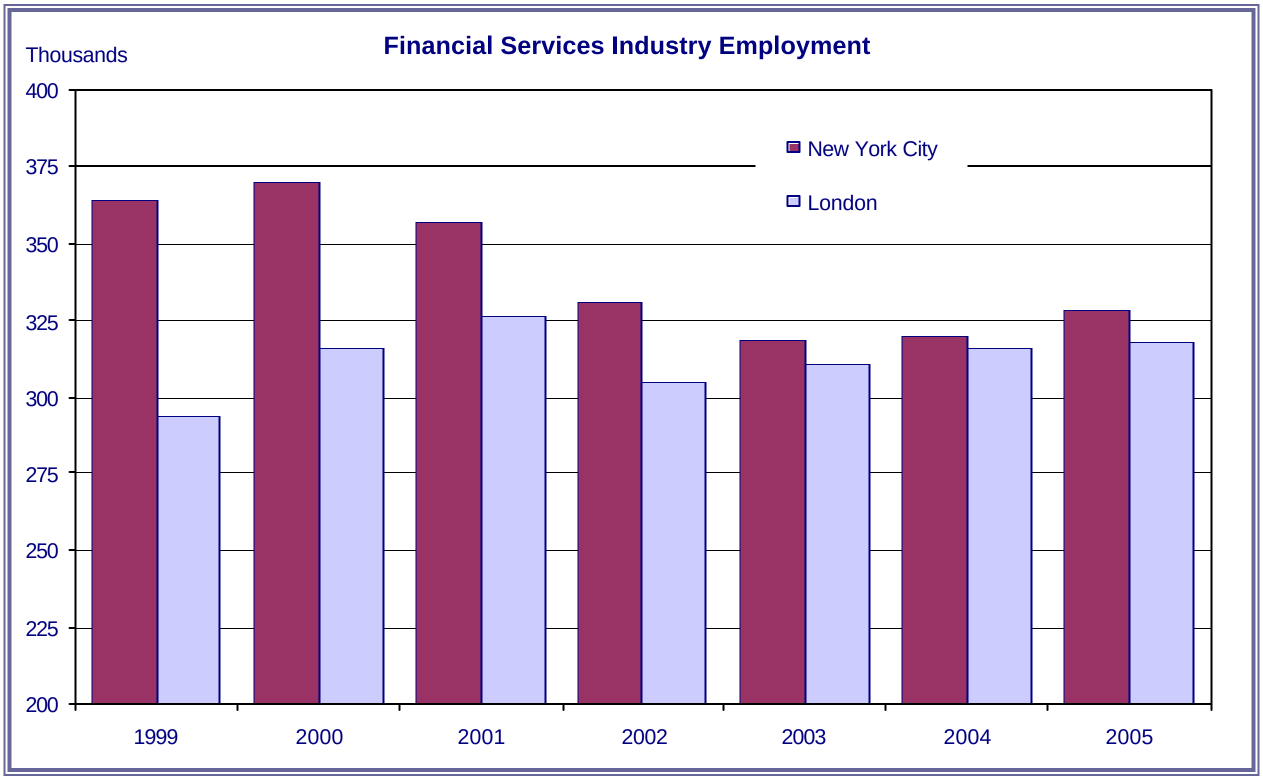



Source: BLS; NYS Department of Labor
Note: As of October 2006, preliminary data

Advances in communications and information technology, as well as business continuity concerns contributed to greater geographic dispersion of many key functions that previously had been conducted in NYC. However, costs, including taxes, are foremost in the consideration of top management throughout the private sector, including the securities industry, when it comes to decisions concerning expansion, relocation, and listings. Competitive pressures force firms to take the best economic approach, particularly in highly competitive and highly cyclical industries.

NYC is among the highest-cost, highest-tax venues in the US, if not the world. In 2005, NYS was ranked second, among all 50 states, in the dollar amount of total taxes and total state taxes paid. It was also ranked second in terms of combined state and city tax burden as a percent of income at 12% (behind a low-income state, Maine) for 2004 and well ahead of the national average. Adding in federal taxes only dropped New York to the dubious distinction of third highest-taxed as a percent of income, with one-third of income taxed as compared to 30% nationally. The "tax effort"[21] required of New York workers and businesses in 1999 was 43% higher than the national average. Personal income taxes were 71% above the average, corporate income taxes were 83% above the national average, and property taxes 43% above average. The situation has not improved markedly since then and in some ways has worsened. Research indicates that NYC in recent years has been near the peak rate for sales tax, property tax and income tax given the tax rates in the surrounding metropolitan area.[22] Further rate increases were and still are likely to incur costs for NYC in terms of lost revenues and lost jobs.

But costs and taxes are not the only concerns. Physical infrastructure and the quality of life also weigh in the success of financial centers. In recent years, London, also a high-cost/high-tax venue, has benefited from substantial improvements in physical infrastructure, as the addition of Canary Wharf stimulated renovation of the older financial district in and adjacent to the City of London and spurred development in other areas. By contrast, NYC's financial center shrank, reeling from the impact of the bursting of the "tech bubble" in equity markets, massive corporate governance failures and the attendant rise in compliance costs,[23] and the physical devastation wrought five years ago. The latter event accelerated the long-term migration of the financial industry from lower Manhattan, as security concerns have encouraged greater geographic dispersion, particularly of back-up facilities to remote sites dependent on distinct physical infrastructure systems (power, telecommunications, water, air, ground transportation, etc.). This, along with the inroads into European markets made by major NYC-based securities firms (which have seen an increasing share of their revenues generated by non-US operations), contributed to the shift of some jobs to London from NYC in recent years.




Source: BLS; ONS Annual Business Inquiry, CEBR, from *Economic Contribution of UK Financial Services 2006*
Note: Financial services industry includes securities, banking and insurance.

## Measuring Market Share

Since the securities industry has a profound impact on and makes a disproportionate contribution to the local, state and national economies, the current debate over the competitiveness of NYC as a global financial center is a healthy one, and the cost-effectiveness of operations in both NYC and London is likely to benefit as a result. One way to assess changes in competitiveness is to examine changes in the financial centers' and national financial industries' respective share of various measures of the global securities industry and global financial markets. We can begin with the immediate source of these concerns – the decline in one particular revenue line, initial public offerings (IPOs), and, even more particularly, large IPOs, before applying a broader market share analysis.

Two of the principal pieces of support for claims of London's financial primacy come from the area of IPOs of equity securities and from a recent survey. The survey, presented by the Corporation of London, while useful in identifying factors that "contribute to the creation of a long-lived and reputable world-class financial center," is based on 365 responses from financial professionals, 69.3% of whom were located in the UK, making it a biased sample.[24]

A loss of competitiveness in **the IPO market** is another matter, however. While only a single revenue line, it is an important, high-margin one. During the first ten months of 2006, companies, through IPOs, raised the equivalent of $30.2 billion in London and $35.1 billion in New York. Seen in isolation, these figures would support the argument that NYC still maintains its leadership over London, at least in this product line. However, this year, both might be surpassed by Hong Kong, where "by the end of 2006, more than $40 billion is expected to be raised…, thanks to two oversized bank offerings. Hong Kong's leadership in public offerings is not expected to extend to 2007, when the battle between London and New York will be fiercer than ever."[25]

A cursory examination of the IPO market does generate concerns over NYC's role as the, if not a, global financial center. NYC's share of global IPO proceeds fell from 35.0% of the total in 2005 to 18.8% during the first ten months of this year, while London's share rose from 11.1% to 16.1% and Hong Kong's participation increased from 13.1% to 18.7%. This shift in where IPOs have been brought forward this year, in particular large IPOs, occurred for many reasons.

The decline in the value of US-listed IPOs in part reflects reduced capital-raising needs of non-financial corporate America after successive years of double-digit growth in profits left it with record levels of cash even after record levels of stock buy-backs and rising dividend payments.

The decline in the relative importance of US initial listings also reflects changes in recent years in the nationality of issuers, which speaks more to the ongoing globalization of the industry and the rising importance of emerging markets, in particular China, than it does to any changes in relative competitiveness between New York and London. According to the Bank for International Settlements (BIS), in 2003 developing countries accounted for 21.7% of all announced international equity issues. By 2005, the developing countries' share had risen to 25% of the total, before jumping to 29.3% in the first half of 2006. Of the three largest IPOs brought forward this year, two were Chinese and one was Russian. The two Chinese issues (Bank of China Ltd, which raised $11.19 billion, and the largest IPO in history, ICBC, which raised $19.87 billion) selected Hong Kong as their primary exchange. The Russian issue, that of OAO Rosneft, for $10.66 billion, was the largest on the London Stock Exchange (LSE) this year and accounted for nearly half of all IPO proceeds raised on that exchange.

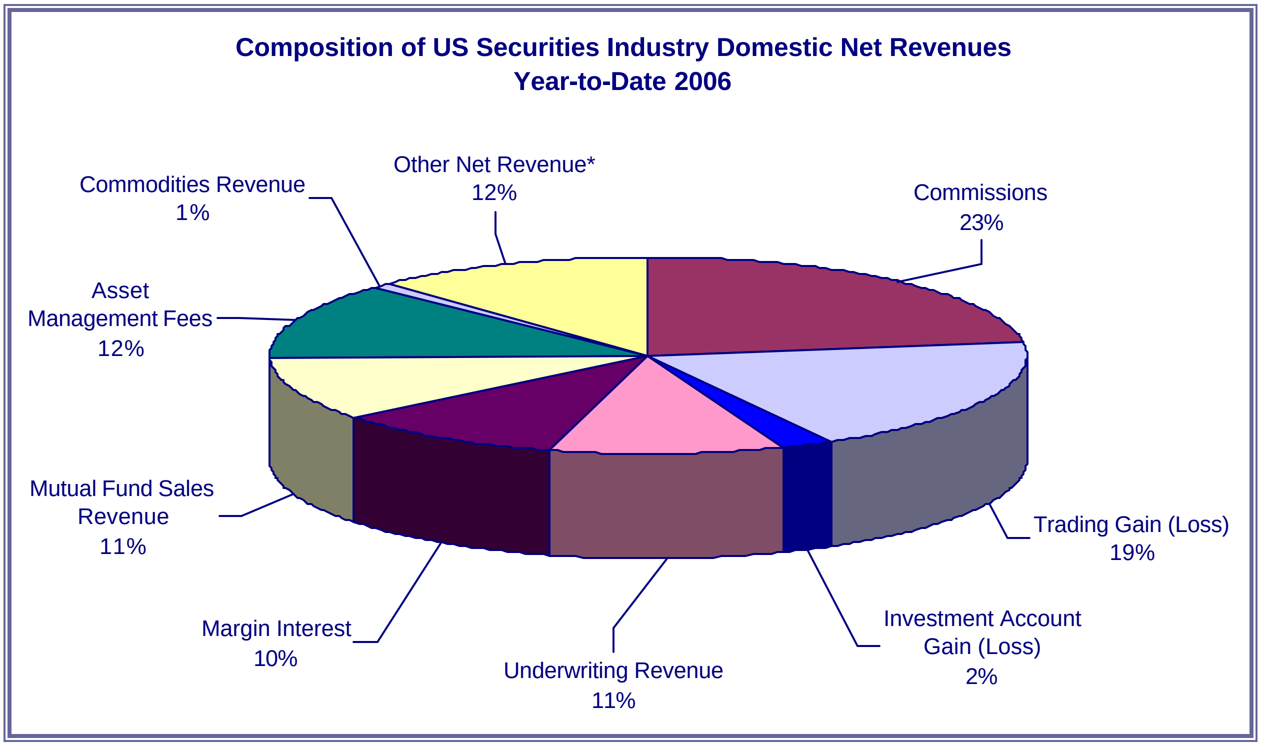
**Initial Public Offerings, by Exchange Listing**

| | January – December 2005 | | January – October 2006 | |
|---|---|---|---|---|
| | No. of Issues | Proceeds ($ millions) | No. of Issues | Proceeds ($ millions) |
| NYSE | 110 | $44,725.6 | 56 | $21,515.2 |
| Nasdaq | 129 | $13,028.5 | 101 | $11,175.0 |
| Amex | 16 | $1,467.5 | 12 | $1,400.2 |
| **Total NYC** | **255** | **$59,221.6** | **169** | **$35,090.4** |
| LSE | 42 | $13,803.7 | 22 | $22,643.9 |
| London AIM | 166 | $6,722.2 | 134 | $7,576.8 |
| **Total London** | **208** | **$20,525.9** | **156** | **$30,220.7** |
| **Hong Kong** | **52** | **$24,207.9** | **37** | **$35,008.4** |
| **Other** | **1,048** | **$80,886.6** | **802** | **$86,864.2** |
| **Total** | **1,563** | **$184,842.0** | **1,164** | **$187,183.7** |

Source: Thomson Financial

Recently, the US-based Committee on Capital Markets Regulation issued an interim report examining the erosion of the US market share of global equity listings. The Committee made 32 recommendations in four key areas – shareholder rights, Section 404 of Sarbanes Oxley, the regulatory process and public and private enforcement – intended to give US capital markets the competitive boost necessary to respond to the increasingly aggressive efforts of other nations to attract equity capital markets.[26] This report provides an exhaustive examination of the causes of changes in competitiveness of this important investment banking activity.

However, wider concerns persist. US Treasury Secretary Henry Paulson recently questioned "does the decline in initial public offerings in US capital markets signal potentially broader challenges to our [US] competitiveness?"[27] Focusing on changes in market share of only one product or service line (even if it is a prestigious, high-margin one such as IPOs) from one year to the next may be too narrow and short term a view to assess shifts in relative competitiveness. For example, total proceeds from IPOs made up only 36.0% of the value of total equity issuance in the first ten months of 2006 and 35.1% for all of 2005. The remainder of equity issuance comes from follow-ons, secondary offerings and private placements. In addition, equity issuance is just one form of underwriting, and though a higher-margin business than debt issuance, it is significantly smaller in volume terms. Revenue earned from equity underwriting in the first half of 2006 accounted for only 21.6% of total underwriting revenue and only 2.3% of total net domestic revenues of all securities firms doing a public business in the US. Underwriting, just one source of securities industry revenues, recently has not been growing as robustly as other types of activities such as M&A advisory, prime brokerage services or proprietary trading.




**Composition of U.S. Securities Industry Domestic Net Revenues**

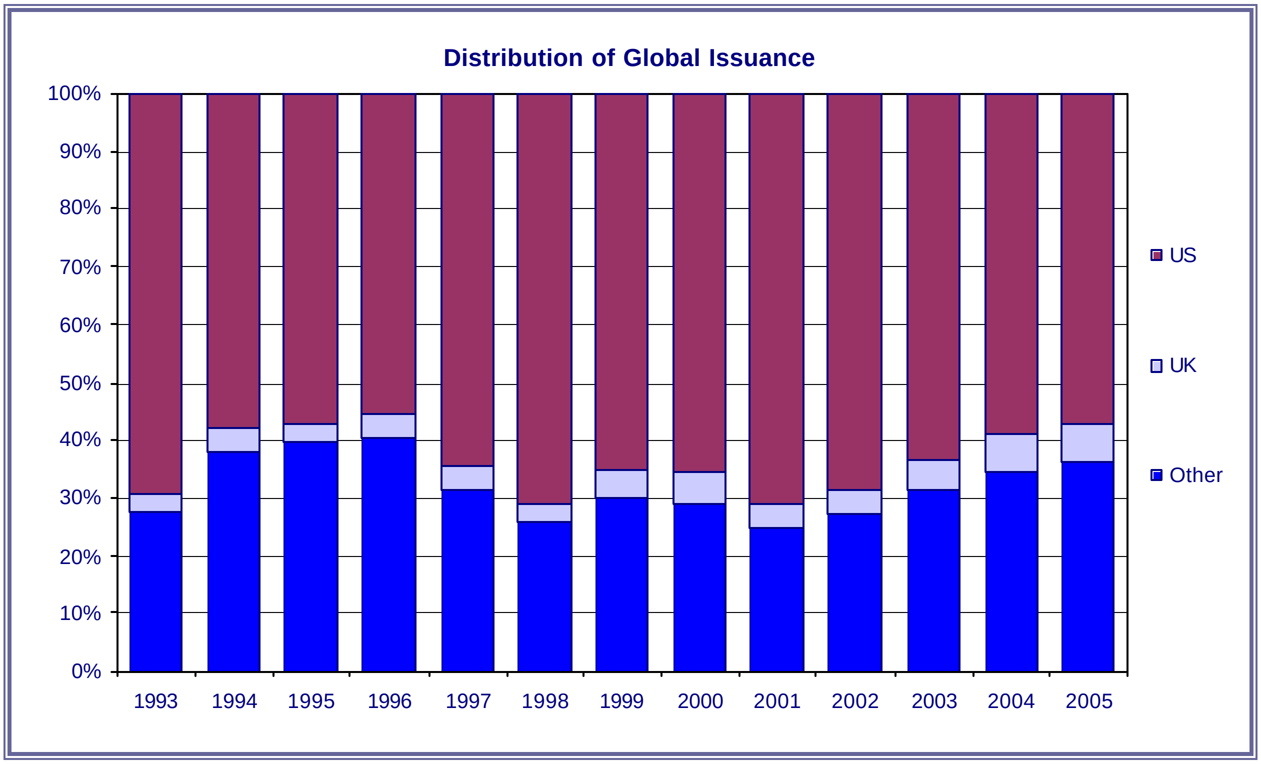
| | 06:Q1 | 06:Q2 | 06:Q3 | 06:Q4(f) | 2001 | 2002 | 2003 | 2004 | 2005 | 2006(f) |
|---|---|---|---|---|---|---|---|---|---|---|
| Commissions | 22.9% | 23.6% | 21.7% | 25.2% | 25.3% | 28.0% | 26.6% | 26.4% | 24.9% | 24.2% |
| Trading Gain (Loss) | 20.6% | 15.5% | 21.5% | 11.6% | 18.5% | 12.1% | 18.1% | 13.2% | 12.6% | 15.4% |
| Investment Account Gain (Loss) | 3.2% | 1.3% | 2.3% | 1.0% | 0.9% | 0.7% | 1.8% | 1.5% | 1.5% | 1.7% |
| Underwriting Revenue | 9.5% | 11.4% | 9.3% | 8.9% | 9.8% | 9.3% | 10.2% | 10.7% | 10.8% | 10.1% |
| Margin Interest | 8.9% | 8.7% | 12.1% | 9.4% | 7.9% | 4.1% | 3.1% | 3.9% | 7.1% | 9.1% |
| Mutual Fund Sale Revenue | 10.4% | 10.8% | 10.7% | 11.4% | 9.5% | 10.0% | 9.6% | 10.5% | 11.1% | 10.9% |
| Asset Management Fees | 11.4% | 12.7% | 13.8% | 12.6% | 10.9% | 11.4% | 10.6% | 11.7% | 12.5% | 12.2% |
| Commodities Revenue | 0.5% | 2.1% | -0.8% | 0.9% | 3.1% | 3.9% | -1.1% | 0.8% | 0.7% | 0.6% |
| Other Net Revenue* | 12.7% | 14.0% | 9.4% | 18.9% | 14.1% | 20.7% | 21.2% | 21.3% | 18.8% | 15.4% |

* Includes all other revenue not included elsewhere, minus total interest expense.

Source: SIFMA DataBank

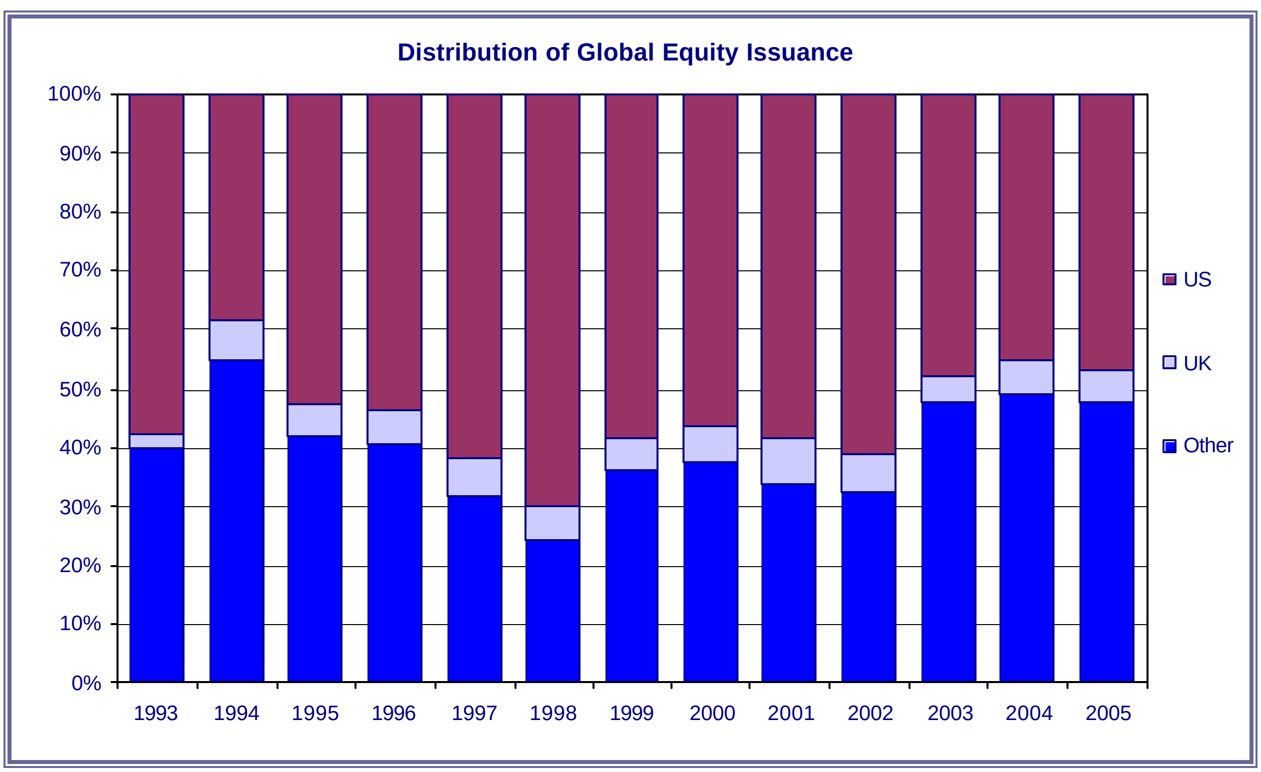
Note: Total NASD- and NYSE-member firms encompassing all broker-dealers doing a public business in the US through 9/30/06.

A longer-term look at all **global issuance activity**, both equity and debt, is set forth in the following charts. This reveals substantial variation from year to year in the US share of total issuance activity. Although the US share of global underwriting is down significantly from levels seen in the 1980s, it is far from clear whether this trend will continue in the years ahead.




Source: Thomson Financial
Note: Issuance amounts include all debt and equity underwriting and private placements.

The US market share of total global issuance activity declined in 2002–2005. However, US equity issuance staged a partial recovery in 2005, before falling off again this year, while the US share of global debt issuance seems to have stabilized. But looking only at one part of investment banking activities is still too narrow a focus, and it is clear that a more comprehensive evaluation in changes in market share is needed.




Source: Thomson Financial

Another London institution promoting the UK financial sector, International Financial Services, London (IFSL), provided a broader view, examining the relative market shares of the US and Europe for various types of financial services activities.[28] The report concluded that "in most activities, 12 out of 16, Europe's share of business rose relative to the US between 2001 and 2004. These 12 included seven out of eight sectors where activity in Europe is smaller than the US, pointing to a significant closing of the gap between the US and Europe over the medium term. However, the trend was less positive in 2005, with US activity improving in nine of 15 activities relative to Europe for which data were available. Although 2005 represented a consolidation, the trend over a number of years demonstrates how London, as the capital for many of Europe's most important wholesale financial markets, is increasing in importance as a global financial centre."[29]

**Financial Market Indicators: Europe is Larger Than US**

| Index for Europe where US = 100 | 2001 | 2004 | 2005 |
|---|---|---|---|
| Cross-border Bank Lending | 634 | 738 | 736 |
| Marine Insurance | 425 | 641 | 542 |
| OTC Derivatives Turnover | 341 | 421 | N/A |
| Commercial Bank Assets | 411 | 383 | 383 |
| Foreign Exchanges Average Daily Turnover[1] | 349 | 274 | 299 |
| International Bonds Amounts | 156 | 246 | 244 |
| Foreign Equity Trading | 247 | 213 | 166 |
| Insurance, Global Premiums | 84 | 109 | 113 |

**Financial Market Indicators: US is Larger Than Europe**

| Index for Europe where US = 100 | 2001 | 2004 | 2005 |
|---|---|---|---|
| High Net Worth Individuals[2] | 108 | 96 | 92 |
| Exchange-traded Derivatives Turnover[2] | 53 | 69 | 59 |
| Domestic Bonds Amounts | 46 | 64 | 54 |
| Funds Under Management | 42 | 61 | 59 |
| Investment Banking Revenue | 53 | 58 | 71 |
| Equity Market Turnover | 42 | 53 | 52 |
| Hedge Funds Assets Under Management[3] | 17 | 39 | 45 |
| Securitization Issues | 7 | 11 | 13 |

[1] Data for April 2006, not April 2005
[2] North America, not US
[3] First year 2002, not 2001
Source: International Financial Services, London (IFSL), "Financial Market Trends – Europe vs. US 2006, Global Influence of London: Europe's Financial Capital," October 2006

The usefulness to the issue at hand, *e.g.* the relative competitiveness of the financial centers in New York and London, of this comparison between the US and Europe hinges on assumptions that may or may not be valid. Specifically, that in "making comparisons between London and New York, it is valid to consider the size and scale of financial markets and activity in Europe as a whole, not just the UK, to take full account of London's sphere of influence. These can then be compared with the size of financial markets in the US which represents New York's sphere of influence."[30] This presumes that "other independent financial centres in Europe, such as Frankfurt, Paris and Milan, can be viewed as having a similar relationship to London as cities such as Boston, San Francisco and Chicago have to New York."[31] It may be overly presumptive to view Paris in a subordinate position within London's "sphere of influence," while Chicago's preeminence in North American futures and options markets is readily apparent.

A more relevant comparison is between financial services activities in the US and the UK and, wherever the availability of data permits, between New York and London. The table below summarizes changes in the US share of global industry revenue and global financial markets activity in various product and service lines provided by the financial services industry.

**US Share of Global Financial Markets**

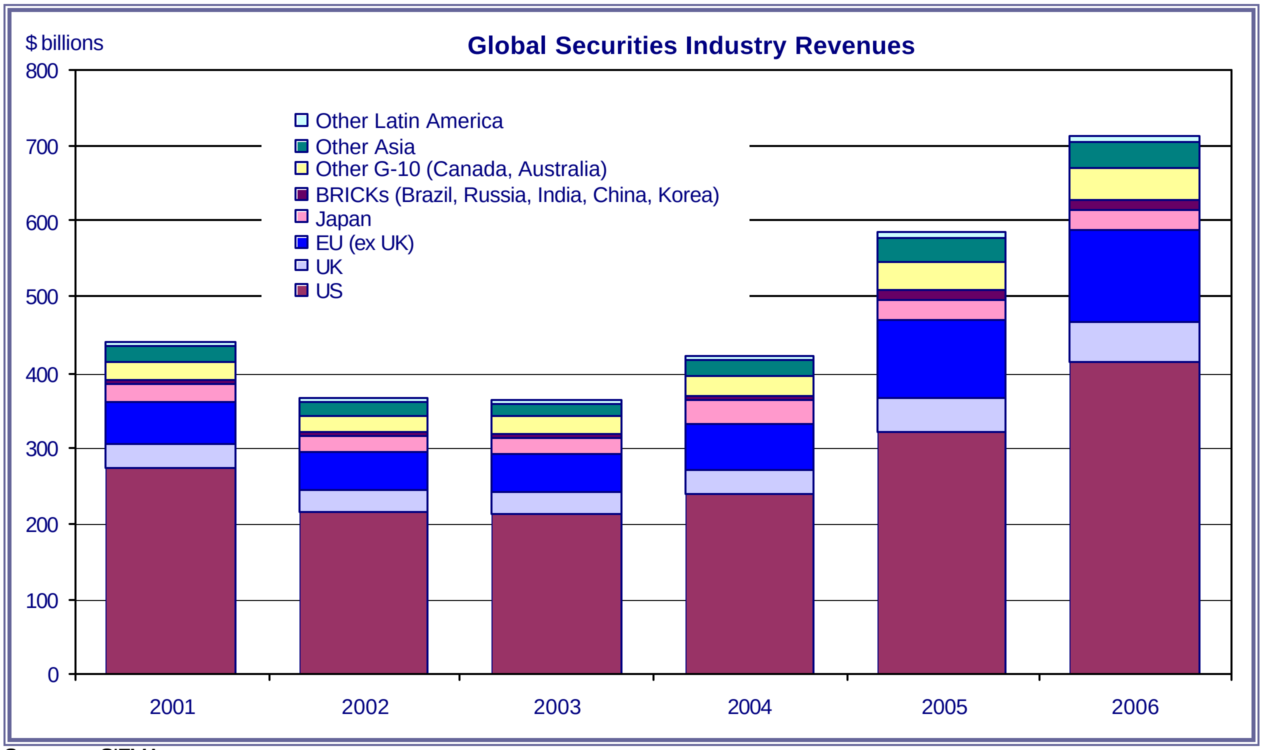
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|---|---|
| Securities Industry Revenues | N/A | 62.3% | 59.1% | 58.6% | 56.0% | 55.0% | 58.2% |
| Bonds Outstanding | 45.4% | 47.1% | 44.6% | 41.1% | 39.2% | 41.2% | 40.9% |
| Equity Market Capitalization | 46.9% | 49.7% | 47.2% | 44.4% | 41.7% | 38.9% | 36.8% |
| Mutual Funds | 58.7% | 59.8% | 56.4% | 52.8% | 50.2% | 50.1% | N/A |
| Options and Futures Contracts | 43.9% | 36.0% | 29.7% | 26.8% | 31.5% | 35.6% | N/A |
| Syndicated Loans | N/A | 59.8% | N/A | 48.2% | 51.2% | 45.4% | 46.8% |
| M&A Announced | 50.5% | 45.4% | 36.4% | 41.0% | 43.4% | 41.8% | 39.3% |
| M&A Completed | 47.6% | 53.2% | 42.2% | 39.2% | 48.2% | 40.9% | 44.5% |
| Debt Issuance | 65.0% | 69.1% | 69.6% | 62.0% | 56.4% | 56.3% | N/A |
| Equity Issuance | 48.7% | 64.9% | 73.3% | 70.5% | 57.6% | 62.5% | N/A |
| Debt and Equity Bookrunners | 63.2% | 63.4% | 67.2% | 65.6% | 64.6% | 61.8% | 63.8% |
| Venture Capital | 70.0% | 59.3% | 54.2% | 46.9% | 50.1% | 53.2% | 52.6% |

Sources: SIFMA, using various outside sources: BIS; FOW Tradedata; FIA; IFSL;"Guide to Sources of Statistics"; ICI.

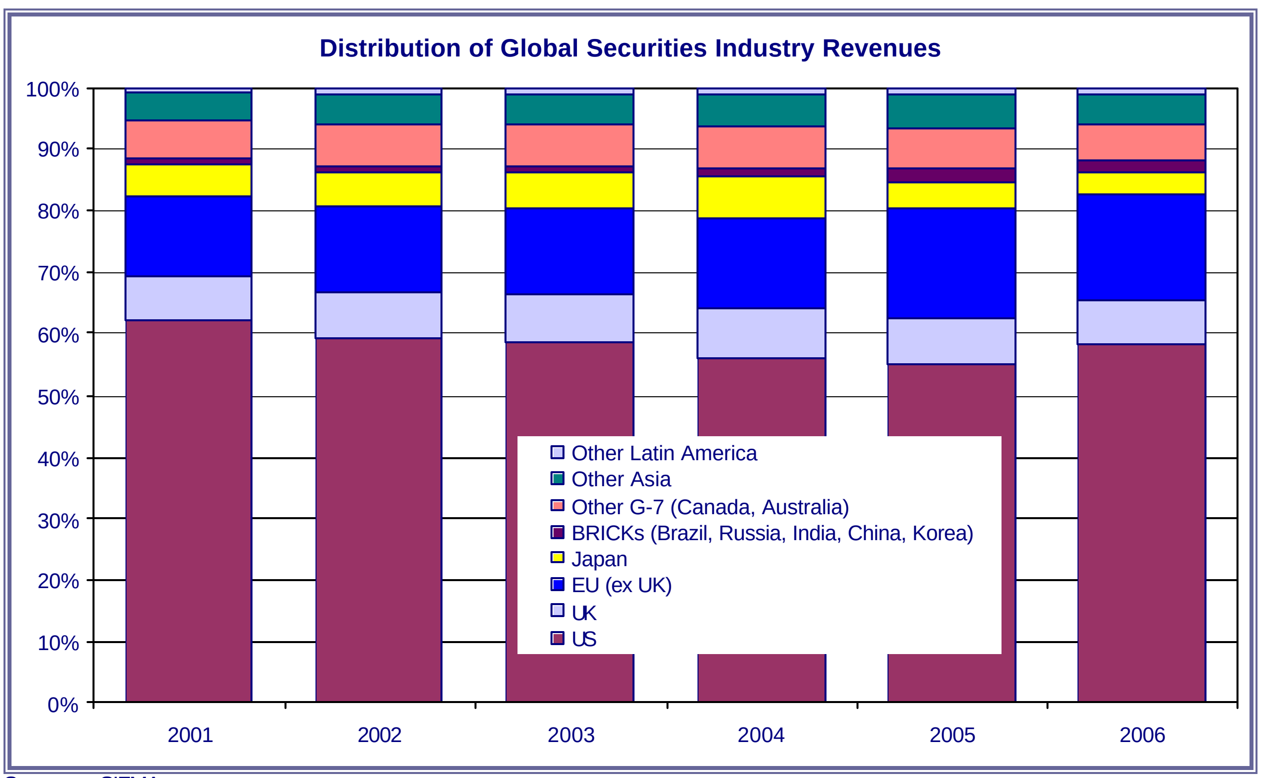
Notes: 2006 data is as of 9/30/06, except for Bonds Outstanding (3/31/06). Explanatory notes to this table are contained in the Appendix on p. 34.

Global securities **industry revenues** are on pace to exceed $700 billion in 2006, an increase of 22% over last year. Both global revenues and profits are expected to set records this year with strong, broad-based growth across product and service lines, led by corporate financial advisory fees and proprietary trading activities. US securities industry domestic revenues are expected to top $414 billion this year, an increase of nearly 29% over 2005, as domestic profits increase 62% to $28.5 billion.

The US domestic share of global revenues rose to an estimated 58% this year after falling steadily over the past five years, from 62.3% of the total in 2001 to 55.0% last year. The increase this year is led by multinational, New York-headquartered securities firms.



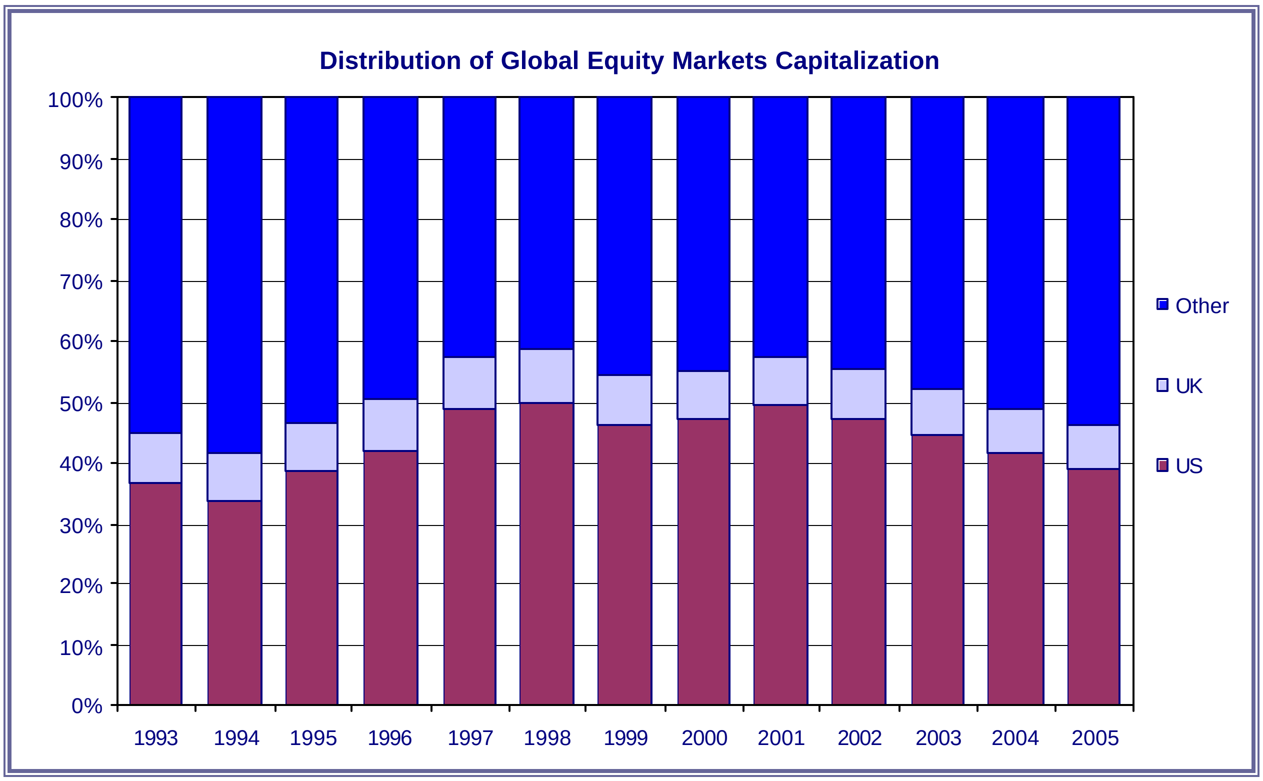

Source: SIFMA
Note: 2006 data as of 9/30/06




Source: SIFMA
Note: 2006 data as of 9/30/06.

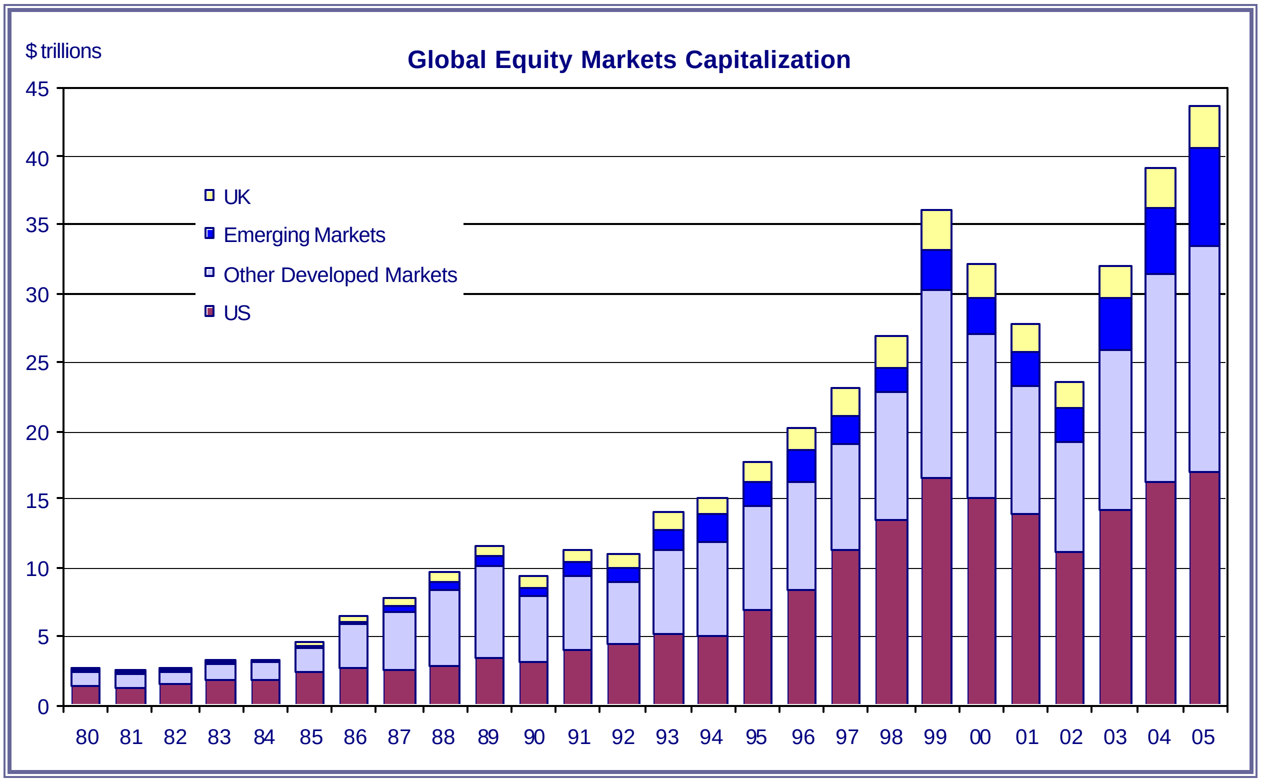
The UK's share of global industry revenues rose steadily from 7.1% in 2001 to 8.1% in 2004, before slipping back to 7.4% last year. Faster revenue growth was seen in the EU (excluding the UK), which accounted for 17.6% of global revenues in 2005, up from 12.8% in 2001. The five largest emerging markets[32] jointly accounted for only 2% of global industry revenues in 2005, up from 1% in 2001.

**Global equity markets capitalization** reached $43.6 trillion in 2005 and is expected to top $49 trillion by the end of this year. The US accounted for 50% of the total value of the world's equity markets in 2001 but has been steadily declining since, accounting for 38.9% last year. In 2006, the US share is expected to fall further despite relatively strong price performance in the second half of this year, thanks to the combination of: record stock buybacks producing negative net issuance; a falling dollar, which is increasing the valuation of non-dollar denominated markets in dollar terms; and an increased number of firms delisting or going private.

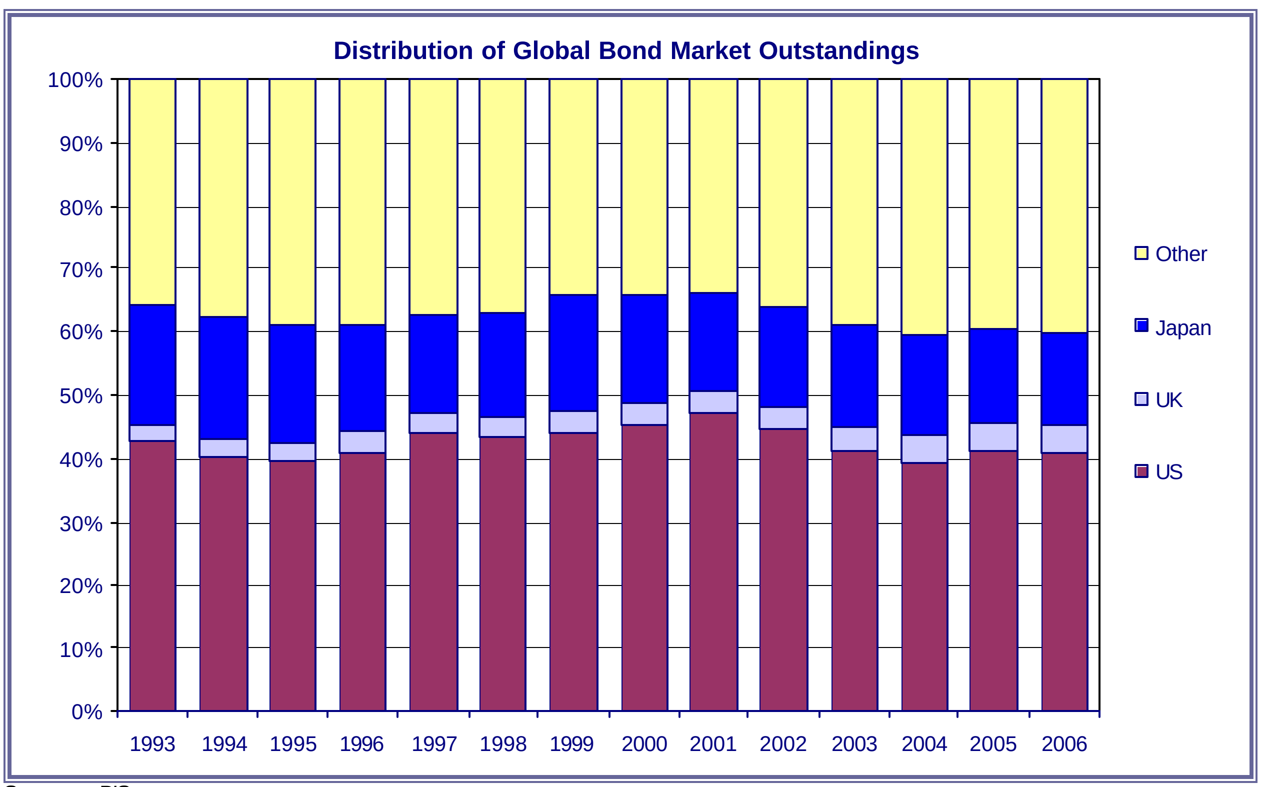



Source: Standard and Poor's *Global Stock Markets Factbook 2006*

However, it is not the UK that has been the beneficiary of the reduction in the US's share of the value of global equity markets, as the former's share has slipped from 8% in 2000 to 7% in 2005. Instead it is the share accounted for by emerging stock markets which has been rising, last year reaching 16.3% of the total, more than double the 8.1% share of global equity market capitalization in 2000 and up from an average of 9.2% in the late 1990s.[33]



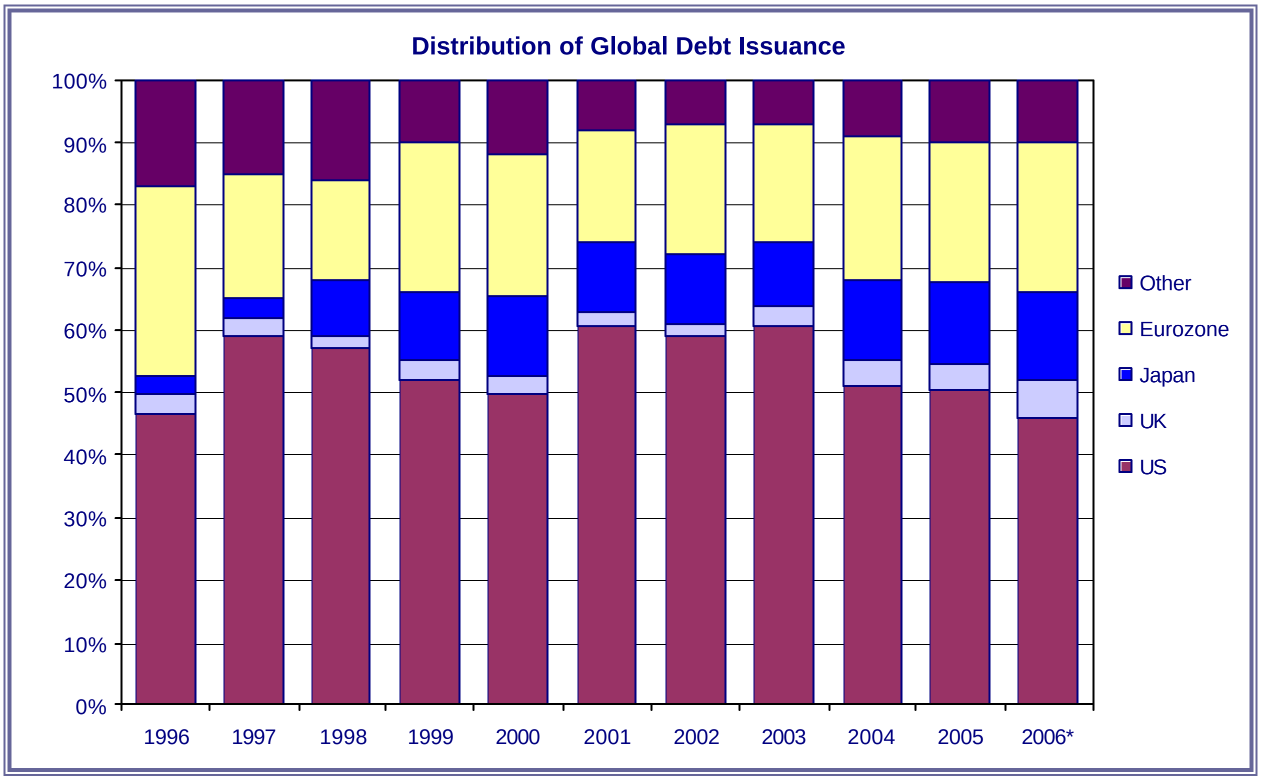

Source: Standard and Poor's *Global Stock Markets Factbook 2006*




Source: BIS
Note: 2006 data as of 3/31/06

Similar, though somewhat less dramatic, changes are evident when looking at the distribution of **global bond market outstandings**. The UK's share has risen steadily from 3.5% of the total in 2000 to 4.5% early this year. Meanwhile, the US share has fallen to less than 41% this year from over 45% in 2000 and an average of 43% in the late 1990s. This has mirrored an increase in the share accounted for by the EU (excluding the UK), which increased to 30% from 25% of global totals over the last five years.

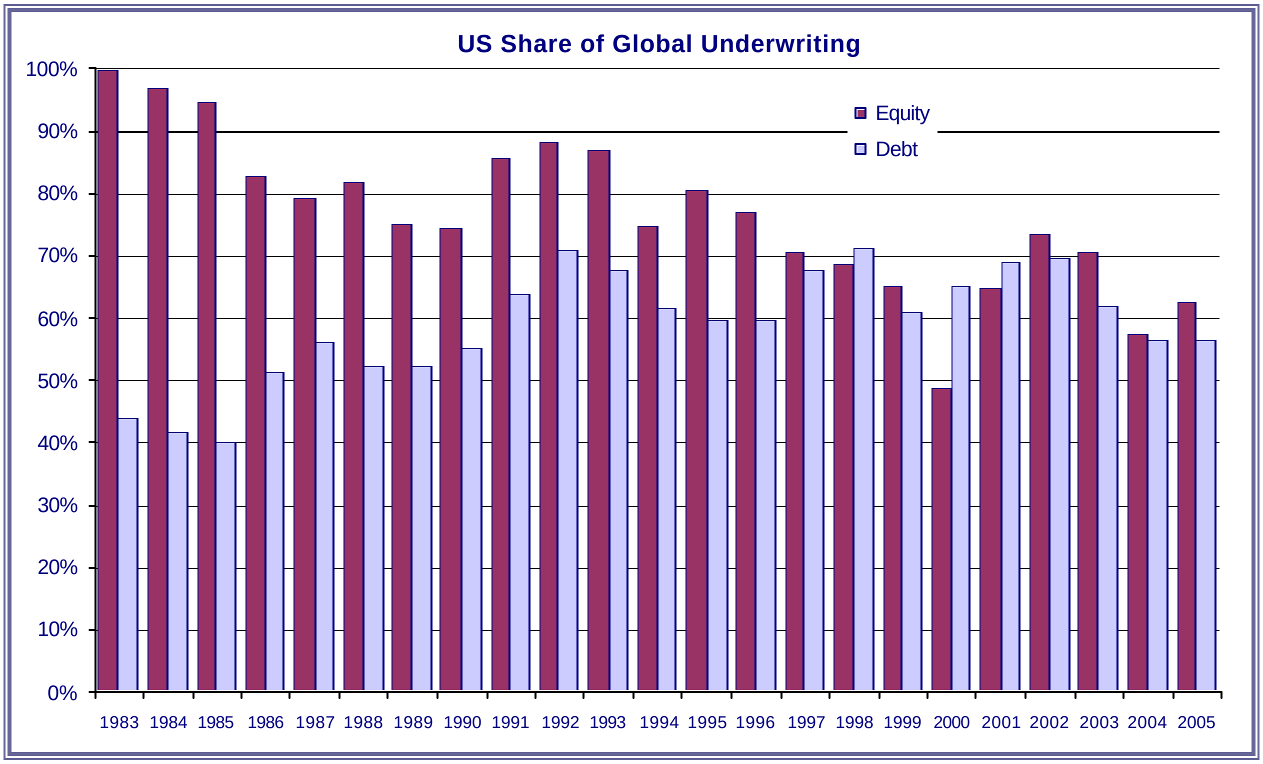
**Global bond market issuance** in 2005 reached $11.1 trillion, the second highest annual result and 3% above issuance of $10.8 trillion in 2004. Global bond market issuance of $6.3 trillion during the first six months of this year, an increase of 13% at annualized rates, suggests that this year will be a new record, surpassing the old mark of $11.4 trillion, set in 2003, by as much as 10%. US bond issuance accounted for 46% of the global total thus far in 2006, compared with 50% for all of 2005. Eurozone issuance accounted for 24% of world bond markets thus far in 2006 and 22% in 2005, while Japanese issuance accounted for 14% of the total in 2006 and 13% in 2005.




Source: Thomson Financial
Note: 2006 data as of 6/30/06

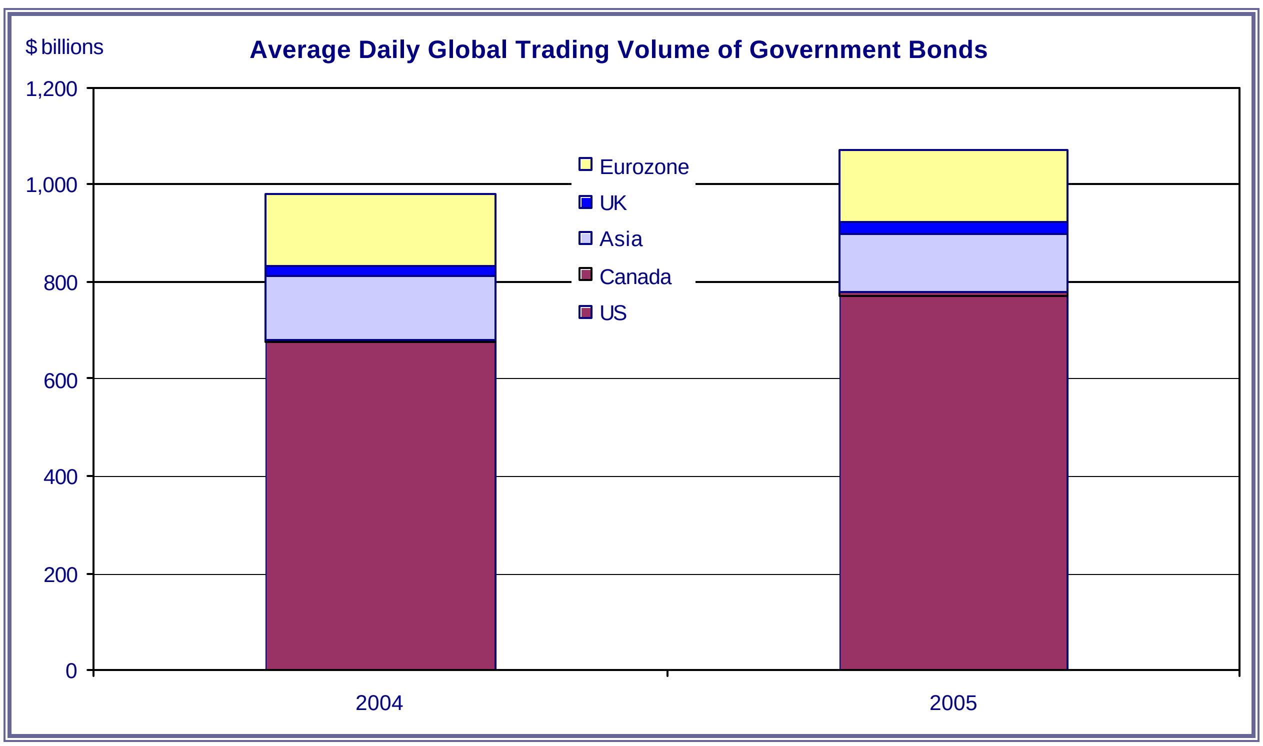
The US share of **global debt underwriting** has shown substantial variance, accounting for between 55% and 70% of global totals over the past 15 years but slipping to the bottom of that range to just above 56% in 2004 and 2005. While down, the US share of global debt underwriting is still higher than in the 1980s.

The US share of **global equity underwriting**, which was nearly 100% as recently as 1983, has been very volatile but generally declining since. In 2005, the US share of global underwriting was 62.5%, up from 57.6% in 2004, but still below the average of 69.5% in the prior ten-year period.



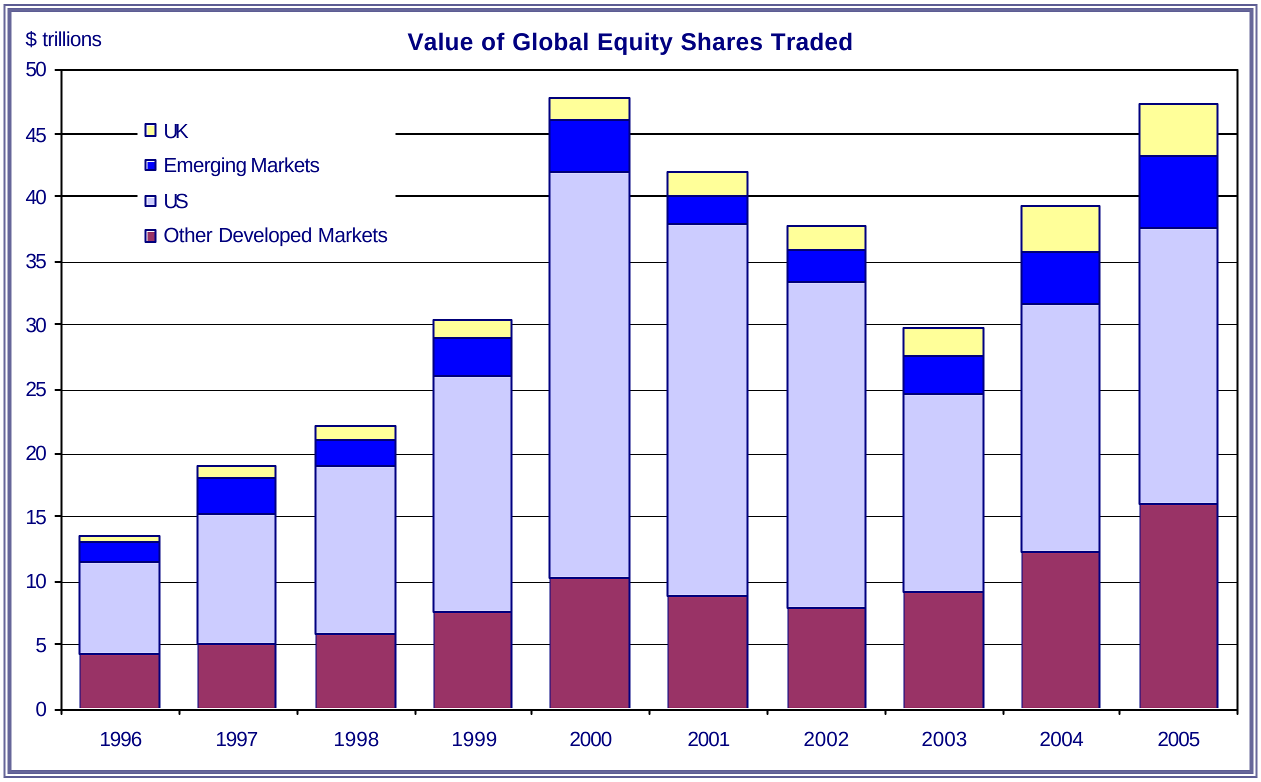

Source: SIFMA; Thomson Financial

**Global bond trading volume** continues to show solid growth. The average daily trading volume of government bonds globally reached $1.07 trillion in 2005, up more than 9% from the $980 billion daily average recorded in 2004. The US accounted for 72% of this total in 2005, up from 69% in the prior year, as US bond trading volume increased 14%. Last year the Eurozone accounted for 14% of this total, Asia 11% and the UK only 2%.




Sources: Federal Reserve Bank of New York, AsianBondsOnline, UK Debt Management Office, local central banks

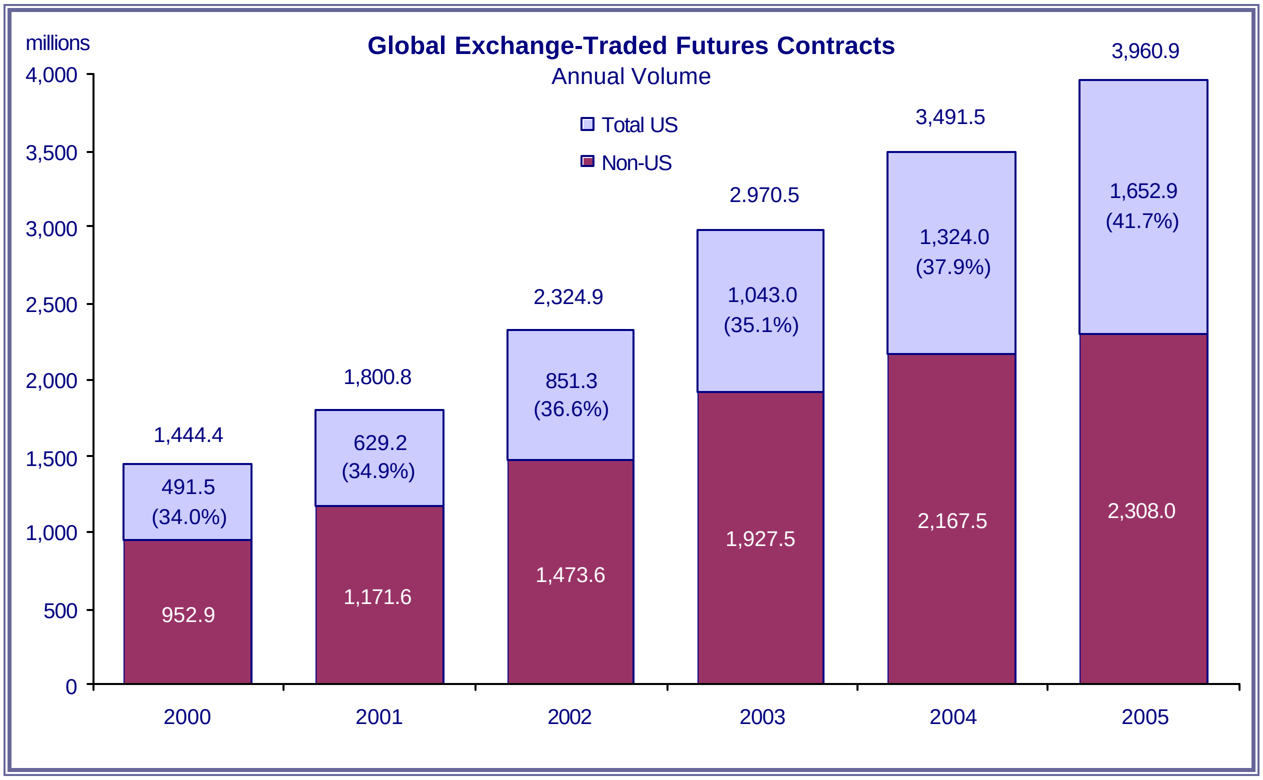
The value of **equity shares traded** for all of 2005 reached $47.3 trillion, an increase of 17% over the prior year, but still below the record level of $47.9 trillion set in 2000. Growth thus far in 2006 suggests that a new record in equity market turnover will be set. In 2005, US equity markets accounted for 45.5% of the global total. This is a substantially reduced share relative to a near-term peak in 2000, when the US accounted for 69% of the total, as well as its average share of 53% over the last 10 years. The UK's share of global equity trading increased sharply in the last four years. In 2005, the UK accounted for 8.8% of global equity trading activity, which, while a smaller share than in the prior year, was still well above its average share of 5.2% over the preceding 10-year period.



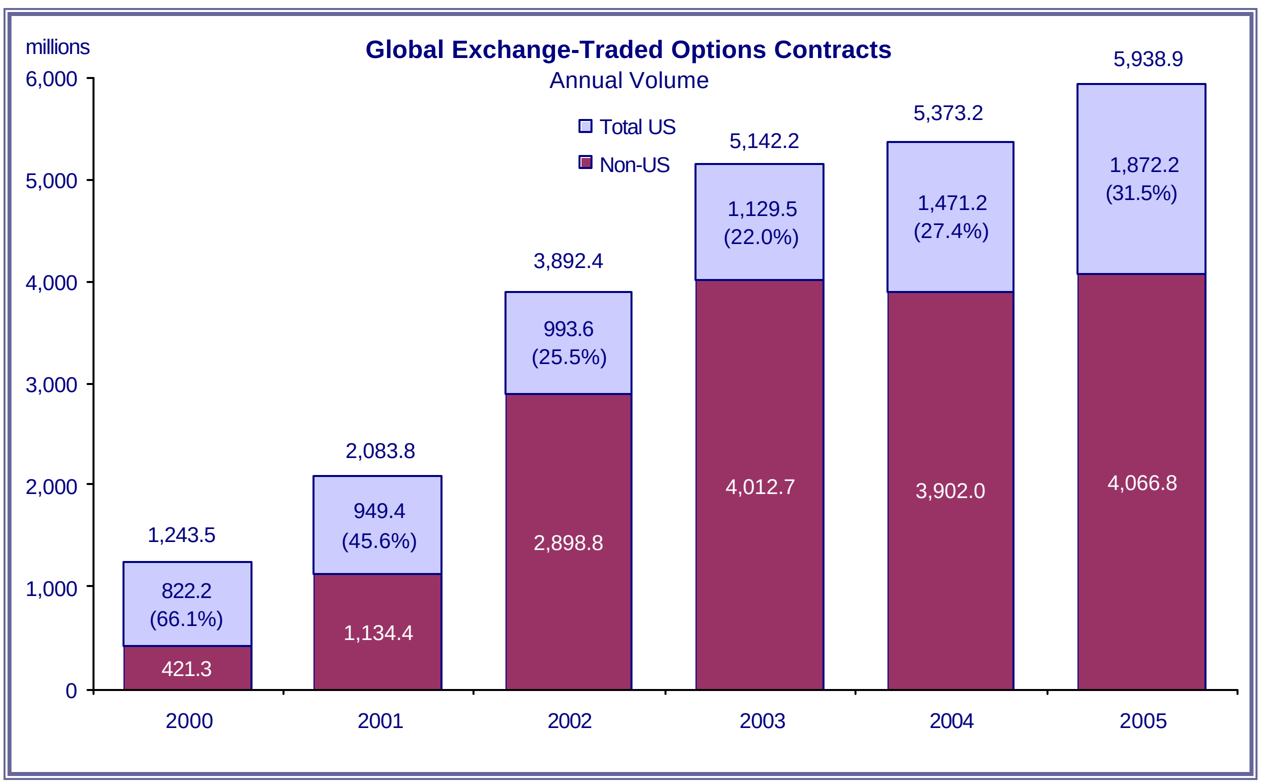

Source: Standard and Poor's *Global Stock Markets Factbook 2006*

Growth in **derivatives markets** continues to outpace growth in secondary markets for cash securities (stocks and bonds). This is true for both options and futures contracts. However, unlike many other product lines, the US share of exchange-traded futures and options has continued to increase. The volume of exchange-traded futures contracts globally increased 174% between 2000 and 2005, and the US share of this activity increased from 34.0% to 41.7%. Similarly, the volume of exchange-traded options has grown rapidly, with annual volume increasing 377% over the past five years. While the US share of exchange-traded options dropped markedly between 2000 and 2003, it has partially recovered over the past three years.

However, most US activity in exchange-traded derivatives occurs in Chicago, where three of the six largest derivatives exchanges (in terms of the average daily number of contracts traded) are located: The Chicago Mercantile Exchange (CME); the Chicago Board of Trade (CBOT); and the Chicago Board Options Exchange (CBOE). The stiffest competition comes less from NYC (the International Securities Exchange ranks seventh globally and the AMEX ninth) than it does from continental Europe. Eurex, located in Germany, is the world's second most active derivatives exchange and Euronext.liffe is the fourth largest.[34]



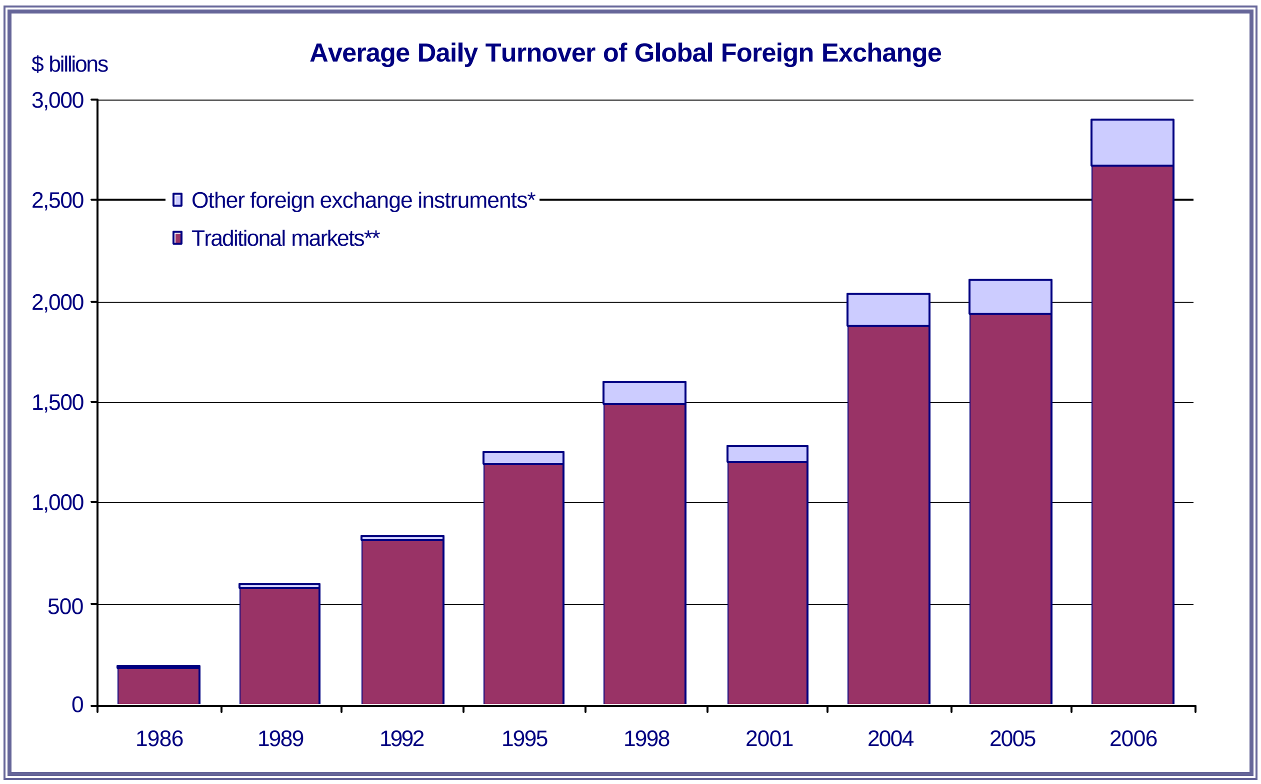

Source: FIA




Source: FIA

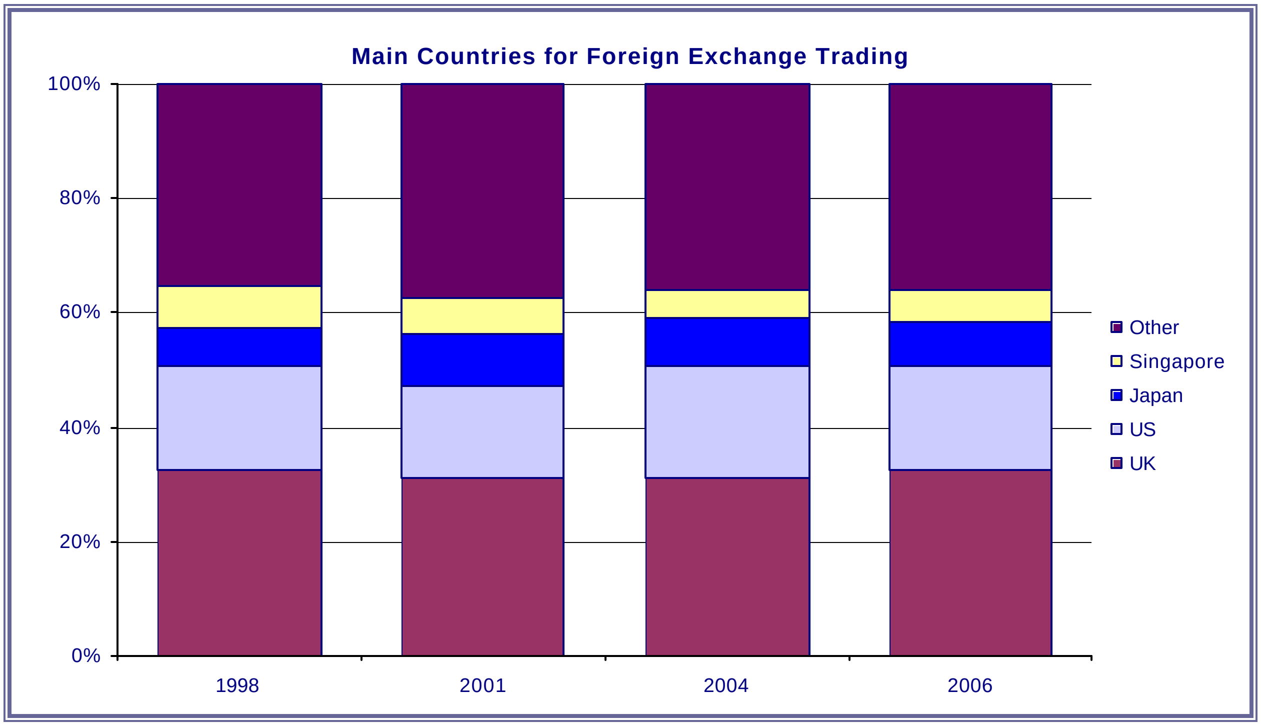
The US continues to dominate the **syndicated loan market**, accounting for 46.8% of the global total placed in the first nine months of 2006. However, the US share has been declining and was nearly 60% of the total as recently as 2001. Once again, as with other revenue lines, the loss of US market share was not reflected in a commensurate increase in the UK's share, which thus far this year accounts for only 7.3% of the global totals. Rather it is the EU (excluding the UK) that has seen the greatest gains in market share, rising from 15.6% of global totals in 2001 to 25.2% during the first nine months of 2006.

Highly cyclical and highly volatile earnings from **mergers and acquisition** (M&A) activity are currently booming. The US accounted for 39.3% of announced deals and 44.5% of completed deals during the first nine months of 2006. While the US share of completed deals is rising this year from 2005 levels, the US portion of both completed and announced deals currently are well down from the average seen in the first half of this decade.



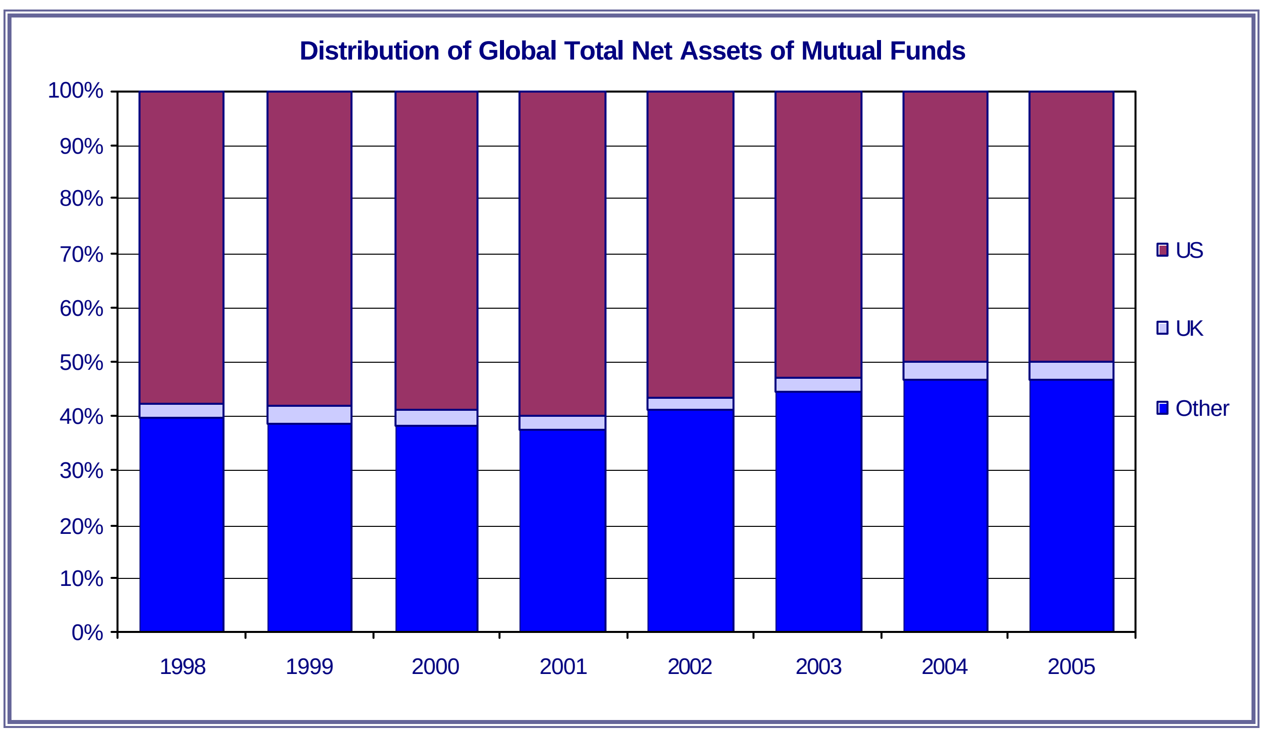

* Currency swaps, options and exchange-traded contracts
** Spot transactions, outright forwards and foreign exchange swaps
Source: IFSL estimates based on BIS, Singapore FEMC, Tokyo FEMC, FX JSC and FXC data

**Foreign exchange trading** activity has surged in 2006, with turnover increasing more than 40% from last year. The UK traditionally dominates this market activity, followed, in order of importance, by the US, Japan and Singapore, and there seems to be relatively little variation in the market share held by the principal market centers in traditional activities (spot transactions, outright forwards and foreign exchange swaps). Activity in other foreign exchange instruments (options and exchange-traded contracts) is growing more rapidly in non-traditional markets.



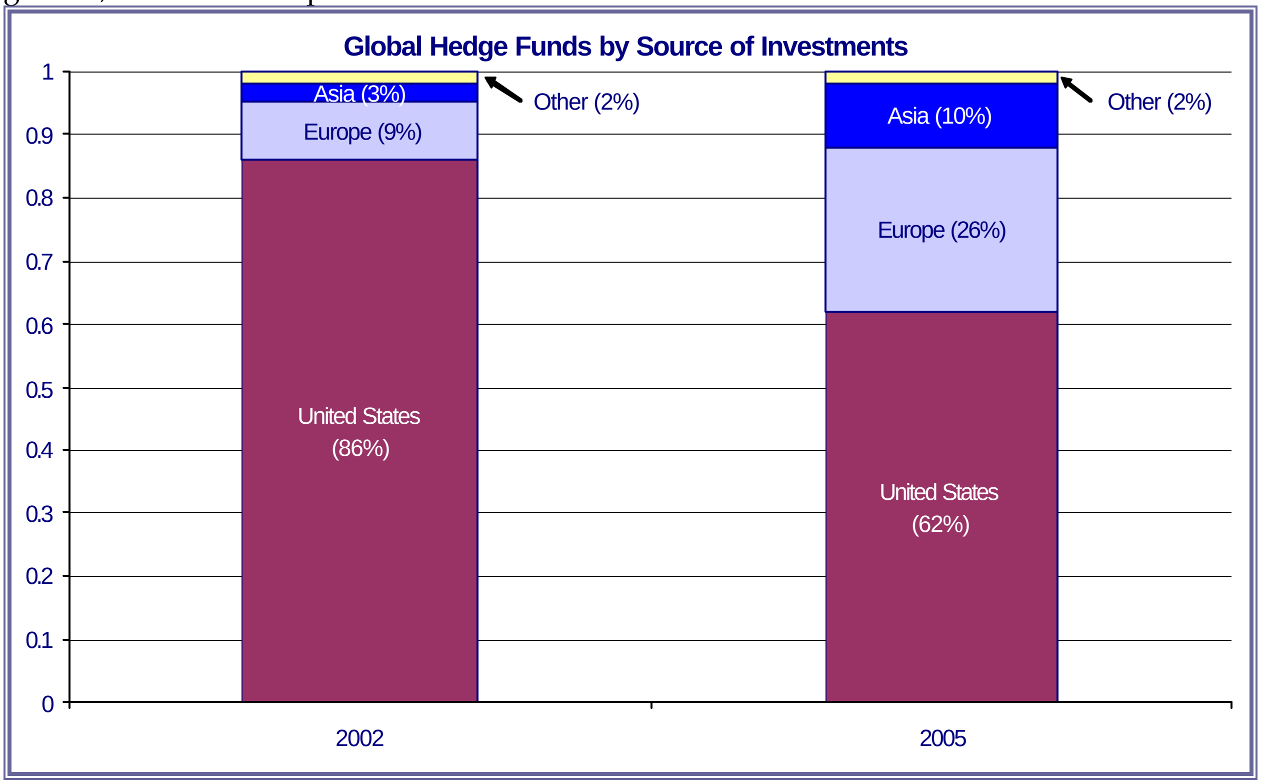

Source: IFSL estimates based on BIS, Singapore FEMC, Tokyo FEMC, FX JSC and FXC data
Note: Includes double-counting for some transactions by different countries

The US retains its dominant position in the **asset management** business, but unlike capital markets activity, NYC does not account for a disproportionate share of US activity in this sector. Boston, San Francisco and other cities account for a significant share of mutual fund activity, while a significant portion of the rapidly growing hedge fund activity is found in Connecticut and outlying areas of NYC, such as Westchester County. The US share of global **mutual fund** assets under management in 2005 was 50.1%, which was virtually unchanged from 2004, but well below the 60% share held as recently as 2001.

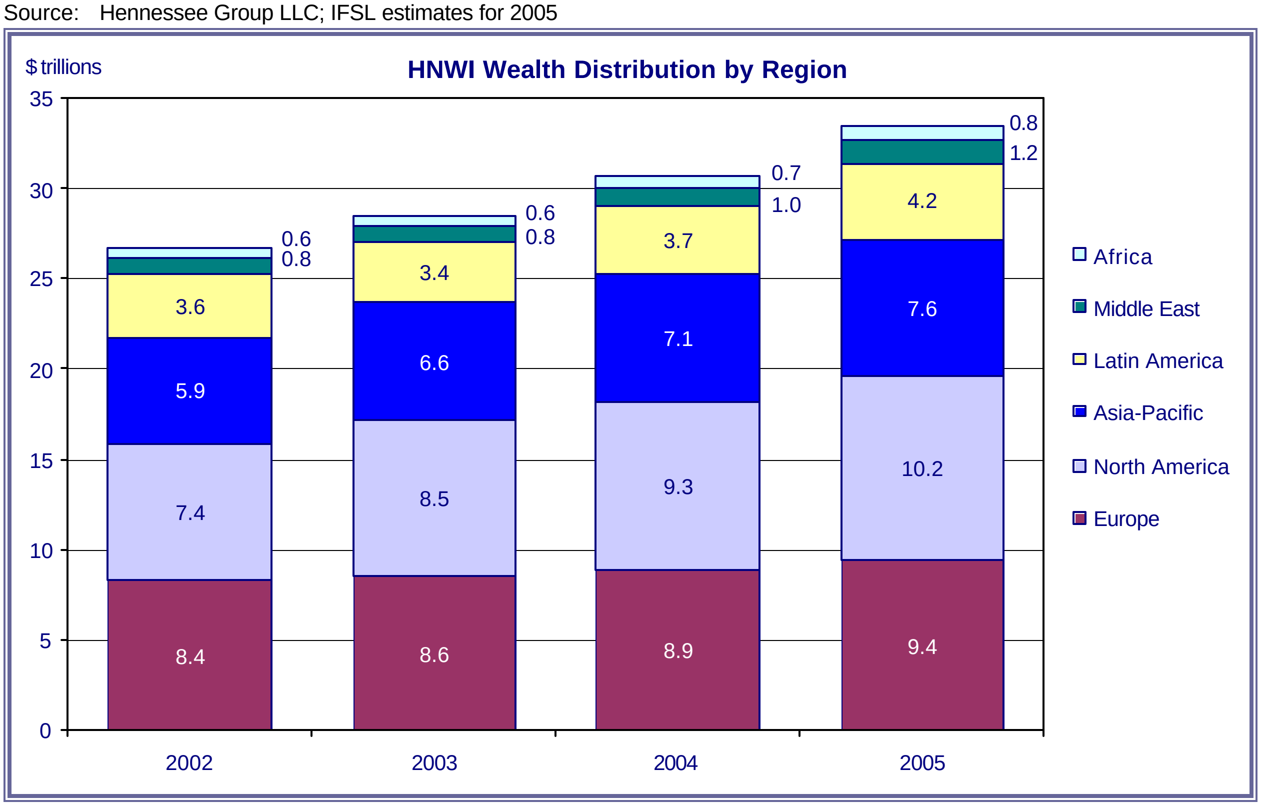



Source: ICI

**Hedge funds** have been growing rapidly both in number and the value of assets under management. Currently there are estimated to be over 8,800 hedge funds globally with over $1.34 trillion under management. The US was the source for 62% of hedge fund investment in 2005, a percentage which has declined sharply from 86% of the total in 2002. The shift in the geographic distribution of hedge fund investment has favored Europe (including the UK) in general, and the UK in particular.



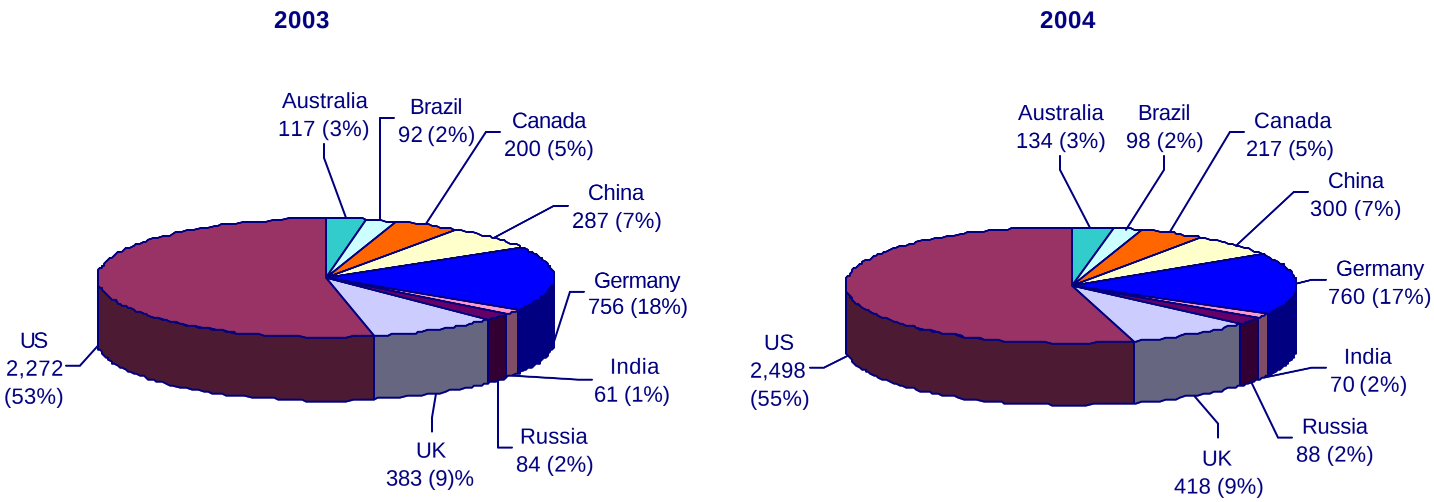

Source: Hennessee Group LLC; IFSL estimates for 2005

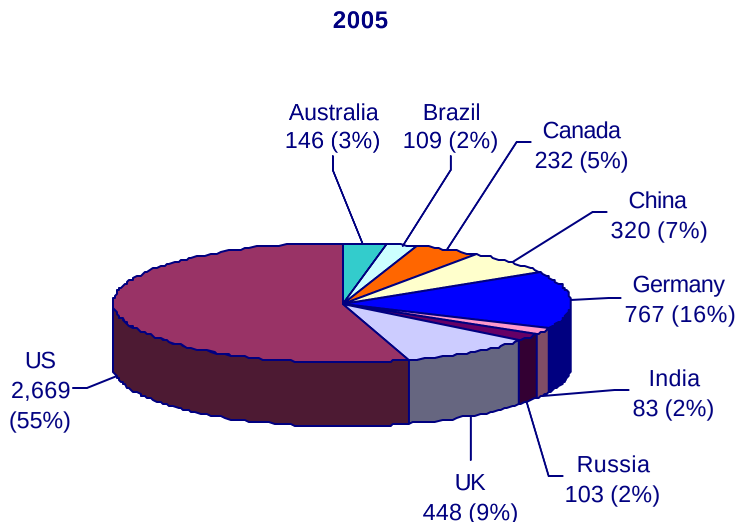



Source: Merrill Lynch Capgemini: *World Wealth Report 2004 and 2005*

The global distribution of **high net worth individuals** (HNWI) and their assets has remained relatively stable, with the US still accounting for the largest share, both with respect to the total value of assets in HNWI accounts and the number of individual accounts.

**Global Distribution of High Net Worth Individuals**
(thousands and as a percent of total)




Source: Merrill Lynch Capgemini, *World Wealth Report 2005*
Note: Percentage figures may not add to 100% due to independent rounding.

**Frank A. Fernandez**
*Senior Vice President, Chief Economist and Director of Research*

# Appendix

### Bonds Outstanding, as a Percent of Global Total

| Country | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006* |
|---|---|---|---|---|---|---|---|
| United States | 45.4% | 47.1% | 44.6% | 41.1% | 39.2% | 41.2% | 40.9% |
| United Kingdom | 3.5% | 3.5% | 3.7% | 3.8% | 4.3% | 4.4% | 4.5% |
| European Union (ex UK) | 25.4% | 25.1% | 27.7% | 30.4% | 31.5% | 29.6% | 30.1% |
| Japan | 7.3% | 6.9% | 7.5% | 8.0% | 7.9% | 7.0% | 7.1% |
| BRICKs (Brazil, Russia, India, China, Korea) | 3.5% | 3.6% | 3.4% | 3.5% | 3.9% | 4.8% | 5.0% |
| Other G-7 (Canada & Australia) | 3.0% | 2.9% | 2.7% | 2.9% | 2.9% | 3.0% | 3.0% |
| Other Asia | 1.2% | 1.2% | 1.2% | 1.1% | 1.1% | 1.1% | 1.1% |
| Other Latin America | 0.9% | 1.0% | 0.8% | 0.7% | 0.7% | 0.8% | 0.7% |
| Other | 9.8% | 8.8% | 8.4% | 8.4% | 8.4% | 8.0% | 7.6% |

*as of 3/31/06
Source: BIS
Note: Subtotals may not add to 100% due to independent rounding.

### Equity Market Capitalization, as a Percent of Global Total

| Country | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006* |
|---|---|---|---|---|---|---|---|
| United States | 46.9% | 49.7% | 47.2% | 44.4% | 41.7% | 38.9% | 36.8% |
| United Kingdom | 8.0% | 7.8% | 7.9% | 7.7% | 7.2% | 7.0% | 7.2% |
| European Union (ex UK) | 20.8% | 19.4% | 18.8% | 19.1% | 20.0% | 18.8% | 19.8% |
| Japan | 9.8% | 8.1% | 9.1% | 9.5% | 9.4% | 10.9% | 9.6% |
| BRICKs (Brazil, Russia, India, China, Korea) | 3.2% | 6.1% | 7.0% | 7.0% | 6.9% | 8.5% | 8.2% |
| Other G-7 (Canada & Australia) | 3.8% | 3.9% | 4.1% | 4.6% | 5.0% | 5.2% | 5.1% |
| Other Asia | 3.8% | 4.1% | 4.5% | 5.1% | 4.9% | 5.0% | 4.9% |
| Other Latin America | 0.8% | 0.8% | 0.8% | 0.9% | 1.0% | 1.1% | 1.1% |
| Other | 2.9% | 0.2% | 0.6% | 1.8% | 4.0% | 4.6% | 7.3% |

*MSCI Indexes as of 9/30/06
Sources: Standard and Poor's *Global Stock Markets Factbook 2006* and World Federation of Exchanges
Note: Subtotals may not add to 100% due to independent rounding.

### Mutual Funds, as a Percent of Global Total

| Country | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|
| United States | 58.7% | 59.8% | 56.4% | 52.8% | 50.2% | 50.1% |
| United Kingdom | 3.0% | 2.7% | 2.6% | 2.8% | 3.0% | 3.1% |
| European Union (ex UK) | 2.9% | 2.9% | 3.1% | 3.7% | 3.9% | 3.9% |
| Japan | 3.6% | 3.0% | 2.7% | 2.5% | 2.5% | 2.6% |
| BRICKs (Brazil, Russia, India, China, Korea) | 6.5% | 5.7% | 5.0% | 5.5% | 6.0% | 7.0% |
| Other G-7 (Canada & Australia) | 5.2% | 5.2% | 5.3% | 6.1% | 6.5% | 6.7% |
| Other Asia | 5.9% | 6.0% | 6.7% | 7.2% | 7.9% | 8.3% |
| Other Latin America | 0.3% | 0.4% | 0.4% | 0.3% | 0.3% | 0.4% |
| Other | 13.8% | 14.4% | 17.8% | 19.1% | 19.7% | 17.9% |

Sources: ICI, European Fund and Asset Management Association, and other national mutual fund associations
Note: Subtotals may not add to 100% due to independent rounding.

### Exchange-Traded Derivatives, as a Percent of Global Total

| Country | 2000 | 2003 | 2005 |
|---|---|---|---|
| United States | 43.0% | 26.5% | 34.1% |
| United Kingdom | 7.3% | 6.2% | 6.2% |
| European Union (ex UK) | 24.4% | 16.8% | 15.7% |
| Japan | 5.0% | 2.5% | 1.9% |
| BRICKs (Brazil, Russia, India, China, Korea) | 11.0% | 40.7% | 34.3% |
| Other G-7 (Canada & Australia) | N/A | N/A | N/A |
| Other Asia | N/A | N/A | N/A |
| Other Latin America (Mexico) | 0.0% | 2.1% | 1.1% |
| Other | 9.3% | 5.2% | 6.7% |

Source: FOW Tradedata
Note: Subtotals may not add to 100% due to independent rounding.

### Options & Futures Contracts, as a Percent of Global Total

| Country | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|
| United States | 43.9% | 36.0% | 29.7% | 26.8% | 31.5% | 35.6% |
| United Kingdom | 7.5% | 6.9% | 5.5% | 5.4% | 5.6% | 5.4% |
| European Union (ex UK) | 29.4% | 27.3% | 22.0% | 18.5% | 18.3% | 17.9% |
| Japan | 5.2% | 3.6% | 2.9% | 2.5% | 2.3% | 1.9% |
| BRICKs (Brazil, Russia, India, China, Korea) | 10.5% | 22.4% | 35.8% | 41.7% | 36.7% | 34.1% |
| Other G-7 (Canada & Australia) | 1.6% | 1.2% | 0.9% | 1.0% | 1.1% | 1.2% |
| Other Asia | 1.0% | 0.8% | 0.7% | 0.9% | 1.0% | 1.2% |
| Other Latin America | 0.0% | 0.0% | 1.4% | 2.2% | 2.5% | 1.2% |
| Other | 0.9% | 1.7% | 1.2% | 1.0% | 1.0% | 1.3% |

Source: FIA
Note: Subtotals may not add to 100% due to independent rounding.

### Securities Industry Revenues, as a Percent of Global Total

| Country | 2001 | 2002 | 2003 | 2004 | 2005 | 2006* |
|---|---|---|---|---|---|---|
| United States | 62.3% | 59.1% | 58.6% | 56.0% | 55.0% | 58.2% |
| United Kingdom | 7.1% | 7.5% | 7.7% | 8.1% | 7.6% | 7.2% |
| European Union (ex UK) | 12.8% | 14.2% | 14.1% | 14.6% | 17.6% | 17.1% |
| Japan | 5.3% | 5.4% | 5.8% | 7.1% | 4.6% | 3.8% |
| BRICKs (Brazil, Russia, India, China Korea) | 1.0% | 1.1% | 1.1% | 1.2% | 2.1% | 1.9% |
| Other G-7 (Canada, Australia) | 6.1% | 6.7% | 6.7% | 6.9% | 6.6% | 6.0% |
| Other Asia | 4.4% | 4.8% | 4.8% | 5.0% | 5.2% | 4.7% |
| Other Latin America | 1.0% | 1.1% | 1.1% | 1.2% | 1.2% | 1.2% |

*as of 9/30/06
Source: SIFMA
Note: Subtotals may not add to 100% due to independent rounding.

### Syndicated Loans, as a Percent of Global Total

| Country | 2001 | 2003 | 2004 | 2005 | 2006* |
|---|---|---|---|---|---|
| United States | 59.80% | 48.20% | 51.20% | 45.40% | 46.80% |
| United Kingdom | 7.60% | 9.70% | 9.20% | 8.60% | 7.30% |
| European Union (ex UK) | 15.60% | 24.40% | 21.90% | 27.90% | 25.20% |
| Japan | 5.60% | 6.70% | 5.90% | 5.70% | 6.10% |
| BRICKs (Brazil, Russia, India, China, Korea) | 2.70% | 2.50% | 4.20% | 4.70% | 4.20% |
| Other G-7 (Canada, Australia) | 4.00% | 3.60% | 3.50% | 3.80% | 4.90% |
| Other Asia | 1.00% | 1.50% | 1.30% | 0.90% | 2.20% |
| Other Latin America | 1.10% | 0.80% | 0.90% | 0.90% | 0.80% |
| Other | 2.50% | 2.60% | 2.00% | 2.10% | 2.60% |

* as of 9/30/06
Source: Thomson Financial
Note: Subtotals may not add to 100% due to independent rounding.

### Announced Mergers and Acquisitions, as a Percent of Global Total

| Country | 2004 | 2005 | 2006* |
|---|---|---|---|
| United States | 43.4% | 41.8% | 39.3% |
| United Kingdom | 13.0% | 10.9% | 6.8% |
| European Union (ex UK) | 21.7% | 23.8% | 30.0% |
| Japan | 4.1% | 6.2% | 3.2% |
| BRICKs (Brazil, Russia, India, China, Korea) | 6.1% | 7.3% | 10.2% |
| Other G-7 (Canada, Australia) | 7.0% | 6.0% | 7.2% |
| Other Asia | 1.6% | 1.8% | 1.7% |
| Other Latin America | 1.3% | 1.0% | 1.2% |
| Other | 1.7% | 1.2% | 0.3% |

* as of 9/30/06
Source: Thomson Financial
Note: Subtotals may not add to 100% due to independent rounding.

### Completed Mergers and Acquisitions, as a Percent of Global Total

| Country | 2004 | 2005 | 2006* |
|---|---|---|---|
| United States | 48.2% | 40.9% | 44.5% |
| United Kingdom | 9.4% | 14.2% | 12.9% |
| European Union (ex UK) | 20.8% | 22.6% | 20.6% |
| Japan | 4.7% | 6.0% | 4.8% |
| BRICKs (Brazil, Russia, India, China, Korea) | 5.4% | 6.5% | 7.4% |
| Other G-7 (Canada, Australia) | 7.6% | 5.6% | 5.1% |
| Other Asia | 1.8% | 1.7% | 1.5% |
| Other Latin America | 1.2% | 1.1% | 1.1% |
| Other | 1.0% | 1.3% | 2.1% |

* as of 9/30/06
Source: Thomson Financial
Note: Subtotals may not add to 100% due to independent rounding.

# Explanatory Notes to Table on pages 5 and 19

Securities Industry Revenues: Securities industry revenues are based on the following categories: commissions; trading gains; investment account gains; underwriting revenues; margin interest; mutual fund sales; asset management fees: research revenue; commodities revenue; other revenue related to the securities business; and other revenue. A detailed description of US data can be found in the user guide of the "SIFMA DataBank" at www.sia.com/research/pdf/userguide.pdf. US data is drawn from FOCUS (Financial and Operational Combined Uniform Single) reports filed with the SROs by all registered broker-dealers doing a public business in the US. UK data is from the Office of National Statistics. Where no data is available for individual countries, estimates were based on regional market share fee data from Freeman & Co. and other sources applied to actual revenue data.

Bonds Outstanding: The principal amount of bonds that have been issued and have not paid down, matured, or been redeemed or called.

Equity Market Capitalization: Equity market capitalization is the market value of all shares that are listed and trade on exchanges globally.

Mutual Funds: The assets under management of mutual funds worldwide.

Options and Futures Contracts: The number of options and futures contracts traded on global exchanges within the specified timeframe.

Syndicated Loans: All eligible loan transactions that have been originated, syndicated and closed within the specified time period. Eligible loans exclude bilateral, commercial and self-arranged loans. Full credit is allocated to the bookrunner or split equally if there are joint bookrunners.

M&A Announced: Announced mergers and acquisitions (M&A) include all deals announced within the specified time period (as of the official date that two companies agree to become one larger company) usually involving a stock swap or cash payment to the target company. Such eligible M&A transactions include exchange offers, block repurchases, and self-tenders and exclude split-offs, open market repurchases, withdrawn transactions, and transactions that are not rank eligible (due to submission guidelines).

M&A Completed: Completed M&A deals include all announced M&A deal that have been completed (and the two companies have become one company) within the specified time period.

Debt Issuance: Debt issuance includes all US public, Euro public and Rule 144a fee eligible global debt transactions (including global bonds, Euro/144a transactions, Yankee bonds, Eurobonds, foreign bonds and preferred stock), with a maturity of 360 days or greater. Those include mortgage-backed securities (MBS), asset-backed securities (ABS) and taxable municipal bonds. Excluded are: sole-led medium-term note facilities (MTN) takedowns with a prospectus amount less then $50m; certificates of deposit less then $50m; transactions callable/putable under one year; transactions without a manager; non-underwritten transactions; self-funded ineligible transactions; US rights issues; transactions that are not rank eligible (due to submission guidelines). Self-funded ineligible is defined as a straight debt transaction (excluding mortgage and asset securitizations and all equity-related transactions) unless two or more managers unrelated to the issuer are present.

Equity Issuance: Equity issuance includes domestic and international placements of equity offerings in addition to domestic and international equity-related transactions issued in the US, Canada, Japan, Asia Pacific, Australia, Latin America, India, Korea and the EMEA region (Europe, Middle East, and Africa). Offerings of secondary shares, including block trades and accelerated bookbuilt transactions, sold by non-institutional investors must have disclosed selling shareholders to be eligible for league table credit. Block trades and accelerated bookbuilt transactions by US issuers must have a printed prospectus in order to be eligible for league table credit. Block trades and accelerated bookbuilt transactions by non-US issuers must be more than $50m to be eligible for league table credit. Excluded transactions include: common stock and equity-related transactions issued by closed-end funds or trusts (Real Estate Investment Trusts and business development companies are eligible for league table credit); all strategic investor tranches; all equity-related transactions callable/putable under one year, all transactions which are rank ineligible (due to submission deadlines); all transactions without a manager; all non-underwritten transactions; all rights issues; all open offer and best efforts transactions.

Debt and Equity Bookrunners: Bookrunner amounts are global debt, equity and equity-related underwritings, excluding minimum life issues. A bookrunner is the lead underwriter(s), as outlined in the official deal documentation (*i.e.*, prospectus or offering memorandum).

Venture Capital: Venture capital is the dollar volume of venture capital funds invested in portfolio companies within the specified time period.

# Endnotes

[1] Timmons, Heather, "New York Isn't the World's Undisputed Financial Capital," *The New York Times*, October 27, 2006, p. C1.

[2] Brown, Gordon, Chancellor of the Exchequer, welcoming the news of the strategy to promote London's position, see "Budget 2006: Strengthening London's Position as the World's Leading International Financial Centre," and HM Treasury "Financial Services in London: Global Opportunities and Challenges" (www.hmtreasury.gov.uk). The Treasury established a group that includes twelve leading London markets and financial-sector industry bodies, along with the Lord Mayor and the City of London Corporation, the Mayor of London, and UK Trade and Investment, along with the Financial Services Authority and the Bank of England participating as observers. See also, John Willman, "Campaign Aims to Boost City's Profile," *Financial Times*, July 19, 2006.

[3] For example, among others: Hong Kong (www.info.gov.hk/info/hkbrief/eng/econ.htm); Luxembourg and Switzerland (The Competitiveness of Financial Centers: A Swiss View, Address by Hans Meyer, Chairman of the Governing Board, Swiss National Bank, International Bankers Club Luxembourg, Luxembourg, March 23, 1998, http://www.snb.ch/d/download/publikationen/ref_m_980323.pdf); Zurich (Financial Sector Initiative, The Competitiveness Institute (TCI), http://www.competitiveness.org/cid/ciview/127/%20–%209k and the Swiss Financial Center Watch); Toronto (http://www.toronto.ca/business); and Frankfurt (the Initiative Finanzstandort Deutschland, http://www.bankenverband.de/channel/101417/art/1873/index.html).

[4] Op. cit. 1.

[5] See for example, Remarks by US Treasury Secretary Henry M. Paulson on the Competitiveness of US Capital Markets, Economic Club of New York, New York, NY, November 20, 2006, http://www.treasury.gov/press/releases/hp174.htm and *The New York Times* editorial by Senator Schumer and Mayor Bloomberg.

[6] For example, the City of New York is spending $600,000 on a study by the McKinsey consulting firm on the issue, and the US Chamber of Commerce has established a "commission to consider the appropriate legal and regulatory framework for US markets, the Commission on the Regulation of US Capital Markets in the 21st Century.

[7] The financial services industry can be defined to encompass deposit-taking, lending, underwriting and distribution of new issues of debt, equity and derivatives securities, other corporate financial advisory services (including but not limited to merger and acquisitions, leveraged buyouts and private equity transactions), securities trading and brokerage, investment management, other fee-based advisory activities, life insurance, marine insurance, other property and casualty insurance and foreign exchange transactions.

[8] Walters, Ingo and Anthony Saunders, "National and Global Competitiveness of New York City as a Financial Center: Report to the Mayor's Committee on Financial Services Competitiveness," New York University Salomon Center, Leonard M. Stern School of Business, *Occasional Papers in Business and Finance*, 1991, No. 11, p. 36.

[9] Financial transactions where the counterparties are resident in different national jurisdictions.

[10] There are various classifications of financial centers, but generally other "international" financial centers include: Milan, Madrid, Sydney/Melbourne, Zurich, Chicago, Dublin, Geneva and Singapore, as well as "booking centers," such as Luxembourg, and "offshore centers," such as Panama and the Cayman Islands.

[11] Op. cit. 8, p. 37.

[12] As opposed to financial centers that dominate specialized transactions (such as Chicago in commodities futures and options trading or Hong Kong in foreign exchange trading), or operate as booking centers or offshore financial centers.

[13] Fernandez, Frank, "The Street, The City and The State: The Securities Industry's Importance to New York City and State," *Securities Industry Trends*, Vol. XXXII, No. 2, March 28, 2006 (http://www.sia.com/research/html/securities_industrytrends.html).

[14] Hevesi, Alan G., "The Securities Industry in New York City," Office of the New York State Comptroller, Report 9-2007, October 2006.

[15] Ibid., p. 7.

[16] Interim Report of the Committee on Capital Markets Regulation, November 30, 2006 (www.capmktsreg.org), p. 2.

[17] Franko, Lawrence G., "U.S. Competitiveness in the Global Financial Services Industry," Financial Services Forum, College of Management, University of Massachusetts, Boston, October 2004, p. 5.

[18] Ibid. See also Hayes, Samuel L. III, "Investment Banking: Commercial Banks' Inroads," *Economic Review*, Federal Reserve Bank of Atlanta, May 1984, pp. 50-60.

[19] Walters and Sauders, op. cit. 8, p. 10.

[20] Hevesi, op. cit. 14, p. 6.

[21] Tax effort is how much state and local governments in each state collect in taxes, compared to the revenue-generating capacity of the state's economy. See Robert Tannenwald and Nicholas Turner, "Interstate Fiscal Disparity in State Fiscal Year 1999," *Public Policy Discussion Paper No. 04-9*, Federal Reserve Bank of Boston, December 2004.

[22] Haughwout, Andrew F., Robert Inman, Steven Craig, and Thomas Luce, "Local Revenue Hills: Evidence from Four U.S. Cities," *PIER Working Paper 03-012*, Penn Institute for Economic Research.

[23] See Fernandez, Frank A. and Stephen L. Carlson, "The Costs of Compliance in the U.S. Securities Industry," *SIA Research Reports*, Vol. VII, No. 2, February 22, 2006 (http://www.sia.com/research/ html/research_reports.html).

[24] Corporation of London, "The Competitive Position of London as a Global Financial Centre," November 2005.

[25] Op. cit. 1.

[26] Op. cit. 16.

[27] Remarks by US Treasury Secretary Henry M. Paulson on the Competitiveness of US Capital Markets, Economic Club of New York, November 20, 2006 http://www.treasury.gov/press/releases/hp174.htm.

[28] For the purposes of that report, the authors included any country in Western, Central and Eastern Europe for which reliable data are available. In practice, financial activity in Central and Eastern Europe where there is less data is of limited significance to the overall picture. The figures for Europe tend to be dominated by the UK, Germany, France, Italy, Spain, Switzerland, the Netherlands and the Scandinavian countries. International Financial Services, London (IFSL), "Financial Market Trends – Europe vs. US 2006, Global Influence of London: Europe's Financial Capital," October 2006, http://www.ifsl.org.uk/uploads'Eco_con_of_UK_fin_ser_2006.pdf. IFSL describes itself as a private-sector organization, predominantly funded by membership subscriptions, with 30 years experience of successfully promoting the UK-based financial services industry throughout the world.

[29] Ibid., p. 1.

[30] Ibid.

[31] Ibid.

[32] BRICKs: Brazil, Russia, India, China and Korea.

[33] The average of 1995 through 1999.

[34] Euronext.liffe includes all the derivatives business of the five Euronext exchanges at LIFFE (London), Paris, Amsterdam, Brussels and Lisbon.

# A PUBLIC/PRIVATE PARTNERSHIP FOR THE DEVELOPMENT OF GOVERNORS ISLAND

The following article solely reflects the views of the author and not necessarily those of SIFMA or any of its member firms.

## Introduction

Many diverse factors contribute to the creation of a long-lived and reputable world-class financial center. They reflect some combination of at least four important features: 1) a stable and open political and economic regime; 2) fair, transparent, efficient and reasonable legal, regulatory and tax regimes; 3) a skilled labor force and flexible labor regime; and 4) high-quality physical infrastructure.

Given the sharp increase in the cost of compliance to meet increased supervisory, regulatory and legislative requirements in recent years, it is not surprising that much of the concern over the competitiveness of New York as a global financial center has focused on the first two factors. While no less important, the latter two factors – the workforce and physical infrastructure – have received less attention.

The availability of a large and continuingly renewed, skilled and educated workforce is key to the development and long-term survival of world-class financial centers that depend on advanced technology and constant innovation. The expertise of its workforce is the fundamental driver of the performance and competitiveness of the financial services industry.

Efficient, reliable, and modern infrastructure services are not only crucial for attracting investment and increasing international competitiveness, but also serve to boost economic growth and job creation. In addition to necessities such as affordable and modern office space, stable and reliable sources of power generation (electricity, natural gas), the widespread availability of robust telecommunications, an efficient transportation system, a clean and adequate water supply, and sanitation services are among the important components of an attractive infrastructure. By contrast, insufficient roads, ports and power generation all can act as chokepoints that diminish the attractiveness and economic potential of an economy. Moreover, these bottlenecks can even negate a country's significant low production cost advantage.

Finally, in financial services where the competition in the global market for highly trained and qualified professionals is especially acute, quality of life has become a key consideration for attracting and retaining international employees. As a result, beyond reliable and modern infrastructure such as: electricity; water, air and ground transportation; commercial office space; and telecommunications; world class medical care; superior educational opportunities for financial professionals' children, proximate housing and physical security; as well as access to sophisticated leisure activities, are also extremely important.

In recent years, London's financial-sector growth has benefited from substantial improvements in physical infrastructure, as the addition of Canary Wharf stimulated renovation of the older financial district in and adjacent to the City of London. By contrast, New York City's financial sector shrank, reeling from the impact of the bursting of the tech bubble in equity markets, massive corporate governance failures and the attendant rise in compliance costs, and the physical devastation wrought five years ago. The latter event in particular accelerated the long-term migration of the financial industry from lower Manhattan, as security concerns encouraged greater geographic dispersion of back-up facilities to remote sites dependent on distinct physical infrastructure systems (power, telecommunications, water, air, ground transportation, etc.).

Looking out over the next five years, quite a different picture emerges. To date only one building leveled on September 11 has been rebuilt: 7 World Trade Center (WTC), a 52-story building just north of the site. That now will begin to change, as a massive building effort has commenced. "If everything goes according to plan, Lower Manhattan, which is already encased in scaffolding, will soon be the site of the largest urban redevelopment project ever undertaken. Over the next five years, 11,000 construction workers are expected to pack into downtown Manhattan, pouring 1.6 million cubic yards of concrete and raising 350,000 tons of steel at a total cost of roughly $22 billion, more than half of which will be spent at ground zero."[1] An estimated 9,000 trucks will enter Lower Manhattan each day to support construction at the WTC site and over 50 other projects that include parks and subway stations.

While work goes forward, some questions remain. Resolving these issues would enhance efforts to retain existing anchor tenants as well as draw new ones during this disruptive construction period. Such a massive redevelopment effort is likely, at least in the short term, to further denigrate the quality of life in this, North America's fourth largest central business district. The residential and commercial inhabitants of the area, as well as their customers and visitors, need to see a cohesive vision for this transformation that will be executed without further significant delays. One key component of comprehensive City and State planning efforts for this area that is still unresolved is the development of Governors Island.

## Executive Summary

While NYC remains the leading financial center both nationally and globally, most of the growth in the industry in recent years has occurred outside of the City, and in certain business areas, such as global equity issuance, NYC has lost significant market share. There is an immediate need to halt if not reverse this trend, as well as identify and nurture emerging industries to diversify NYC's economic base and reduce dependence on this highly cyclical industry.

Governors Island affords NYC and NYS the unique opportunity to contribute to the solution of several critical local and global problems simultaneously: help slow the flight of its anchor industry; incubate promising new industries; and support taxpayer investment in magnificent public spaces. The proposal envisions the creation of a global technology and education center as part of a comprehensive development of the Island, which would serve as a nexus for urban redevelopment in Lower Manhattan and NYC while integrating private and public efforts on Governors Island to the benefit of both sectors.

An "Academic Option" for the Island envisions the housing a four-year undergraduate college and has long been one of the principal proposals for the Island's development, "because the character and functionality of the existing facilities are well suited to academic uses and the metropolitan area educational institutions have expressed an interest in Governors Island."[2] Engaging Hunter College as the anchor academic tenant for the Island was suggested in an official Response to a recent Request for Proposal (RFP) issued by the Governors Island Preservation and Education Corporation (GIPEC), the governing authority of the Island.[3] The Response advocated that Hunter College, a member of the City University of New York (CUNY) system, relocate from its present cramped and dilapidated location on the Upper

[1] Jonathan Mahler, "The Bloomberg Vista," *The New York Times Magazine*, The New York Issue, September 10, 2006, p. 87.

[2] Statement of Karen Adler, Regional Administrator, General Services Administration (GSA) Before the Subcommittee on Government Management, Information and Technology Committee on Government Reform and Oversight, US House of Representatives, July 14, 1997, presenting the options in The Land Use Study prepared by the US GSA. Governors Island (Field Hearing/GI, NY).

[3] RFP and Request for Expressions of Interest (RFEI) responses by Kary Mack, dated May 9, 2006 and June 17, 2005.

Eastside of Manhattan to renovated historic buildings and newly constructed facilities on Governors Island. Substantial public interest in this plan began to grow, fostered by a number of individuals such as those on a committee formed by NYC Councilman Alan Gerson, who represents Lower Manhattan and in whose district Governors Island lies.

The cost of restoration of the historic buildings, new construction and Hunter College's move to a new Island campus and facilities could be more than covered by sale of land under the existing Hunter campus – which is owned by NYS – to a development consortium, comprised of local property developers and financial institutions. With moderate zoning changes, the land sale could generate over $1 billion in revenue for the City, State and Hunter College. This financing would substantially exceed the costs of creating the new expanded campus. In addition, conversion of the existing campus to taxable uses, such as a residential condominium development with appropriate commercial space, would generate annual tax revenues of $50 – $60 million where none are collected now. These heretofore nonexistent tax revenues could be earmarked for the College's endowment and the Island's municipal parks and activities.[4] To Hunter College's new undergraduate facilities would be added four new graduate schools, one paired to each of four new private-sector research and development facilities to be constructed on the southern end of the Island.

With capital cost estimates of approximately $800 million dollars for the Island's infrastructure rehabilitation (including $110 million for public parks and $57 million for the public esplanade), the need for private monies and creative financial plans to assist in carrying the NYS and NYC taxpayer burden cannot be over emphasized. Investors and philanthropists will want a macro vision for the Island's long-term value. Early identification of specific places of public access, an academic anchor tenant for the North Island – such as Hunter College – and industries on the South Island is critical for ensuring private investment in civic spaces.

This macro vision includes the creation of Governors Island Technology and Education Center (GITEC), a modern research park on the southern end of the Island with a high performance supercomputer as a common platform that would provide the key link for research, development and dissemination of cutting-edge technology relating to:

1. Financial Services (Education, Research and Development of Communications and Information Technology with financial services applications);
2. Life Sciences (Medical Technology and Systems Biology with no environmental impact);
3. Information (Security, Public Health Response and Data Integrity); and
4. Nanotechnology (downstate complement to SUNY-Albany/IBM facility).

GITEC would afford educational opportunities for thousands of NYC students and create thousands of job opportunities for the City and Upstate New York through spin-off initiatives. Synergies between GITEC and key academic tenants would be fostered. University students would work as researchers in GITEC facilities while senior GITEC staff could function as instructors/adjunct professors in related fields of study for academic tenants, such as the four new graduate schools. This type of relationship has been employed in successful research park developments elsewhere.

[4] Ibid.

GITEC is a feasible strategic development plan that includes:

– identified private-sector investors willing to give something back to the City that made them wealthy;
– public support from elected officials who understand the opportunity to ensure their constituents' long-term economic wellbeing;
– identified academic partners who bring capital to the table; and
– achievable, prioritized action steps in expedient phases.

## History and Current Status

Governors Island has a long history beginning as the mythical point of origin of the Turtle People (Leni Lanape Delaware), and the local Canarsee tribe gave it its Algonquin name – Pagganack. In 1624 it became the first Dutch settlement in the New World, Nooten Eylandt (Nutten Island), and in 1637 it was purchased by the governor general, Wouter van Twiller, for two axe heads, a string of beads and some iron nails. By the early Federal period the Island was an integral part of the strategic coastal defense system for the fledgling American military, and it played important roles in the Revolutionary War and the War of 1812. In the 20th century, Governors Island played host to the 1988 summit meeting between Ronald Reagan and Mikhail Gorbachev and the 1993 Governors Island Accords which transitioned Haiti from a military to a civilian government.

The Island sits in the center of New York Harbor roughly 800 yards off the southern tip of Manhattan and half that distance from the Brooklyn waterfront. Owned by NYS until 1800, it was conveyed to the federal government through several transactions from 1800 to 1903 and was subsequently occupied and managed by the US Army and the US Coast Guard. The northern 92 acres (1.5 million square feet) of the Island have been declared a National Historic Landmark District by the US Department of the Interior – the highest level of federal designation for historic properties. The Governor's House (c. 1812), the Admiral's House (c. 1843) and the Post Hospital (c. 1839) are individually listed in the National Register.

With the transfer of the Island to NYS and NYC in 2003, the GIPEC was created and given responsibility for the planning, redevelopment and ongoing operations for 150 acres of the Island. The remaining 22 acres were transferred to the National Parks Service (NPS) and designated as the Governors Island National Monument. GIPEC is a subsidiary of the Empire State Development Corporation (ESDC), a public benefit corporation. GIPEC's capital and operating budgets are funded equally by the City and the State of New York.[5]

During the planning process, GIPEC is charged with the creation of preeminent civic spaces, enhanced with educational, historical, artistic, cultural and public-benefit use befitting the Island's important history and harbor setting.

## Project Background

GIPEC recently concluded three years of pre-development research and planning and is currently drafting a final General Project Plan for the Island to be presented to the public in January 2008. As mentioned earlier, GIPEC issued a RFP for the Development and Preservation of Governors Island in February 2006. From May through September 2006, the City and State engaged last-round RFP respondents in talks in order to have designated developers in place

[5] In addition to the 172 acres of land above water, the Island lays claim to an additional 32 acres of submerged lands surrounding the Island. In 1901, the Island was expanded by over 100 acres, principally with landfill from the construction of the Lexington Avenue subway.

with Memorandums of Understanding (MOU) by December 2006. GIPEC was to also commence an Environmental Impact Study (EIS) that same month.

An October 1 *New York Times* editorial observed "ten finalists (developers responding to the RFP) made the cut. But as with every previous effort, no winner has emerged. That's disappointing but not surprising….but the good news is that there is yet another chance to figure out a use for this odd and precious island."[6]

Designated uses for the Island have yet to be finally determined with the exception of the following, specified by property transfer agreements with the Federal Government:

- 40 acres of parkland minimum and 22 acres of contiguous parkland mandatory;
- not less than 20 acres for education purposes such as classrooms, libraries, offices, auditoriums, and research facilities; and
- 30 acres for open space, heritage tourism, water-oriented and environmental attractions, not-for-profit cultural facilities or other public benefit uses. Approximately 15 of these 30 acres will be utilized as a public esplanade around the Island.

The following uses are prohibited on the Island according to the property transfer agreements:

- permanent residential uses;
- industrial or manufacturing uses;
- casino or gambling uses, including the docking of vessels to be used wholly or partially for casino or gaming use;
- parking, except parking for vehicles used in conjunction with the maintenance and operation of the Island; and
- electric power-generating stations, except to service the Island's needs.

GIPEC's operating budget averaged $10.6 million per year over the first three years. Estimates for a fully-built Island operating budget in 2014 are approximately $120 million per year. Common area maintenance costs to be borne for the Island have been approximated at $50 million per year.

NYS and NYC funding for $77 million has been appropriated for critical capital repairs through 2007. GIPEC has also identified another $800 million in unfunded long-term capital rehabilitation projects associated with utility and support systems, park/esplanade construction, waterfront infrastructure, sustainability and building demolition. Full rehabilitation of the 51 GIPEC-owned landmark buildings in the Historic District is estimated at $650 million. Unless GIPEC designates requisite public purpose for specific buildings, it is assumed that tenants and/or developers (under a public/private partnership of design/build/operate or build/develop/operate) will assume all costs associated with preservation of landmark buildings and their full rehabilitation and maintenance.

A master plan is needed, building on various "private-sector proposals for its components, in the way that Times Square and Battery Park City were assembled."[7] The following provides just such a plan.

[6] "Another Pass on Governors Island" (editorial), *The New York Times*, October 1, 2006, p. CY 13.

[7] Ibid.

## GITEC Overview

Governors Island will become an unprecedented global center for technology, research and education that will drive significant economic growth for NYC and NYS while serving as a paradigm for the effective repurposing of an historical landmark offering sustainable public spaces. To accomplish this vision, effective partnerships must be secured with key stakeholders associated with financial services, life sciences technology and information technology in both the public and private sectors in order to fully fund and implement GITEC.

Goals include:

1) Retention of the financial services industry jobs and the major tax revenues associated with them in NYC;
2) Creation of a new "economic cluster" for NYC based on the high technology industry;
3) Reduction of NYS and NYC costs associated with the development and maintenance of Governors Island;
4) Improvement of NYS and NYC finances through the relocation of Hunter College;[8]
5) Creation of expanded educational opportunities for thousands of NYS students;[9]
6) Creation of new job opportunities for thousands of NYS residents, including Hunter College students;[10]
7) Discovery of new technologies in life sciences for the benefit of the world;
8) Transfer and sharing of critical knowledge for the benefit of public safety and health; and
9) Creation of new standards for repurposing of historic buildings and sustainable public spaces.

## Capital Expense Projections

The GITEC vision for Governors Island, which includes amenities such as hospitality, retail and entertainment as well as vibrant public spaces, is estimated at approximately $2.5 billion.

$800 million of these capital costs stem from the need to establish infrastructure necessary for a fully developed, operative Island. These needs include rehabilitation of: waterfront infrastructure; plumbing and solid waste systems; electrical, voice and data systems; cooling systems; and roadways, parking and sidewalks. It also includes amounts for Island support structures, building demolition and sustainability, as well as the costs of construction and rehabilitation of civic spaces such as the Historic District landscape (North Island), a public esplanade around the Island and a Governors Island Great Lawn/Park (South Island).

GIPEC estimates rehabilitation costs for the Historic District at $650 million. This rehabilitation assumes the mandated preservation of the landmark structures and landscapes as well as full adaptive reuse for education, retail, hospitality, cultural, classroom and dormitory spaces, and new construction to provide the key academic tenant a total of 1.2 million square feet of space.

The East River Science Park has a projected capital budget of $800 million. GITEC will use this number as its capital cost placeholder for the construction of a technology center on the southern end of the Island for discussion purposes. Conference, hospitality, retail and entertainment facilities on the southern end of the Island to serve GITEC's needs are estimated for purposes of discussion at $250 million.

[8] Op. Cit. 3.
[9] Ibid.
[10] Ibid.

### Key Features of Development

**North Island:**

- Colonel's Row/Liggett Hall – Hunter College anchor tenant (over 500,000 sq. ft.);
- Arsenal District building preservation and rehabilitation – Cultural and educational institutions, retail, boutique hospitality, restaurants, and other services (500,000 sq. ft.);
- South Battery District construction of new iconic Hunter College educational tower and renovation of existing educational facilities for dormitories, classrooms, faculty residences and offices, administrative offices (250,000 – 500,000 sq. ft.); and
- Historic Parks and Landscaping (2 million sq. ft. or 46 acres).

**South Island:**

- Four Technology Research Centers (no wet-lab facilities) with unifying campus design (200,000 sq. ft.) and centralized, pooled supercomputer facility (50,000 sq. ft.);
- Hunter College classrooms, theatrical playhouse, Olympic sporting complex, faculty and student housing (500,000 sq. ft.);
- Municipal playing fields (250,000 sq. ft. or 6 acres);
- Governors Island Great Lawn/Park (1 million sq. ft. or 22 acres contiguous);
- Hotel & Conference Center (200,000 sq. ft.);
- Hospitality, restaurant and other services (100,000 sq. ft.);
- Work yards (40,000 sq. ft.);
- Technology-based entertainment (50,000 sq. ft.); and
- Public cultural and educational facilities (100,000 sq. ft.).

**All Island:**

- Sustainable energy/infrastructure
- Esplanade
- On-Island transportation
- To-Island transportation
- Alternative transportation system to be determined (gondola, bridge or bullet tram)

### Key Benefits of Development

The principal groups being serviced through the development of GITEC are:

- The City and State of New York through the:
  * Direct impact of fostering both emerging high technology industries and existing key industries (financial services, retail, hospitality, restaurant and tourism), providing growth in employment, earnings and output;
  * Indirect impact of growth through suppliers/vendors/ancillary industries supported by spending of emerging and existing industries; and
  * Induced impact of growth through the increased purchases of goods and services (more income spent in the local economy) by employees of emerging and existing industries and their suppliers/vendors.
- The New York State and City taxpayers:
  * Through the creation of sustainable, civic spaces for community recreational and cultural enjoyment;
  * By providing a revenue base to support facilities whose maintenance currently represents only a draw on NYC and NYS finances; and

* By providing a vastly improved and more fiscally sound home for Hunter College as the key academic tenant than its current leased facilities.

- The Environment
- Hunter College:
  * By providing students and faculty a move to fully renovated "Harvard-like"[11] facilities in a horizontal park-like campus in a harbor setting from the current restricted, vertical facilities on the Upper East Side;[12]
  * By offering affordable and safe housing on the Island to students and faculty severely impacted by the move from Manhattan to Governors Island;
  * By offering increased employment opportunities on the Island for students; and
  * By positively impacting the College's endowment, enabling the promotion of student financial aid and faculty chairs.
- NYS citizens through enhanced public health response and public security systems.
- NYS and NYC students through expanded educational programming, training and research opportunities offered on the Island.
- Patients of NYC and NYS, the US and the world through life sciences technologies developed on the Island.

## Conclusion

Many diverse factors contribute to the creation of a long-lived and reputable world-class financial center. They reflect some combination of at least four important features: 1) a stable and open political and economic regime; 2) fair, transparent, efficient and reasonable legal, regulatory and tax regimes; 3) a skilled labor force and flexible labor regime; and 4) high-quality physical infrastructure.

This paper has addressed the latter two factors by recommending, on the one hand, the development of a modern technology campus on the Southern end of Governors Island, GITEC, complete with a high-performance supercomputer as a common research platform for New York's financial services, life sciences, information and nanotech industries.

On the other hand, the paper recognizes the complimentary development benefits, not to mention the economic and social policy value, of also relocating Hunter College to the Island. Bold and decisive initiatives such these will not only help sustain New York as a leading global financial center, they will add to the City's shining allure.

**Frank A. Fernandez**
*Senior Vice President, Chief Economist and Director of Research*

[11] The architect who designed the buildings in the Island Historic District was McKim, Mead and White, the same architect who designed much of Harvard University.

[12] The renovation of the Historic District would provide 1.5 million square feet to the key academic anchor tenant (Hunter College) more than replacing the slightly more than 1.2 million gross square feet accounted for by Hunter College facilities located at 699 Park Avenue, Main Bldg. (723,300 sq. ft.), 128 E. 68th Street, West Bldg. (243,810 sq. ft.) and 138 E. 68th Street, East Bldg. (239,310 sq. ft.).

# U.S. SECURITIES INDUSTRY 3Q'06 RESULTS

US securities industry profits* were $7.0 billion in 3Q'06, down 7.1% from $7.5 billion earned in 2Q'06, but still 39.0% higher than results in the same year-earlier period. For the first nine months of 2006, industry profits totaled $22.3 billion, a full two-thirds (66.7%) more than the $13.4 billion registered in the same year-earlier period and 26.8% above the $17.6 billion total for all of 2005.

Total industry revenue in 3Q'06 topped $100 billion for the third consecutive quarter. Total revenues were $106.9 billion, 2.1% above 2Q'06 levels and 26.5% higher than in 3Q'05. However, net industry revenue (total revenue net of interest payments) declined 4.6% in 3Q'06 to $51.2 billion from $53.7 billion in 2Q'06 but was still 8.2% above net revenue in the same year-earlier quarter.

Commission and fee income of $11.1 billion in 3Q'06 was down 12.0% from the immediately preceding period and 3.8% lower than in 3Q'05. In line with our earlier estimates, continued strong growth of secondary trading in futures and options more than offset weaker growth in cash market trading but not enough to offset continued margin compression. Trading gains surged to $11.0 billion in 3Q'06, rebounding 32.7% from the still above-average $8.3 billion gain in 2Q'06, after a near-record $11.6 billion in the first quarter of this year.

Underwriting revenue slumped to $4.8 billion on reduced issuance volume, falling 22.5% from 2Q'06 results and 7.5% less than in 3Q'05. US underwriting activity in 3Q'06 was 0.8% above levels seen in the same-year earlier period, but average fees declined. Margin interest revenues also jumped in 3Q'06 to $6.2 billion, up 33.8% from the immediately preceding quarter and 73.9% higher than in the same year-earlier period.

Mutual fund sales revenue of $5.5 billion in 3Q'06 was 5.9% below results in 2Q'06 but still 6.0% above revenues in the same year-earlier period. Asset management fees reached $7.1 billion, up 4.2% from 2Q'06 and 22.1% higher than during 3Q'05, reflecting gains in both stock and bond prices.

Total industry expenses were $100.0 billion in 3Q'06, 7.3% less than in 2Q'06 and 1.7% above total expenses in 3Q'05. Interest expense continued to rise, increasing to $55.7 billion, up 9.1% from 2Q'06 and 50.0% higher than in 3Q'05. Compensation expenses in 3Q'06 were $23.3 billion, 7.3% less than in 2Q'06 and 1.7% higher than during 3Q'05. Compensation expense for 2Q'06 and 3Q'06 combined reached $33.7 billion, 14.9% higher than during the same year-earlier period (2Q'05 – 3Q'05).

**Frank A. Fernandez**
*Senior Vice President, Chief Economist and Director of Research*

* pre-tax net income

**TOTAL NYSE Member Firms doing public business**
***INCOME STATEMENT & SELECTED ITEMS***
*$ Millions*

| | ANNUAL DATA | | | | | | | | | 06:Q3 | 06:Q3 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | 2005 | 05:Q3 | 05:Q4 | 06:Q1 | 06:Q2 | 06:Q3 | vs 06:Q2 | vs 05:Q3 |
| **REVENUE:** | | | | | | | | | | | |
| Commissions | 27,569.4 | 25,661.4 | 26,339.8 | 25,612.2 | 6,446.4 | 6,571.8 | 7,164.1 | 6,977.5 | 6,042.3 | -13.4% | -6.3% |
| - Commissions - Listed Equity on an Exchange | 16,705.8 | 14,426.0 | 13,937.4 | 13,592.3 | 3,475.1 | 3,364.2 | 3,562.1 | 3,481.6 | 3,306.4 | -5.0% | -4.9% |
| - Commissions - Listed Equity OTC | 1,562.5 | 1,642.1 | 2,014.2 | 1,951.3 | 477.6 | 531.8 | 547.4 | 507.0 | 447.1 | -11.8% | -6.4% |
| - Commissions - Listed Options | 1,332.3 | 1,270.6 | 1,215.0 | 1,134.0 | 293.3 | 302.9 | 354.5 | 365.6 | 334.9 | -8.4% | 14.2% |
| - Commissions - All Other | 7,968.8 | 8,322.7 | 9,173.2 | 8,934.6 | 2,200.4 | 2,372.9 | 2,700.1 | 2,623.4 | 1,954.0 | -25.5% | -11.2% |
| Trading Gain (Loss) | 13,650.4 | 23,136.5 | 17,363.6 | 17,006.5 | 4,712.4 | 4,396.6 | 9,577.6 | 6,704.0 | 9,147.7 | 36.5% | 94.1% |
| - Gain from OTC Market Making | 1,179.0 | 742.6 | 447.6 | 480.5 | 222.4 | 20.8 | 146.2 | 155.9 | 248.8 | 59.6% | 11.9% |
| - - Gain from OTC Market Making in Listed Equity | 11.6 | -14.8 | -7.6 | -17.3 | -4.5 | -4.4 | -1.7 | 0.3 | 0.1 | -66.7% | -102.2% |
| - Gain from Debt Trading | 14,193.3 | 17,522.1 | 15,754.5 | 10,076.3 | 2,066.8 | 1,552.8 | 3,497.5 | 3,531.0 | 4,156.2 | 17.7% | 101.1% |
| - Gain from Listed Options Market Making | -225.7 | -170.0 | 154.0 | 203.3 | 85.6 | 5.3 | 133.3 | 36.7 | -47.8 | -230.2% | -155.8% |
| - Gain from All Other Trading | -1,496.2 | 5,041.8 | 1,007.5 | 6,006.0 | 2,337.6 | 2,817.7 | 5,800.6 | 2,980.4 | 4,790.5 | 60.7% | 104.9% |
| Investment Account Gain (Loss) | 174.2 | 2,115.7 | 1,656.1 | 1,559.4 | 631.1 | 207.8 | 1,189.4 | 354.6 | 693.8 | 95.7% | 9.9% |
| - Realized Gain | 417.1 | 480.7 | 1,205.8 | 1,218.5 | 179.1 | 332.7 | 445.8 | 320.1 | 207.6 | -35.1% | 15.9% |
| - Unrealized Gain | -218.6 | 1,574.2 | 414.4 | -178.8 | 247.4 | -202.9 | 462.1 | -153.3 | 126.2 | -182.3% | -49.0% |
| Underwriting Revenue | 13,178.5 | 15,090.0 | 16,658.9 | 17,261.2 | 4,487.4 | 4,732.3 | 4,759.1 | 5,454.4 | 4,151.9 | -23.9% | -7.5% |
| - Equity Underwriting Revenue | 3,226.5 | 3,697.8 | 4,204.2 | 4,135.8 | 1,037.8 | 1,099.6 | 1,126.3 | 1,236.1 | 768.9 | -37.8% | -25.9% |
| Margin Interest | 5,992.2 | 4,776.9 | 6,146.0 | 11,272.0 | 3,041.3 | 3,296.7 | 4,304.4 | 3,854.5 | 5,482.5 | 42.2% | 80.3% |
| Mutual Fund Sale Revenue | 5,882.5 | 6,064.9 | 6,838.5 | 7,163.0 | 1,796.8 | 1,764.5 | 2,061.4 | 2,051.0 | 1,805.0 | -12.0% | 0.5% |
| Fees, Asset Management | 12,485.0 | 11,761.6 | 13,941.6 | 15,268.0 | 3,837.9 | 4,031.7 | 4,073.4 | 4,440.8 | 4,719.9 | 6.3% | 23.0% |
| Research Revenue | 156.4 | 170.0 | 207.8 | 131.6 | 27.8 | 25.8 | 54.6 | 52.1 | 39.7 | -23.8% | 42.8% |
| Commodities Revenue | 4,957.4 | -1,902.4 | 930.3 | 1,052.6 | -100.6 | 146.9 | 80.5 | 735.8 | -350.3 | -147.6% | 248.2% |
| Other Revenue Related to the Securities Business | 55,338.0 | 47,898.3 | 59,260.4 | 111,762.2 | 31,950.3 | 30,675.4 | 40,519.6 | 41,761.4 | 43,923.1 | 5.2% | 37.5% |
| Other Revenue | 9,290.2 | 9,743.1 | 10,854.3 | 21,730.3 | 4,297.6 | 10,297.5 | 3,779.0 | 6,245.5 | 6,103.3 | -2.3% | 42.0% |
| **TOTAL REVENUE** | **148,674.2** | **144,516.0** | **160,197.3** | **229,819.1** | **61,128.4** | **66,147.0** | **77,563.1** | **78,631.6** | **81,759.1** | **4.0%** | **33.7%** |
| Net Revenue | 100,234.4 | 106,331.6 | 109,113.1 | 108,757.8 | 28,040.0 | 27,987.3 | 34,562.1 | 31,920.5 | 30,184.4 | -5.4% | 7.6% |
| **EXPENSES:** | | | | | | | | | | | |
| Total Compensation | 53,095.3 | 54,125.0 | 57,851.1 | 59,953.4 | 15,830.9 | 15,514.1 | 19,845.5 | 17,600.3 | 16,063.5 | -8.7% | 1.5% |
| - Registered Representative Compensation | 21,210.6 | 21,588.5 | 22,301.5 | 23,156.2 | 5,942.2 | 5,814.8 | 6,916.8 | 6,714.9 | 6,297.8 | -6.2% | 6.0% |
| - Clerical Employee Compensation | 28,484.2 | 29,107.1 | 32,874.4 | 34,308.4 | 9,279.5 | 9,058.3 | 12,263.4 | 10,298.0 | 9,091.7 | -11.7% | -2.0% |
| - Voting Officer Compensation | 1,820.0 | 1,925.7 | 1,222.4 | 1,145.9 | 273.5 | 302.1 | 295.3 | 288.0 | 515.0 | 78.8% | 88.3% |
| - Other Employee Compensation (FOCUS IIA Only) | 1,580.5 | 1,503.7 | 1,452.8 | 1,342.9 | 335.7 | 338.9 | 370.1 | 299.3 | 159.1 | -46.8% | -52.6% |
| Total Floor Costs | 4,505.3 | 4,962.9 | 4,839.0 | 5,233.5 | 1,294.7 | 1,394.6 | 1,629.0 | 1,774.8 | 1,469.7 | -17.2% | 13.5% |
| - Floor Brokerage Paid to Brokers | 1,252.2 | 1,119.4 | 1,258.3 | 1,346.5 | 329.0 | 383.9 | 365.3 | 411.7 | 366.8 | -10.9% | 11.5% |
| - Commissions & Clearance Paid to Other Brokers | 1,955.1 | 2,514.0 | 2,167.1 | 2,430.9 | 588.9 | 644.0 | 868.0 | 942.7 | 792.7 | -15.9% | 34.6% |
| - Clearance Paid to Non-Brokers | 911.7 | 849.9 | 876.9 | 965.9 | 250.2 | 246.7 | 248.7 | 304.5 | 295.9 | -2.8% | 18.3% |
| - Commissions Paid to Broker-Dealers (FOCUS IIA Only) | 386.3 | 479.6 | 536.7 | 490.2 | 126.6 | 120.0 | 147.0 | 115.9 | 14.3 | -87.7% | -88.7% |
| Communications Expense | 4,499.0 | 3,952.7 | 4,170.9 | 4,343.8 | 1,083.3 | 1,117.0 | 1,190.1 | 1,197.0 | 1,219.1 | 1.8% | 12.5% |
| Occupancy & Equipment Costs | 6,444.6 | 6,028.8 | 5,577.2 | 5,086.8 | 1,282.1 | 1,281.2 | 1,228.6 | 1,263.2 | 1,391.5 | 10.2% | 8.5% |
| Promotional Costs | 1,849.1 | 1,499.4 | 1,653.2 | 1,511.5 | 376.5 | 376.1 | 367.6 | 428.9 | 327.7 | -23.6% | -13.0% |
| Interest Expense | 48,439.8 | 38,184.4 | 51,084.2 | 121,061.3 | 33,088.4 | 38,159.7 | 43,001.0 | 46,711.1 | 51,574.7 | 10.4% | 55.9% |
| Losses from Error Accounts & Bad Debts | 468.0 | 305.4 | 274.8 | 305.5 | 54.8 | 114.4 | 72.3 | 58.9 | 66.5 | 12.9% | 21.4% |
| Data Processing Costs | 2,459.1 | 2,312.8 | 2,422.5 | 2,724.8 | 641.4 | 764.2 | 698.7 | 715.2 | 748.1 | 4.6% | 16.6% |
| Regulatory Fees & Expenses | 905.7 | 979.6 | 1,150.0 | 1,193.4 | 293.0 | 355.0 | 289.2 | 328.0 | 312.9 | -4.6% | 6.8% |
| Non-Recurring Charges | 715.9 | 252.4 | 477.2 | 274.5 | 121.6 | 27.3 | 51.0 | 38.8 | 14.2 | -63.4% | -88.3% |
| Other Expenses | 18,373.5 | 15,163.0 | 17,017.3 | 18,684.3 | 4,267.0 | 4,746.8 | 4,455.8 | 3,982.3 | 4,508.2 | 13.2% | 5.7% |
| **TOTAL EXPENSES** | **141,755.3** | **127,766.4** | **146,517.4** | **220,372.8** | **58,333.7** | **63,850.4** | **72,828.7** | **74,098.4** | **77,696.1** | **4.9%** | **33.2%** |
| | | | | | | | | | | | |
| **PRE-TAX NET INCOME** | **6,918.9** | **16,749.6** | **13,679.9** | **9,446.3** | **2,794.7** | **2,296.6** | **4,734.5** | **4,533.2** | **4,063.0** | **-10.4%** | **45.4%** |
| | | | | | | | | | | | |
| Federal Income Tax (Tax Benefit) | 1,653.3 | 4,578.5 | 852.6 | 2,149.3 | 848.0 | 596.9 | 1,019.7 | 1,192.5 | 1,304.1 | 9.4% | 53.8% |
| Income (Loss) from Unconsolidated Subsidiaries | 1,093.5 | 895.9 | 1,063.8 | 1,812.0 | 366.0 | 562.9 | 658.4 | 409.2 | 294.5 | -28.0% | -19.5% |
| Extraordinary Gain (Loss) | -5.2 | -30.6 | -7,521.1 | -637.0 | 107.7 | -0.1 | -0.2 | -4.1 | -0.1 | -97.6% | -100.1% |
| Cumulative Effect of Accounting Changes | -1,914.2 | 0.0 | 0.0 | 38.0 | 0.0 | 32.4 | 22.4 | 0.0 | 0.0 | 0% | 0% |
| | | | | | | | | | | | |
| **NET INCOME** | **4,439.7** | **13,036.4** | **6,370.1** | **8,480.7** | **2,420.4** | **2,294.9** | **4,395.3** | **3,745.8** | **3,053.3** | **-18.5%** | **26.1%** |
| | | | | | | | | | | | |
| **TOTAL ASSETS** | **2,647,372.4** | **3,174,801.0** | **3,841,155.7** | **4,211,633.2** | **4,228,906.9** | **4,211,633.2** | **4,504,236.2** | **4,584,732.5** | **4,838,610.7** | **5.5%** | **14.4%** |
| **TOTAL LIABILITIES** | **2,564,373.4** | **3,084,881.8** | **3,745,006.8** | **4,110,979.4** | **4,131,891.5** | **4,110,979.4** | **4,394,639.4** | **4,476,091.4** | **4,728,178.2** | **5.6%** | **14.4%** |
| **TOTAL OWNERSHIP EQUITY** | **82,999.0** | **89,919.2** | **96,148.9** | **100,653.8** | **97,015.4** | **100,653.8** | **109,596.8** | **108,641.1** | **110,432.5** | **1.6%** | **13.8%** |
| **TOTAL NET CAPITAL** | **57,039.9** | **57,711.8** | **61,201.0** | **74,619.6** | **66,891.1** | **74,619.6** | **73,448.9** | **78,379.6** | **84,236.7** | **7.5%** | **25.9%** |
| | | | | | | | | | | | |
| **NUMBER OF FIRMS IN CATEGORY** | **240** | **234** | **229** | **217** | **219** | **217** | **216** | **213** | **206** | **-3.3%** | **-5.9%** |
| | | | | | | | | | | | |
| **PERSONNEL - INCOME PRODUCING** | **143,004** | **134,550** | **139,118** | **131,119** | **131,051** | **131,119** | **129,807** | **129,308** | **130,841** | **1.2%** | **-0.2%** |
| **PERSONNEL - ALL OTHER** | **172,259** | **159,439** | **160,935** | **155,359** | **156,633** | **155,359** | **157,010** | **160,092** | **161,326** | **0.8%** | **3.0%** |
| **PERSONNEL - TOTAL** | **315,263** | **293,989** | **300,053** | **286,478** | **287,684** | **286,478** | **286,817** | **289,400** | **292,167** | **1.0%** | **1.6%** |

**ALL NASD MEMBERS Other than NYSE Firms**

***INCOME STATEMENT & SELECTED ITEMS***

*$ Millions*

| | ANNUAL DATA | | | | | | | | | 06:Q3 | 06:Q3 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | 2005 | 05:Q3 | 05:Q4 | 06:Q1 | 06:Q2 | 06:Q3 | vs 06:Q2 | vs 05:Q3 |
| **REVENUE:** | | | | | | | | | | | |
| Commissions | 16,901.4 | 19,399.3 | 20,801.1 | 20,532.3 | 5,126.6 | 5,266.7 | 5,679.5 | 5,676.6 | 5,091.0 | -10.3% | -0.7% |
| - Commissions - Listed Equity on an Exchange | 4,377.8 | 4,731.4 | 4,971.5 | 4,828.7 | 1,174.5 | 1,203.3 | 1,250.7 | 1,253.6 | 1,146.9 | -8.5% | -2.4% |
| - Commissions - Listed Equity OTC | 821.9 | 998.4 | 1,058.7 | 1,318.0 | 359.2 | 336.6 | 350.4 | 342.6 | 226.3 | -33.9% | -37.0% |
| - Commissions - Listed Options | 364.4 | 495.5 | 747.3 | 644.0 | 153.0 | 171.3 | 190.9 | 192.9 | 183.7 | -4.8% | 20.1% |
| - Commissions - All Other | 11,337.2 | 13,174.0 | 14,023.4 | 13,741.6 | 3,439.8 | 3,555.6 | 3,887.6 | 3,887.6 | 3,534.1 | -9.1% | 2.7% |
| Trading Gain (Loss) | 5,512.9 | 7,603.6 | 6,137.6 | 6,303.1 | 1,698.4 | 1,488.0 | 2,010.0 | 1,598.0 | 1,866.2 | 16.8% | 9.9% |
| - Gain from OTC Market Making | 211.5 | 311.1 | 532.3 | 274.8 | 83.3 | 62.0 | 84.3 | 62.6 | 37.1 | -40.8% | -55.5% |
| - - Gain from OTC Market Making in Listed Equity | 16.4 | 13.2 | 25.7 | 19.6 | 4.2 | 3.3 | 4.5 | 4.4 | 4.2 | -5.1% | -0.7% |
| - Gain from Debt Trading | 1,686.0 | 2,218.5 | 1,678.8 | 2,652.8 | 688.7 | 674.3 | 930.3 | 805.7 | 1,001.7 | 24.3% | 45.4% |
| - Gain from Listed Options Market Making | 10.8 | 54.0 | 113.2 | 1.0 | 33.6 | 25.0 | -8.3 | 5.4 | 5.7 | 5.0% | -83.1% |
| - Gain from All Other Trading | 3,604.7 | 5,019.9 | 3,813.3 | 3,374.6 | 892.8 | 726.8 | 1,003.7 | 724.4 | 821.8 | 13.4% | -8.0% |
| Investment Account Gain (Loss) | 931.4 | 904.6 | 1,013.3 | 1,297.0 | 372.1 | 490.7 | 583.3 | 364.0 | 494.0 | 35.7% | 32.8% |
| - Realized Gain | 164.5 | 137.4 | 311.9 | 642.4 | 172.8 | 213.8 | 261.5 | 278.1 | 278.9 | 0.3% | 61.5% |
| - Unrealized Gain | -14.2 | 54.2 | 79.1 | 106.6 | 34.8 | 48.1 | 104.5 | 19.0 | 74.2 | 290.6% | 113.0% |
| Underwriting Revenue | 1,533.7 | 2,114.4 | 2,465.2 | 2,726.3 | 651.4 | 794.9 | 600.1 | 682.4 | 603.1 | -11.6% | -7.4% |
| - Equity Underwriting Revenue | 13.7 | 17.5 | 30.9 | 67.0 | 42.0 | 15.0 | 56.9 | 67.6 | 55.7 | -17.7% | 32.4% |
| Margin Interest | 485.7 | 454.1 | 804.1 | 1,985.1 | 538.5 | 623.2 | 709.7 | 797.8 | 741.8 | -7.0% | 37.8% |
| Mutual Fund Sale Revenue | 9,947.6 | 10,132.5 | 11,817.3 | 13,493.8 | 3,373.4 | 3,673.1 | 3,774.8 | 3,773.6 | 3,674.2 | -2.6% | 8.9% |
| Fees, Asset Management | 5,702.1 | 6,176.0 | 6,905.8 | 8,008.0 | 1,964.4 | 2,233.0 | 2,328.2 | 2,362.8 | 2,367.4 | 0.2% | 20.5% |
| Research Revenue | 1.9 | 2.0 | 3.4 | 5.9 | 1.2 | 1.4 | 5.7 | 1.1 | 1.2 | 7.5% | 1.2% |
| Commodities Revenue | 1,189.7 | 44.0 | 556.1 | 191.3 | 74.6 | 65.7 | 191.3 | 368.6 | -84.2 | -122.9% | -213.0% |
| Other Revenue Related to the Securities Business | 8,809.7 | 6,396.4 | 8,359.7 | 14,781.3 | 3,792.4 | 4,284.6 | 4,102.0 | 4,778.1 | 4,519.7 | -5.4% | 19.2% |
| Other Revenue | 16,035.5 | 14,983.2 | 17,643.4 | 22,624.2 | 5,784.0 | 6,121.3 | 5,529.2 | 5,739.0 | 5,904.7 | 2.9% | 2.1% |
| **TOTAL REVENUE** | **67,051.5** | **68,210.1** | **76,507.1** | **91,948.3** | **23,376.8** | **25,042.5** | **25,513.9** | **26,142.0** | **25,179.2** | **-3.7%** | **7.7%** |
| Net Revenue | 58,758.8 | 63,121.3 | 69,177.8 | 76,862.3 | 19,329.4 | 20,682.3 | 21,635.3 | 21,802.5 | 21,054.3 | -3.4% | 8.9% |
| **EXPENSES:** | | | | | | | | | | | |
| Total Compensation | 21,027.8 | 22,603.6 | 25,313.9 | 28,426.3 | 7,061.3 | 7,742.7 | 7,745.3 | 7,497.7 | 7,213.7 | -3.8% | 2.2% |
| - Registered Representative Compensation | 6,546.2 | 7,132.6 | 7,941.9 | 8,882.4 | 2,236.2 | 2,242.2 | 2,519.3 | 2,318.0 | 2,161.5 | -6.8% | -3.3% |
| - Clerical Employee Compensation | 3,065.4 | 3,061.7 | 3,611.8 | 4,955.3 | 1,207.2 | 1,303.0 | 1,365.1 | 1,236.8 | 1,261.6 | 2.0% | 4.5% |
| - Voting Officer Compensation | 1,990.8 | 2,186.2 | 2,386.9 | 2,330.2 | 532.4 | 731.6 | 525.0 | 527.3 | 528.8 | 0.3% | -0.7% |
| - Other Employee Compensation (FOCUS IIA Only) | 9,425.4 | 10,223.1 | 11,373.0 | 12,258.4 | 3,085.5 | 3,466.0 | 3,335.8 | 3,415.6 | 3,261.7 | -4.5% | 5.7% |
| Total Floor Costs | 9,799.5 | 10,648.5 | 11,910.3 | 12,805.7 | 3,262.4 | 3,330.1 | 3,452.0 | 3,690.1 | 3,554.0 | -3.7% | 8.9% |
| - Floor Brokerage Paid to Brokers | 254.9 | 209.2 | 212.9 | 235.6 | 51.4 | 80.7 | 81.8 | 82.6 | 78.0 | -5.5% | 51.8% |
| - Commissions & Clearance Paid to Other Brokers | 1,275.4 | 1,242.7 | 1,504.9 | 1,588.7 | 415.8 | 400.1 | 432.2 | 698.3 | 659.5 | -5.6% | 58.6% |
| - Clearance Paid to Non-Brokers | 322.7 | 312.7 | 366.9 | 517.6 | 122.8 | 140.4 | 119.2 | 129.2 | 106.5 | -17.5% | -13.2% |
| - Commissions Paid to Broker-Dealers (FOCUS IIA Only) | 7,946.5 | 8,883.8 | 9,825.6 | 10,463.8 | 2,672.5 | 2,708.8 | 2,818.7 | 2,780.0 | 2,709.9 | -2.5% | 1.4% |
| Communications Expense | 500.8 | 422.9 | 502.9 | 651.8 | 161.8 | 160.8 | 159.7 | 155.9 | 150.2 | -3.6% | -7.2% |
| Occupancy & Equipment Costs | 815.4 | 764.2 | 896.7 | 1,253.3 | 309.1 | 317.1 | 300.7 | 289.0 | 287.9 | -0.4% | -6.9% |
| Promotional Costs | 638.8 | 535.3 | 687.0 | 933.1 | 212.1 | 293.1 | 280.5 | 237.4 | 200.1 | -15.7% | -5.7% |
| Interest Expense | 8,292.7 | 5,088.8 | 7,329.2 | 15,086.0 | 4,047.4 | 4,360.2 | 3,878.6 | 4,339.5 | 4,124.9 | -4.9% | 1.9% |
| Losses from Error Accounts & Bad Debts | 43.8 | 50.2 | 58.6 | 63.6 | 23.2 | -9.5 | 24.7 | 29.5 | 38.7 | 31.3% | 67.2% |
| Data Processing Costs | 816.1 | 722.5 | 804.4 | 781.4 | 193.4 | 213.6 | 210.7 | 190.9 | 179.8 | -5.8% | -7.0% |
| Regulatory Fees & Expenses | 300.3 | 317.2 | 307.9 | 358.3 | 92.1 | 95.0 | 77.3 | 97.9 | 77.1 | -21.3% | -16.3% |
| Non-Recurring Charges | 11.6 | 21.5 | 203.5 | 9.5 | 0.7 | 6.9 | 1.0 | 1.2 | 0.8 | -28.5% | 22.1% |
| Other Expenses | 19,631.3 | 19,730.8 | 21,453.8 | 23,448.0 | 5,796.8 | 6,625.1 | 6,293.2 | 6,649.1 | 6,447.9 | -3.0% | 11.2% |
| **TOTAL EXPENSES** | **61,878.2** | **60,905.5** | **69,468.3** | **83,817.0** | **21,160.2** | **23,135.1** | **22,423.7** | **23,178.2** | **22,275.0** | **-3.9%** | **5.3%** |
| | | | | | | | | | | | |
| **PRE-TAX NET INCOME** | **5,173.4** | **7,304.6** | **7,038.8** | **8,131.3** | **2,216.6** | **1,907.5** | **3,090.2** | **2,963.8** | **2,904.1** | **-2.0%** | **31.0%** |
| | | | | | | | | | | | |
| Federal Income Tax (Tax Benefit) | 1,111.5 | 1,332.1 | 1,312.4 | 1,737.0 | 445.8 | 412.3 | 571.6 | 593.8 | 558.5 | -6.0% | 25.3% |
| Income (Loss) from Unconsolidated Subsidiaries | 400.6 | 405.6 | 519.7 | 145.0 | 48.9 | 32.4 | 38.4 | 25.2 | 12.9 | -48.9% | -73.7% |
| Extraordinary Gain (Loss) | -133.1 | -150.6 | -92.4 | -3.6 | -0.3 | 0.1 | -0.1 | -0.5 | 0.4 | -182.8% | -227.2% |
| Cumulative Effect of Accounting Changes | -15.7 | 0.1 | 0.2 | -9.3 | 0.0 | -9.2 | 2.1 | 0.0 | -0.2 | 790.9% | 931.6% |
| | | | | | | | | | | | |
| **NET INCOME** | **4,313.7** | **6,227.6** | **6,154.2** | **6,526.3** | **1,819.5** | **1,518.5** | **2,559.0** | **2,394.7** | **2,358.7** | **-1.5%** | **29.6%** |
| | | | | | | | | | | | |
| **TOTAL ASSETS** | **447,138.8** | **597,009.1** | **782,433.2** | **827,576.0** | **978,192.1** | **827,576.0** | **973,192.6** | **813,515.8** | **920,536.4** | 13.2% | -5.9% |
| **TOTAL LIABILITIES** | **406,093.0** | **554,601.3** | **732,392.8** | **779,938.7** | **932,370.3** | **779,938.7** | **925,695.3** | **763,269.4** | **868,967.8** | 13.8% | -6.8% |
| **TOTAL OWNERSHIP EQUITY** | **41,045.8** | **42,407.8** | **50,040.4** | **47,637.3** | **45,821.8** | **47,637.3** | **47,497.3** | **50,246.4** | **51,568.6** | 2.6% | 12.5% |
| **TOTAL NET CAPITAL** | **21,874.2** | **20,708.3** | **25,925.7** | **26,714.4** | **25,800.1** | **26,714.4** | **26,547.6** | **26,231.8** | **26,786.6** | 2.1% | 3.8% |
| | | | | | | | | | | | |
| **NUMBER OF FIRMS IN CATEGORY** | **5,148** | **5,053** | **4,990** | **4,917** | **4,965** | **4,917** | **4,911** | **4,909** | **4,914** | **0.1%** | **-1.0%** |
| | | | | | | | | | | | |
| **PERSONNEL - INCOME PRODUCING** | **45,644** | **51,299** | **58,562** | **59,648** | **59,058** | **59,648** | **59,269** | **52,079** | **54,441** | **4.5%** | **-7.8%** |
| **PERSONNEL - ALL OTHER** | **25,156** | **29,208** | **37,622** | **37,155** | **36,581** | **37,155** | **38,532** | **33,694** | **35,721** | **6.0%** | **-2.4%** |
| **PERSONNEL - TOTAL** | **70,800** | **80,507** | **96,184** | **96,803** | **95,639** | **96,803** | **97,801** | **85,773** | **90,162** | **5.1%** | **-5.7%** |

**TOTAL NASD + NYSE**

***INCOME STATEMENT & SELECTED ITEMS***

*$ Millions*

| | ANNUAL DATA | | | | | | | | | 06:Q3 | 06:Q3 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | 2005 | 05:Q3 | 05:Q4 | 06:Q1 | 06:Q2 | 06:Q3 | vs 06:Q2 | vs 05:Q3 |
| **REVENUE:** | | | | | | | | | | | |
| Commissions | 44,470.8 | 45,060.7 | 47,140.9 | 46,144.5 | 11,573.0 | 11,838.5 | 12,843.6 | 12,654.1 | 11,133.3 | -12.0% | -3.8% |
| - Commissions - Listed Equity on an Exchange | 21,083.6 | 19,157.4 | 18,908.9 | 18,421.0 | 4,649.6 | 4,567.5 | 4,812.8 | 4,735.2 | 4,453.3 | -6.0% | -4.2% |
| - Commissions - Listed Equity OTC | 2,384.4 | 2,640.5 | 3,072.9 | 3,269.3 | 836.8 | 868.4 | 897.8 | 849.6 | 673.4 | -20.7% | -19.5% |
| - Commissions - Listed Options | 1,696.7 | 1,766.1 | 1,962.3 | 1,778.0 | 446.3 | 474.2 | 545.4 | 558.5 | 518.6 | -7.1% | 16.2% |
| - Commissions - All Other | 19,306.0 | 21,496.7 | 23,196.6 | 22,676.2 | 5,640.2 | 5,928.5 | 6,587.7 | 6,511.0 | 5,488.1 | -15.7% | -2.7% |
| Trading Gain (Loss) | 19,163.3 | 30,740.1 | 23,501.2 | 23,309.6 | 6,410.8 | 5,884.6 | 11,587.6 | 8,302.0 | 11,013.9 | 32.7% | 71.8% |
| - Gain from OTC Market Making | 1,390.5 | 1,053.7 | 979.9 | 755.3 | 305.7 | 82.8 | 230.5 | 218.5 | 285.9 | 30.8% | -6.5% |
| - - Gain from OTC Market Making in Listed Equity | 28.0 | -1.6 | 18.1 | 2.3 | -0.3 | -1.1 | 2.8 | 4.7 | 4.3 | -9.0% | -1508.6% |
| - Gain from Debt Trading | 15,879.3 | 19,740.6 | 17,433.3 | 12,729.1 | 2,755.5 | 2,227.1 | 4,427.8 | 4,336.7 | 5,157.9 | 18.9% | 87.2% |
| - Gain from Listed Options Market Making | -214.9 | -116.0 | 267.2 | 204.3 | 119.2 | 30.3 | 125.0 | 42.1 | -42.1 | -200.1% | -135.3% |
| - Gain from All Other Trading | 2,108.5 | 10,061.7 | 4,820.8 | 9,380.6 | 3,230.4 | 3,544.5 | 6,804.3 | 3,704.8 | 5,612.3 | 51.5% | 73.7% |
| Investment Account Gain (Loss) | 1,105.6 | 3,020.3 | 2,669.4 | 2,856.4 | 1,003.2 | 698.5 | 1,772.7 | 718.6 | 1,187.8 | 65.3% | 18.4% |
| - Realized Gain | 581.6 | 618.1 | 1,517.7 | 1,860.9 | 351.9 | 546.5 | 707.3 | 598.2 | 486.5 | -18.7% | 38.3% |
| - Unrealized Gain | -232.8 | 1,628.4 | 493.5 | -72.2 | 282.2 | -154.8 | 566.6 | -134.3 | 200.4 | -249.2% | -29.0% |
| Underwriting Revenue | 14,712.2 | 17,204.4 | 19,124.1 | 19,987.5 | 5,138.8 | 5,527.2 | 5,359.2 | 6,136.8 | 4,755.0 | -22.5% | -7.5% |
| - Equity Underwriting Revenue | 3,240.2 | 3,715.3 | 4,235.1 | 4,202.8 | 1,079.8 | 1,114.6 | 1,183.2 | 1,303.7 | 824.6 | -36.8% | -23.6% |
| Margin Interest | 6,477.9 | 5,231.0 | 6,950.1 | 13,257.1 | 3,579.8 | 3,919.9 | 5,014.1 | 4,652.3 | 6,224.3 | 33.8% | 73.9% |
| Mutual Fund Sale Revenue | 15,830.1 | 16,197.4 | 18,655.8 | 20,656.8 | 5,170.2 | 5,437.6 | 5,836.2 | 5,824.6 | 5,479.2 | -5.9% | 6.0% |
| Fees, Asset Management | 18,187.1 | 17,937.6 | 20,847.4 | 23,276.0 | 5,802.3 | 6,264.7 | 6,401.6 | 6,803.6 | 7,087.3 | 4.2% | 22.1% |
| Research Revenue | 158.3 | 172.0 | 211.2 | 137.5 | 29.0 | 27.2 | 60.3 | 53.2 | 40.9 | -23.2% | 41.1% |
| Commodities Revenue | 6,147.1 | -1,858.4 | 1,486.4 | 1,243.9 | -26.0 | 212.6 | 271.8 | 1,104.4 | -434.5 | -139.3% | 1568.3% |
| Other Revenue Related to the Securities Business | 64,147.7 | 54,294.7 | 67,620.1 | 126,543.5 | 35,742.7 | 34,960.0 | 44,621.6 | 46,539.5 | 48,442.8 | 4.1% | 35.5% |
| Other Revenue | 25,325.7 | 24,726.3 | 28,497.7 | 44,354.5 | 10,081.6 | 16,418.8 | 9,308.2 | 11,984.5 | 12,008.0 | 0.2% | 19.1% |
| **TOTAL REVENUE** | **215,725.7** | **212,726.1** | **236,704.4** | **321,767.4** | **84,505.2** | **91,189.5** | **103,077.0** | **104,773.6** | **106,938.3** | **2.1%** | **26.5%** |
| Net Revenue | 158,993.2 | 169,452.9 | 178,290.9 | 185,620.1 | 47,369.4 | 48,669.6 | 56,197.4 | 53,723.0 | 51,238.7 | -4.6% | 8.2% |
| | | | | | | | | | | | |
| **EXPENSES:** | | | | | | | | | | | |
| Total Compensation | 74,123.1 | 76,728.6 | 83,165.0 | 88,379.7 | 22,892.2 | 23,256.8 | 27,590.8 | 25,098.0 | 23,277.2 | -7.3% | 1.7% |
| - Registered Representative Compensation | 27,756.8 | 28,721.1 | 30,243.4 | 32,038.6 | 8,178.4 | 8,057.0 | 9,436.1 | 9,032.9 | 8,459.3 | -6.4% | 3.4% |
| - Clerical Employee Compensation | 31,549.6 | 32,168.8 | 36,486.2 | 39,263.7 | 10,486.7 | 10,361.3 | 13,628.5 | 11,534.8 | 10,353.3 | -10.2% | -1.3% |
| - Voting Officer Compensation | 3,810.8 | 4,111.9 | 3,609.3 | 3,476.1 | 805.9 | 1,033.7 | 820.3 | 815.3 | 1,043.8 | 28.0% | 29.5% |
| - Other Employee Compensation (FOCUS IIA Only) | 11,005.9 | 11,726.8 | 12,825.8 | 13,601.3 | 3,421.2 | 3,804.9 | 3,705.9 | 3,714.9 | 3,420.8 | -7.9% | 0.0% |
| Total Floor Costs | 14,304.8 | 15,611.4 | 16,749.3 | 18,039.2 | 4,557.1 | 4,724.7 | 5,081.0 | 5,464.9 | 5,023.7 | -8.1% | 10.2% |
| - Floor Brokerage Paid to Brokers | 1,507.1 | 1,328.6 | 1,471.2 | 1,582.1 | 380.4 | 464.6 | 447.1 | 494.3 | 444.8 | -10.0% | 16.9% |
| - Commissions & Clearance Paid to Other Brokers | 3,230.5 | 3,756.7 | 3,672.0 | 4,019.6 | 1,004.7 | 1,044.1 | 1,300.2 | 1,641.0 | 1,452.2 | -11.5% | 44.5% |
| - Clearance Paid to Non-Brokers | 1,234.4 | 1,162.6 | 1,243.8 | 1,483.5 | 373.0 | 387.1 | 367.9 | 433.7 | 402.4 | -7.2% | 7.9% |
| - Commissions Paid to Broker-Dealers (FOCUS IIA Only) | 8,332.8 | 9,363.4 | 10,362.3 | 10,954.0 | 2,799.1 | 2,828.8 | 2,965.7 | 2,895.9 | 2,724.2 | -5.9% | -2.7% |
| Communications Expense | 4,999.8 | 4,375.6 | 4,673.8 | 4,995.6 | 1,245.1 | 1,277.8 | 1,349.8 | 1,352.9 | 1,369.3 | 1.2% | 10.0% |
| Occupancy & Equipment Costs | 7,260.0 | 6,793.0 | 6,473.9 | 6,340.1 | 1,591.2 | 1,598.3 | 1,529.3 | 1,552.2 | 1,679.4 | 8.2% | 5.5% |
| Promotional Costs | 2,487.9 | 2,034.7 | 2,340.2 | 2,444.6 | 588.6 | 669.2 | 648.1 | 666.3 | 527.8 | -20.8% | -10.3% |
| Interest Expense | 56,732.5 | 43,273.2 | 58,413.4 | 136,147.3 | 37,135.8 | 42,519.9 | 46,879.6 | 51,050.6 | 55,699.6 | 9.1% | 50.0% |
| Losses from Error Accounts & Bad Debts | 511.8 | 355.6 | 333.4 | 369.1 | 78.0 | 104.9 | 97.0 | 88.4 | 105.2 | 19.0% | 35.0% |
| Data Processing Costs | 3,275.2 | 3,035.3 | 3,226.9 | 3,506.2 | 834.8 | 977.8 | 909.4 | 906.1 | 927.9 | 2.4% | 11.2% |
| Regulatory Fees & Expenses | 1,206.0 | 1,296.8 | 1,457.9 | 1,551.7 | 385.1 | 450.0 | 366.5 | 425.9 | 390.0 | -8.4% | 1.3% |
| Non-Recurring Charges | 727.5 | 273.9 | 680.7 | 284.0 | 122.3 | 34.2 | 52.0 | 40.0 | 15.0 | -62.4% | -87.7% |
| Other Expenses | 38,004.8 | 34,893.8 | 38,471.1 | 42,132.3 | 10,063.8 | 11,371.9 | 10,749.0 | 10,631.4 | 10,956.1 | 3.1% | 8.9% |
| **TOTAL EXPENSES** | **203,633.5** | **188,671.9** | **215,985.7** | **304,189.8** | **79,493.9** | **86,985.5** | **95,252.4** | **97,276.6** | **99,971.1** | **2.8%** | **25.8%** |
| | | | | | | | | | | | |
| **PRE-TAX NET INCOME** | **12,092.3** | **24,054.2** | **20,718.7** | **17,577.6** | **5,011.3** | **4,204.1** | **7,824.7** | **7,497.0** | **6,967.1** | **-7.1%** | **39.0%** |
| | | | | | | | | | | | |
| Federal Income Tax (Tax Benefit) | 2,764.8 | 5,910.6 | 2,165.0 | 3,886.3 | 1,293.8 | 1,009.2 | 1,591.3 | 1,786.3 | 1,862.6 | 4.3% | 44.0% |
| Income (Loss) from Unconsolidated Subsidiaries | 1,494.1 | 1,301.5 | 1,583.5 | 1,957.0 | 414.9 | 595.3 | 696.8 | 434.4 | 307.4 | -29.2% | -25.9% |
| Extraordinary Gain (Loss) | -138.3 | -181.2 | -7,613.5 | -640.6 | 107.4 | 0.0 | -0.3 | -4.6 | 0.3 | -106.2% | -99.7% |
| Cumulative Effect of Accounting Changes | -1,929.9 | 0.1 | 0.2 | 28.7 | 0.0 | 23.2 | 24.5 | 0.0 | -0.2 | 790.9% | 931.6% |
| | | | | | | | | | | | |
| **NET INCOME** | **8,753.4** | **19,264.0** | **12,524.3** | **15,007.0** | **4,239.9** | **3,813.4** | **6,954.3** | **6,140.5** | **5,412.0** | **-11.9%** | **27.6%** |
| | | | | | | | | | | | |
| **TOTAL ASSETS** | **3,094,511.2** | **3,771,810.1** | **4,623,588.9** | **5,039,209.2** | **5,207,099.0** | **5,039,209.2** | **5,477,428.8** | **5,398,248.3** | **5,759,147.1** | **6.7%** | **10.6%** |
| **TOTAL LIABILITIES** | **2,970,466.4** | **3,639,483.1** | **4,477,399.6** | **4,890,918.1** | **5,064,261.8** | **4,890,918.1** | **5,320,334.7** | **5,239,360.8** | **5,597,146.0** | **6.8%** | **10.5%** |
| **TOTAL OWNERSHIP EQUITY** | **124,044.8** | **132,327.0** | **146,189.3** | **148,291.1** | **142,837.2** | **148,291.1** | **157,094.1** | **158,887.5** | **162,001.1** | **2.0%** | **13.4%** |
| **TOTAL NET CAPITAL** | **78,914.1** | **78,420.1** | **87,126.7** | **101,334.0** | **92,691.2** | **101,334.0** | **99,996.5** | **104,611.4** | **111,023.3** | **6.1%** | **19.8%** |
| | | | | | | | | | | | |
| **NUMBER OF FIRMS IN CATEGORY** | **5,388** | **5,287** | **5,219** | **5,134** | **5,184** | **5,134** | **5,127** | **5,122** | **5,120** | **0.0%** | **-1.2%** |
| | | | | | | | | | | | |
| **PERSONNEL - INCOME PRODUCING** | **188,648** | **185,849** | **197,680** | **190,767** | **190,109** | **190,767** | **189,076** | **181,387** | **185,282** | **2.1%** | **-2.5%** |
| **PERSONNEL - ALL OTHER** | **197,415** | **188,647** | **198,557** | **192,514** | **193,214** | **192,514** | **195,542** | **193,786** | **197,047** | **1.7%** | **2.0%** |
| **PERSONNEL - TOTAL** | **386,063** | **374,496** | **396,237** | **383,281** | **383,323** | **383,281** | **384,618** | **375,173** | **382,329** | **1.9%** | **-0.3%** |

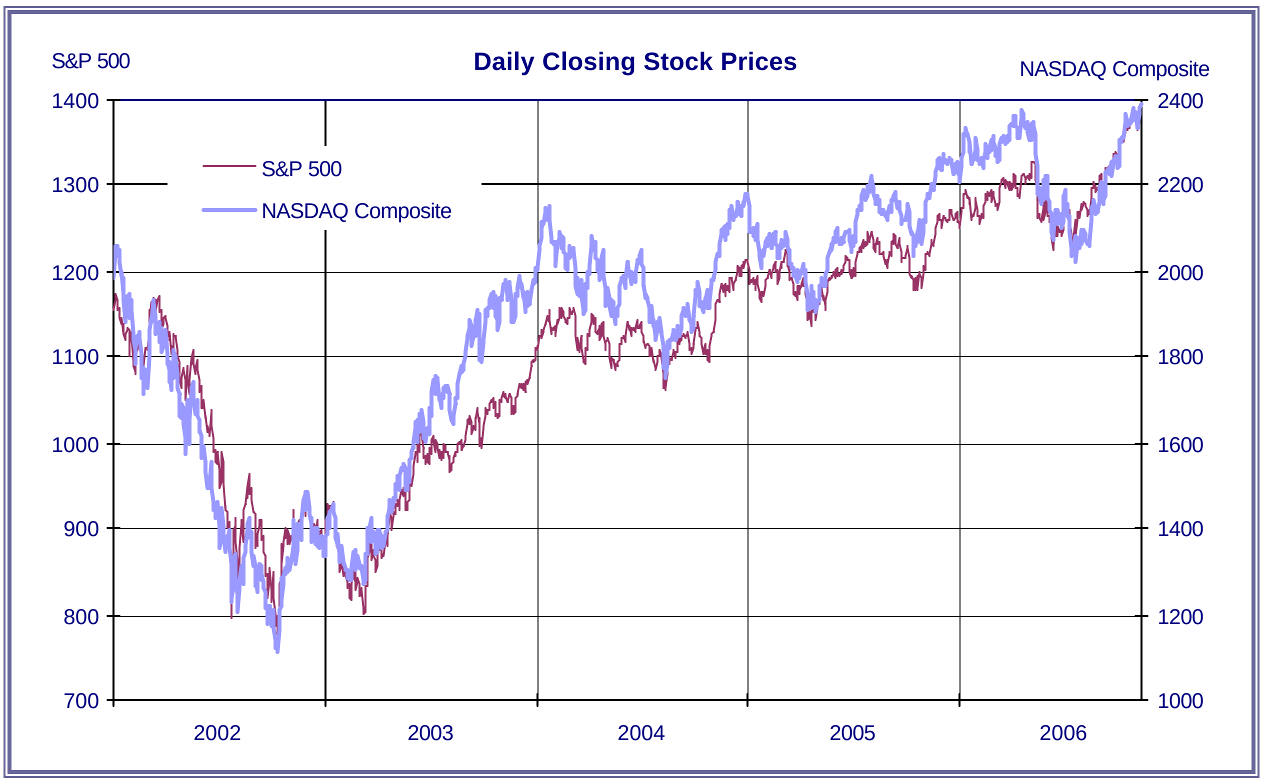
# MONTHLY STATISTICAL REVIEW

## U.S. Equity Market Activity

S*tock Prices* – US equity prices rose for the fourth consecutive month in October, driven by recent strong earnings results, which have lifted investor sentiment and major equity market indexes higher.

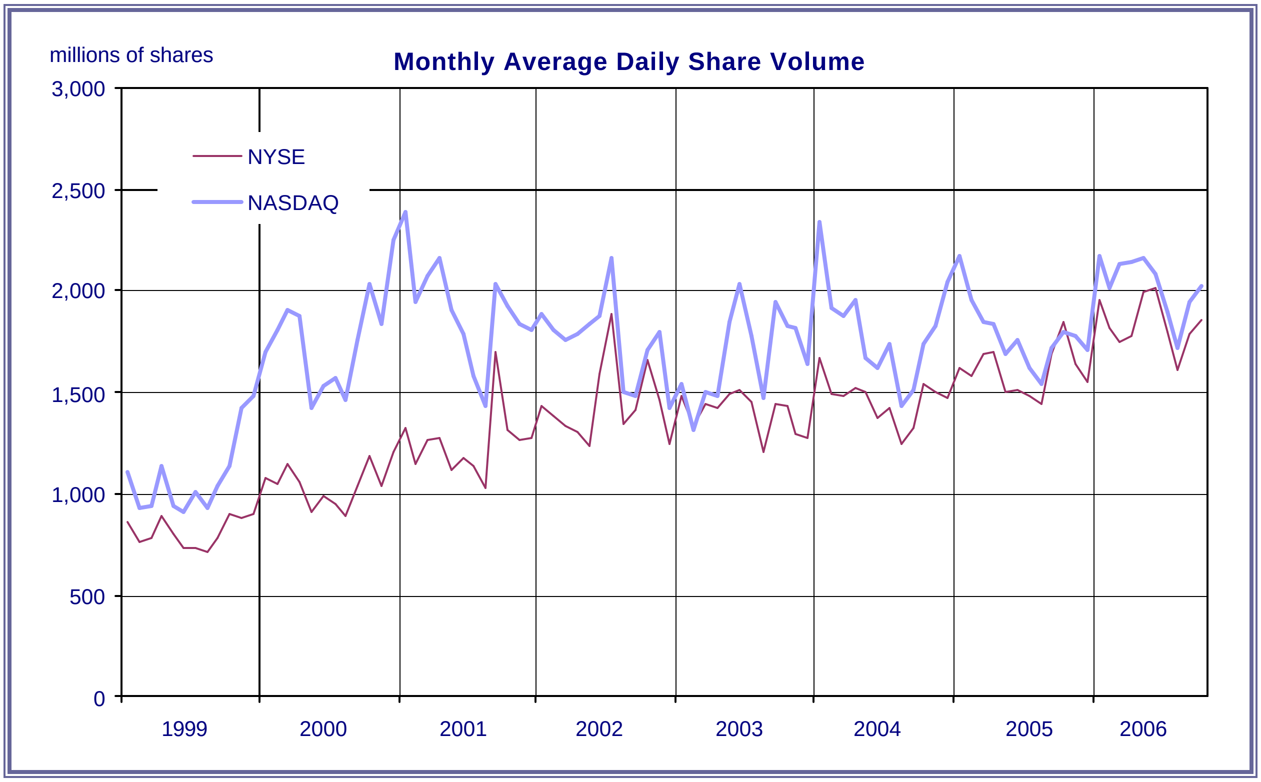
The Dow Jones Industrial Average (DJIA) closed up 3.4% for the month. The DJIA closed above the 12,000 level for the first time on October 19, when it closed at 12,011.73 – 1,880 trading days after it first closed above the 11,000 level on May 3, 1999. It took only 25 days for the DJIA to close above 11,000 from the first close above 10,000 on May 5, 1999.

The S&P 500 Index rose 3.2% in October, while the technology-laden NASDAQ Composite Index added 4.8% to reach 2,366.71. At the end of October, all three major indices were in positive territory year-to-date, with the DJIA, S&P 500 Index and NASDAQ Composite Index up 11.2%, 7.6 % and 2.6%, respectively, since the beginning of the year.

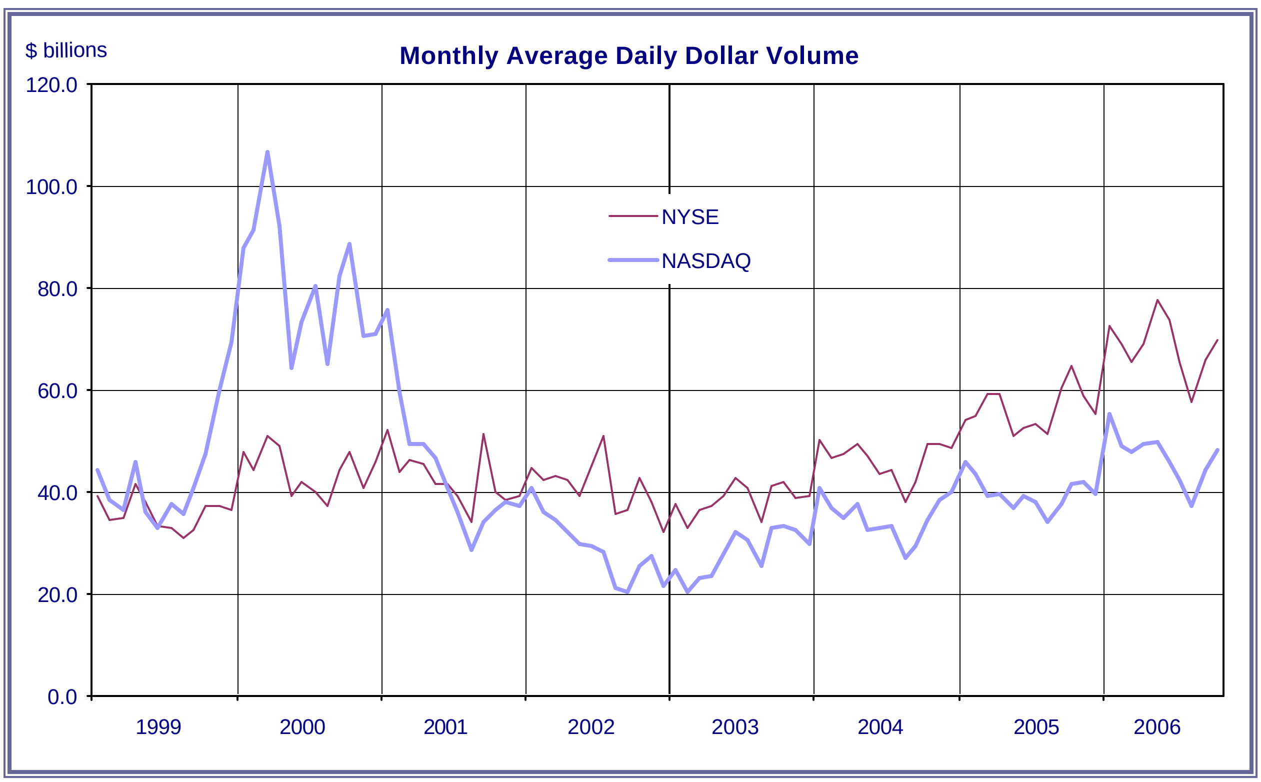



*Share Volume* – During October, average daily share volume increased for the second consecutive month on the New York Stock Exchange and NASDAQ.

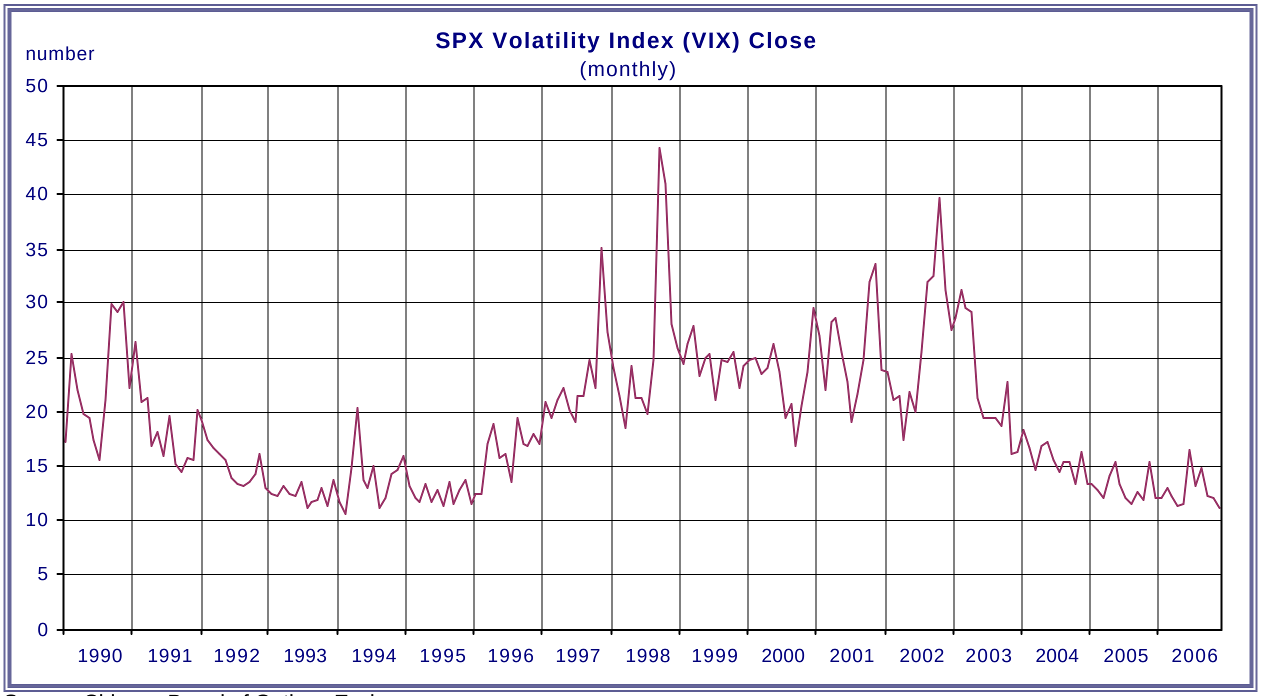
Average daily share volume increased by 3.7% to 1.852 billion shares on the NYSE, while NASDAQ volume rose by 4.0% to 2.018 billion shares. Average daily share volume during the first ten months of the year rose 14.3% and 13.4% on the NYSE and NASDAQ, respectively, above results in the same year-earlier period.




***Dollar Volume*** – Average daily dollar volume on the NYSE and NASDAQ increased for the second straight month in October, up 6.1% on the NYSE and 8.6% on the NASDAQ. Year-to-date average daily dollar volume on the NYSE was up 22.3% relative to the same year-earlier period, while on NASDAQ average daily dollar volume rose 18.6%.

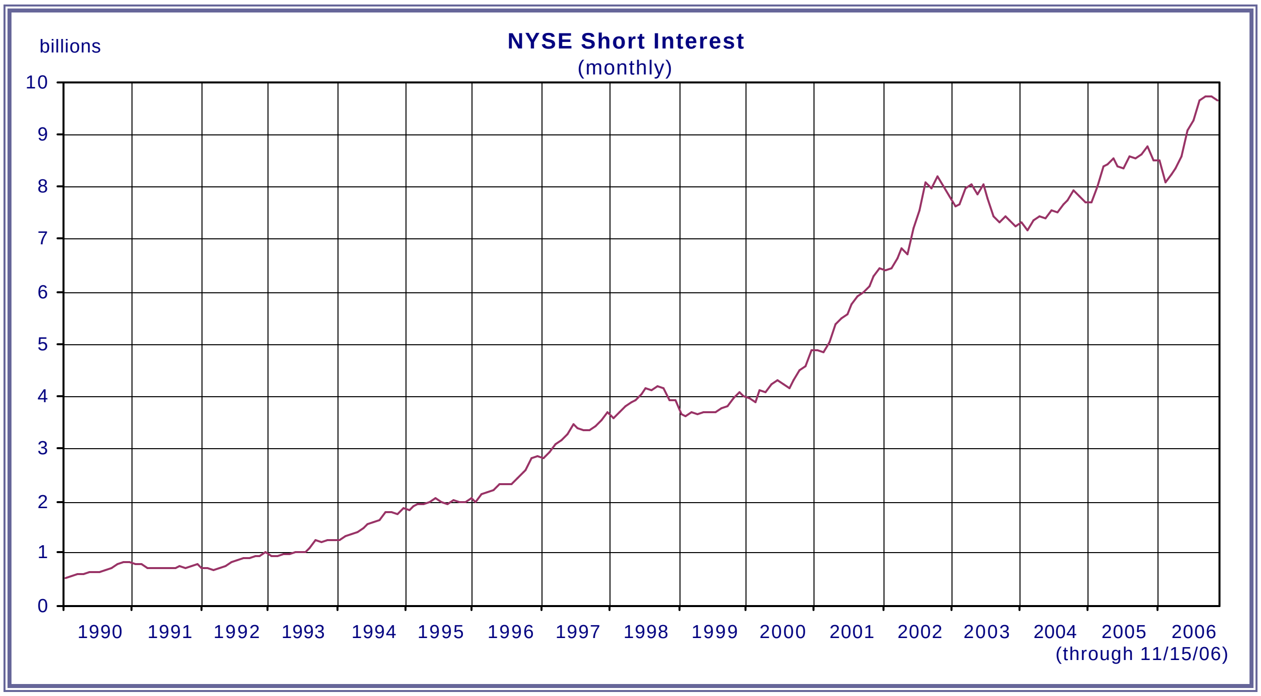


***CBOE Volatility Index (VIX)***[1] – The Chicago Board of Options Exchange Volatility Index, or VIX, ended the month of October at 11.10, down 7.3% from September's close of 11.98, and 27.5% below October 2005's close.



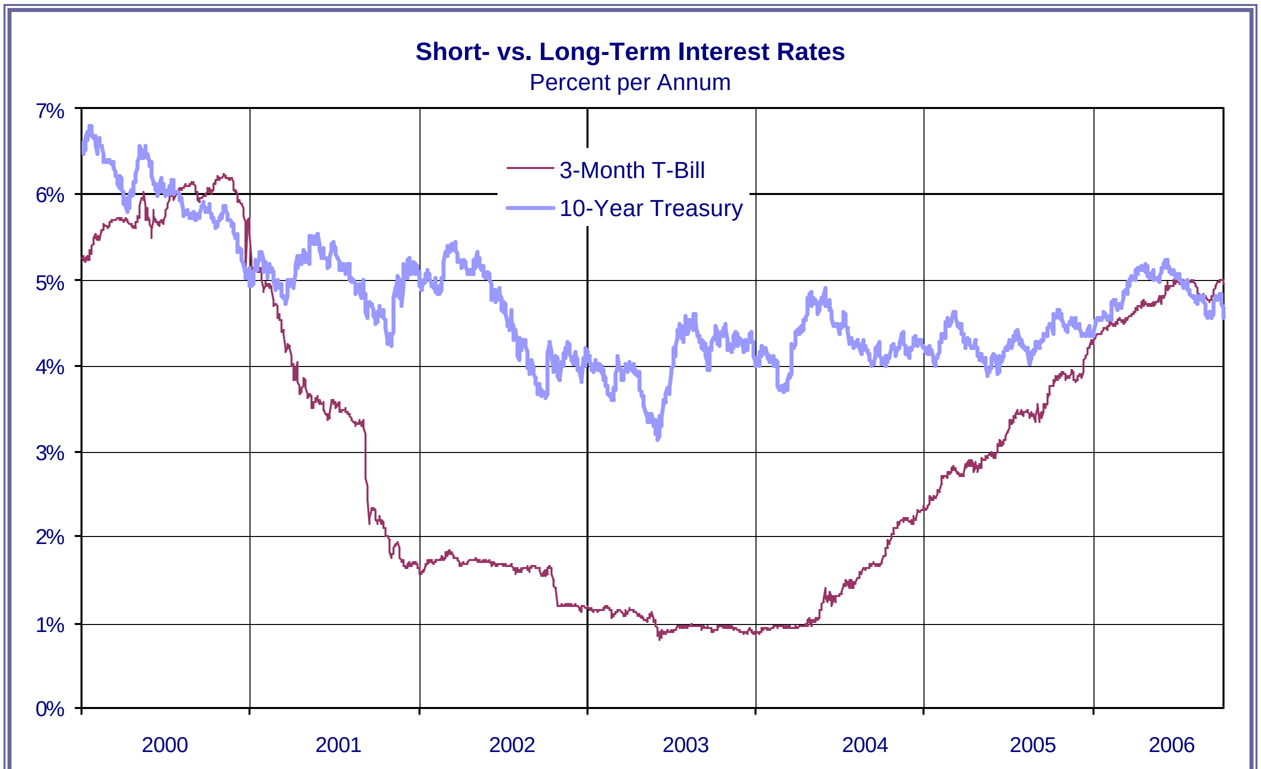

Source: Chicago Board of Options Exchange

***Short Interest*** – NYSE short interest fell 1% in October, marking its first decline in nine months. Short selling activity remained above the nine trillion-share level for the sixth consecutive month, with November 15 short interest at over 9.6 trillion shares, representing 2.5% of the total shares outstanding on the NYSE. The short ratio, or the number of days' average volume represented by the outstanding short positions at the exchange, fell to 6.0 in October after falling to 6.2 in September.




[1] The VIX is an indicator of the degree to which options traders expect the value of the S&P 500 to fluctuate over the next 30 days.

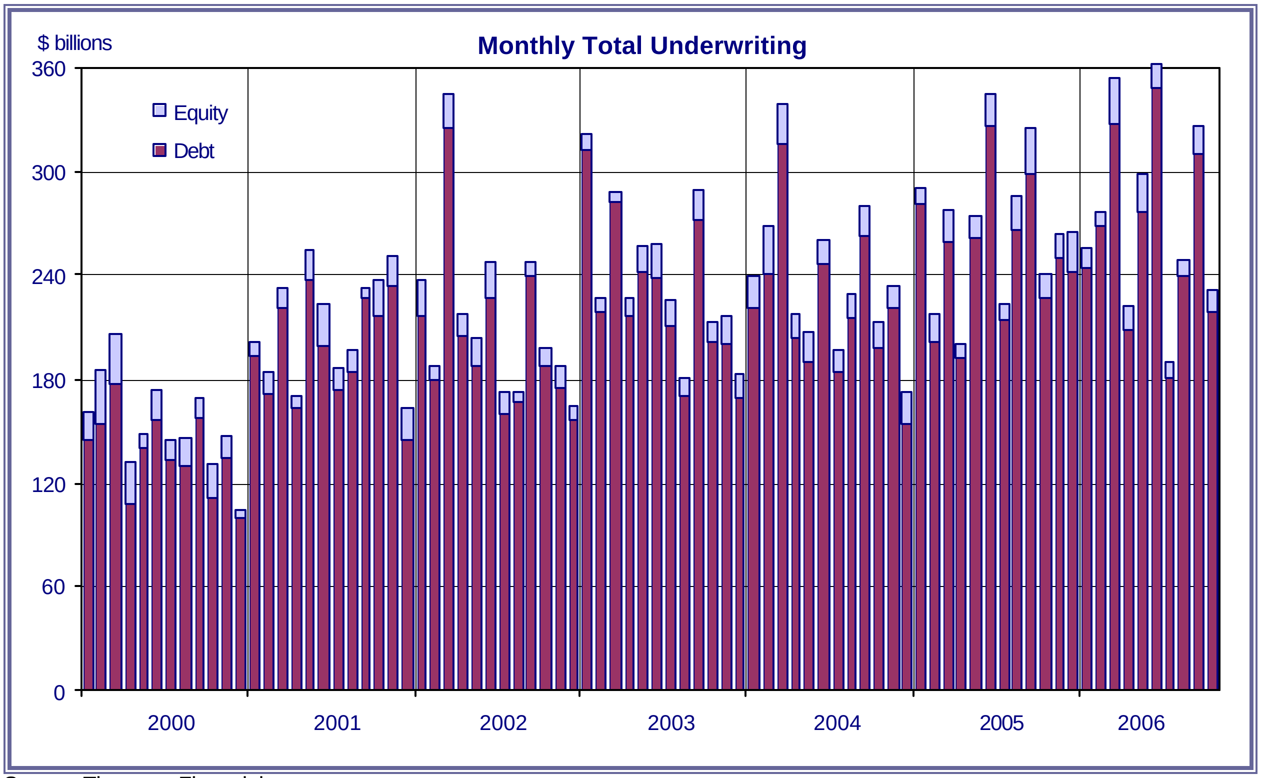
***Interest Rates*** – The yield curve remained inverted for the third consecutive month in October. The yield on the 10-year US Treasury bond averaged 4.73% in October, one basis point (bp) higher than in September, while the three-month Treasury bill average rate rose 11 bps to 4.92%. The spread between the average three-month and 10-year yields inverted further to 19 bps in October, after registering nine bps in September. Year-to-date, the monthly average three-month yield rose to 4.69% from 3.00% in the same year-earlier period, while the 10-year yield's monthly average rose to 4.83% from 4.25%. The spread between the three-month and 10-year yields continued to contract in October to a monthly average of 14 in the first 10 months of this year, from 125 bps during the same period in 2005.




Source: Federal Reserve Bank of St. Louis
Note: Daily closing yields

## U.S. Underwriting Activity

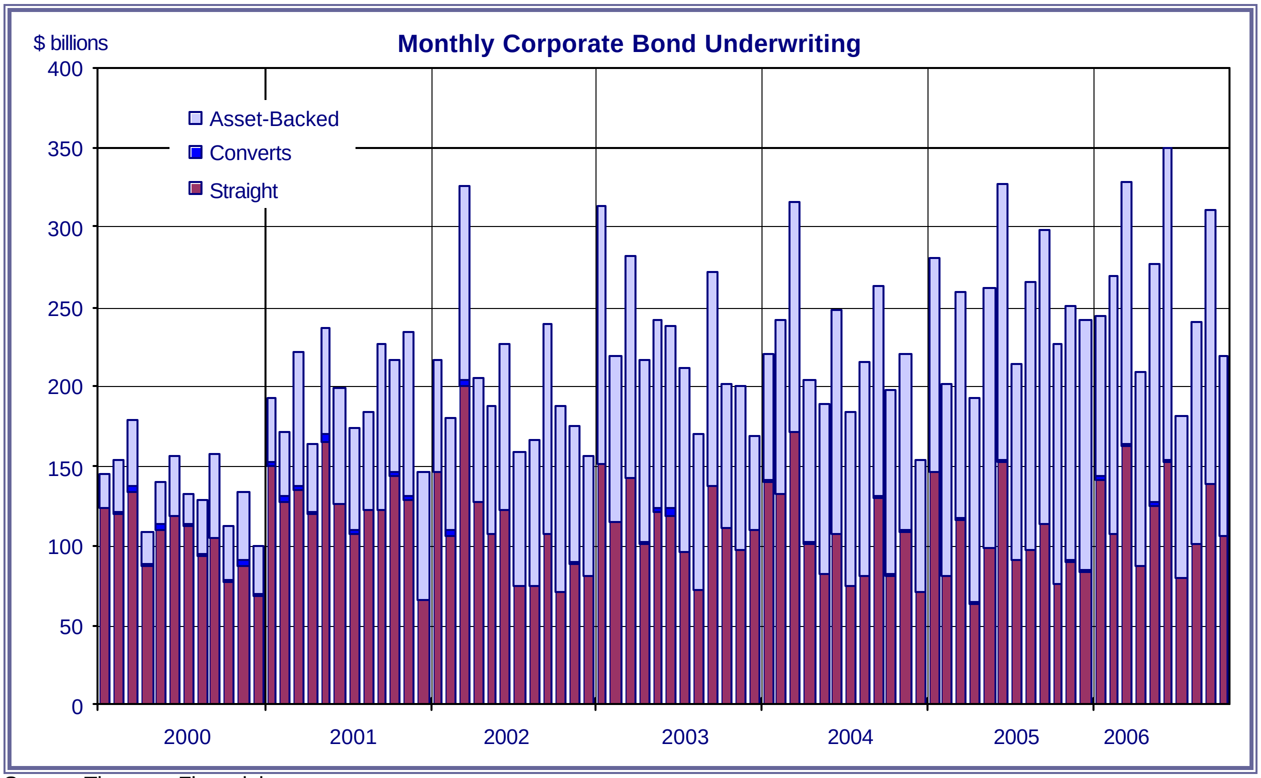
***Corporate Underwriting Activity*** – Underwriting activity decreased in October after a strong September. The dollar value of US corporate underwriting activity was $231.5 billion, down 29.1% from September's $326.5 billion. For the first 10 months of 2006, however, underwriting activity in the US markets totaled $2.768 trillion, an increase of 3.2% over that of the same period last year. If the current year-to-date monthly average pace of $277 billion continues in the final two months of this year, 2006 would set another record for total underwriting, eclipsing the record set last year.




Source: Thomson Financial

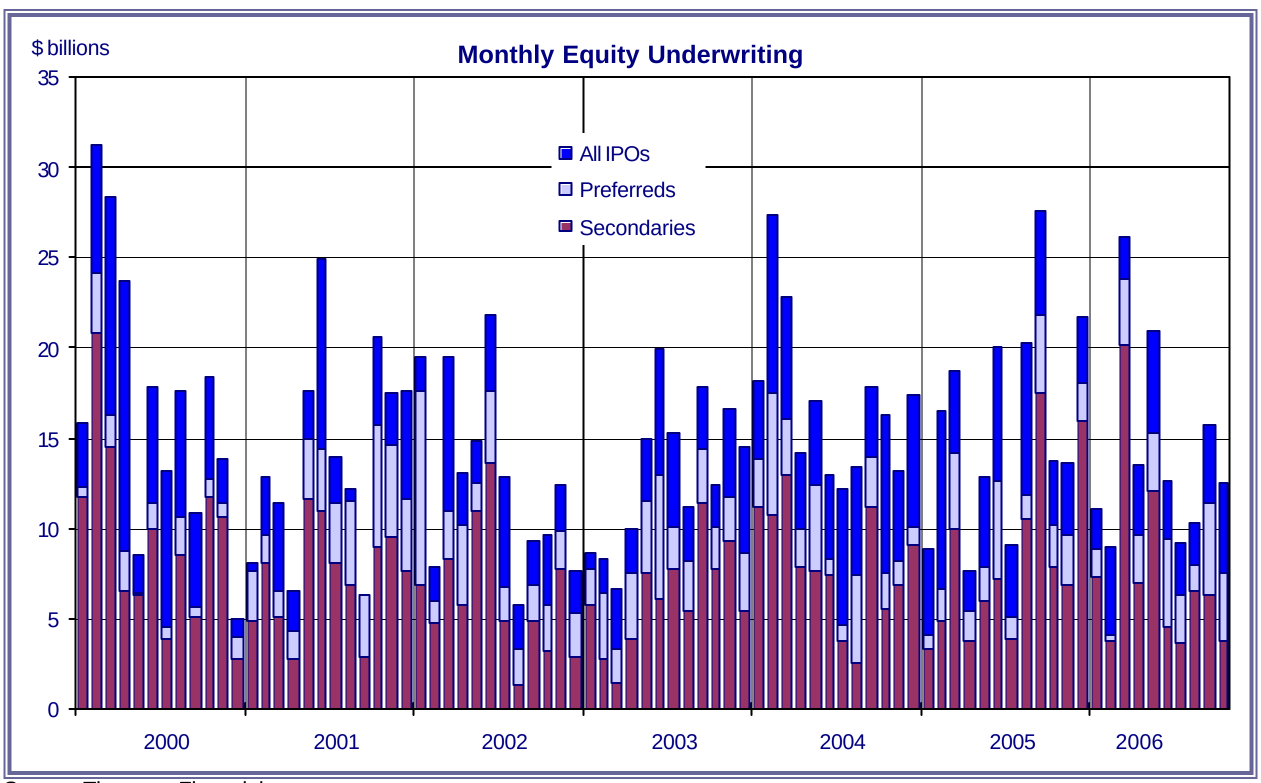
***Corporate Bond Underwriting*** – The total value of corporate debt underwriting declined 29.5% to $218.9 billion in October from a robust September, recording the third lowest monthly level this year. October corporate underwriting was well below the monthly average of $263.8 billion and 3.4% below the level seen in October of 2005. Year-to-date total corporate debt underwriting reached $2,626.7 billion, up 3.9% over the results of the same year-earlier period.

Lower asset-backed securities (ABS) offerings drove the October total lower, as ABS issuance dropped 34.1% to $113.2 billion, the third worst monthly result this year. Year-to-date, $1,418.0 billion was raised in the asset-backed debt market, a drop of 4.9% from last year's comparable period. Although ABS issuance is not on pace with 2005's record-setting year, it is still on pace for the second best issuance result. Straight corporate debt issuance was $105.8 billion in October, a 23.8% drop from September, although the year-to-date total of $1,201.0 billion is 16.3% ahead of the same period last year.



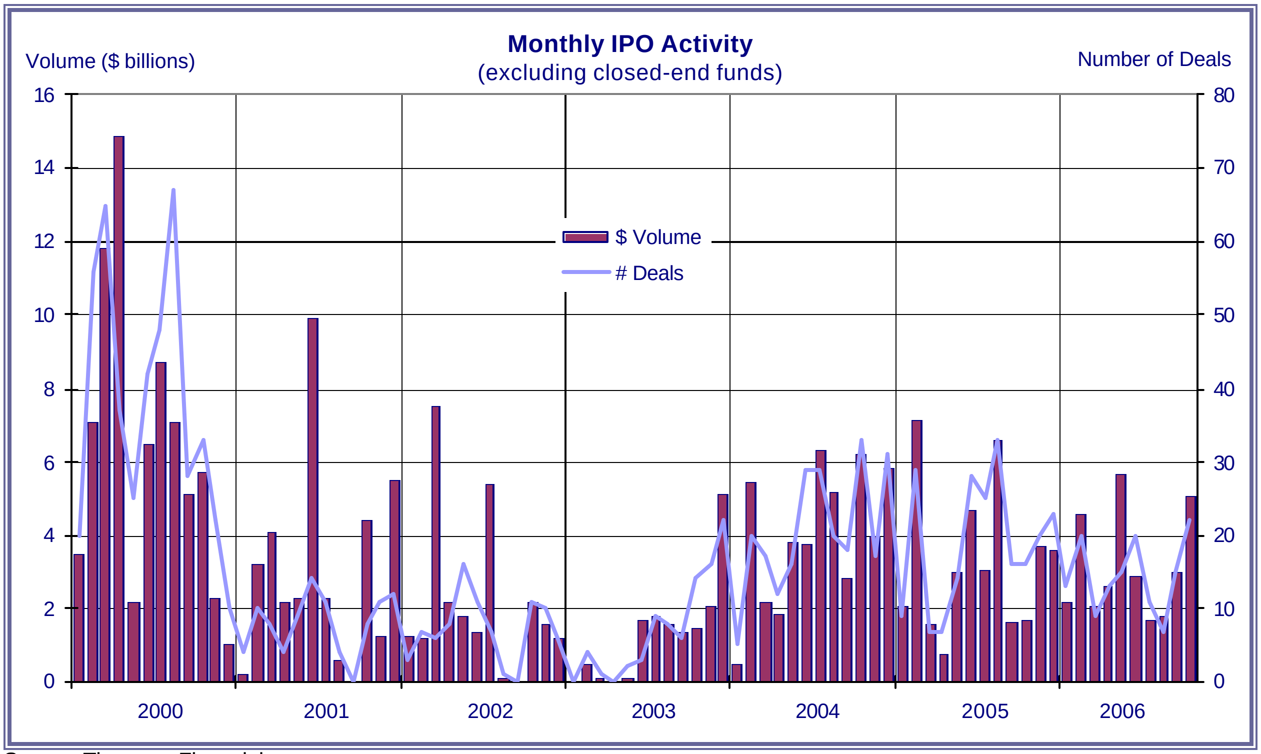

Source: Thomson Financial

***Equity Underwriting*** – Total equity issuance was lower in October, as dollar proceeds declined to $12.6 billion, 20.3% below the $15.8 billion raised in September. Equity underwriting activity year-to-date, at $141.3 billion, is 8.9% below the $155.0 billion raised in the same year-earlier period.



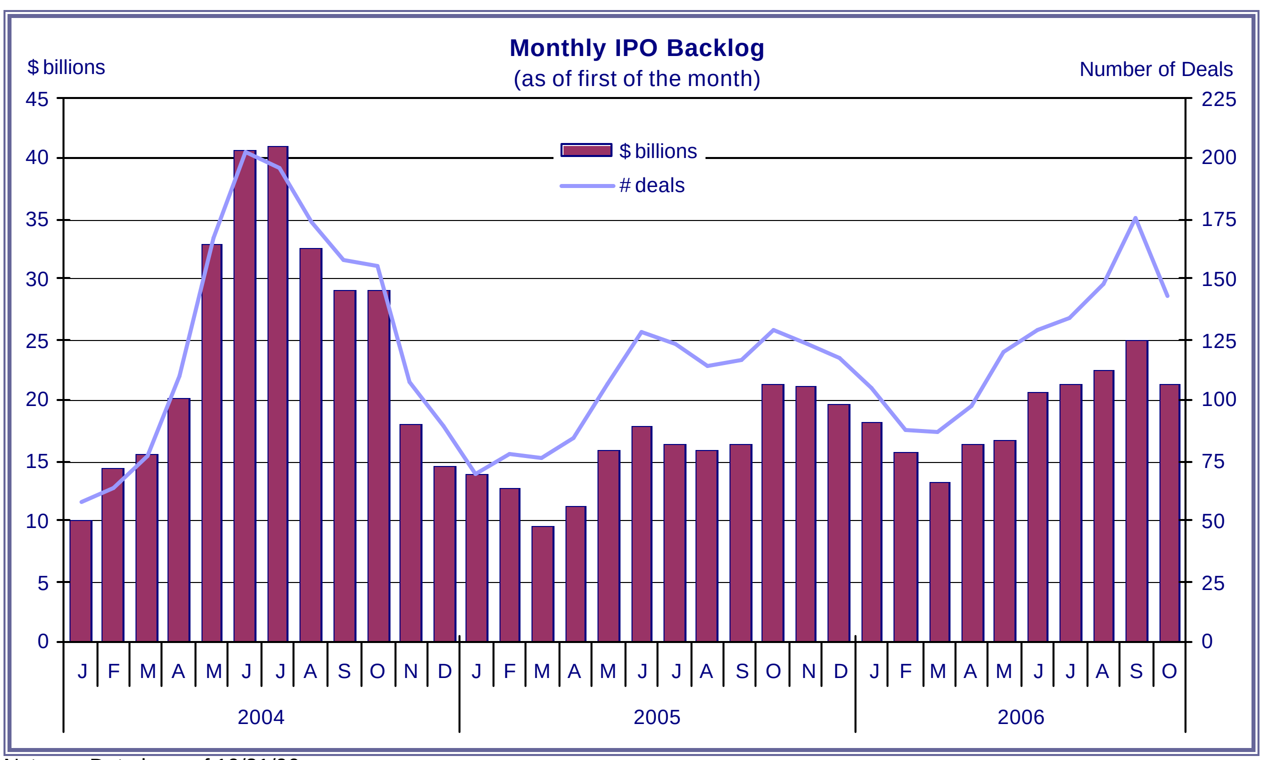

Source: Thomson Financial

***Initial Public Offerings (IPOs)*** – October's US IPO volume of $5.1 billion was 68.7% above September's level of $3.0 billion. October's number of deals, 22, exceeded the previous monthly 2006 high of 20, reached in February and June.



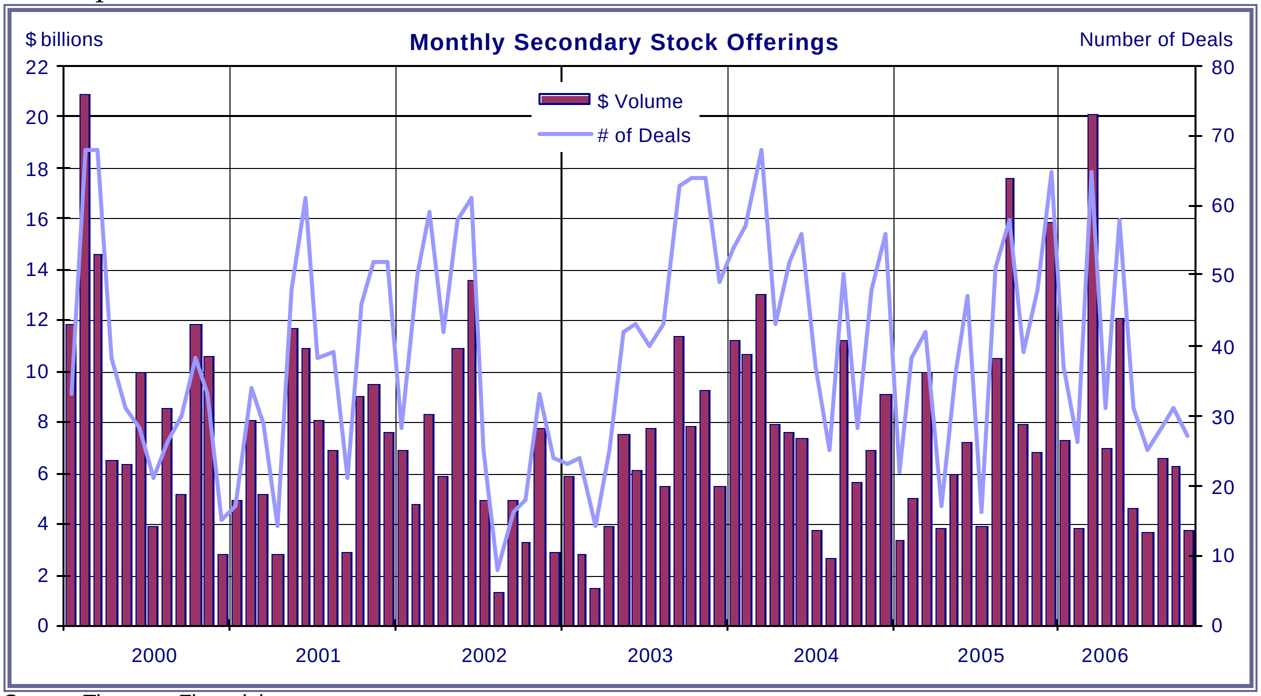

Source: Thomson Financial

***IPO Backlog*** –Reflecting a surge in issuance activity, the filed IPO backlog declined by 18%, at 143 IPOs worth $21.3 billion in the pipeline as of October 31.



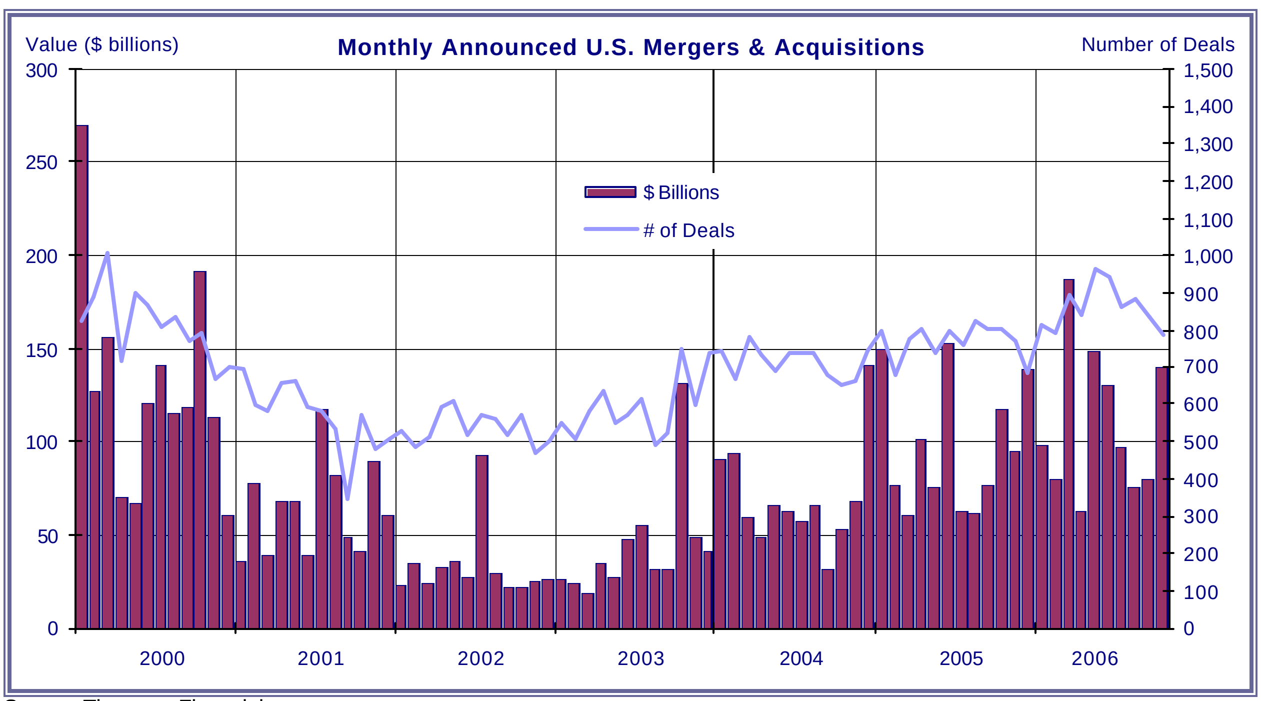

Note: Data is as of 10/31/06
Source: Thomson Financial

***Secondary common stock offerings*** dipped to a yearly low of $3.7 billion in October, a decrease of 40.9% from September, although year-to-date issuance was off only 0.1% from the same year-earlier period.




Source: Thomson Financial

***Mergers & Acquisition (M&A)*** – M&A announced deal dollar volume surged in October to reach $140.1 billion, up 57.4% from September. In fact, the volume of announced deals was so strong in October that at its current pace it would reach $1.38 trillion for the full year, approaching the third best year for announced M&A dollar volume reached in 1999. The number of announced deals was down 5.3% to 790 deals in October, the second consecutive month in which the number of deals declined while the dollar volume rose.




Source: Thomson Financial

**Charles M. Bartlett, Jr.**
*Vice President and Director, Statistics*

# U.S. CORPORATE UNDERWRITING ACTIVITY

(In $ Billions)

| | Straight Corporate Debt | Con-vertible Debt | Asset-Backed Debt | **TOTAL DEBT** | Common Stock | Preferred Stock | **TOTAL EQUITY** | All IPOs | "True" IPOs | Secondaries | **TOTAL UNDER-WRITINGS** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1985 | 76.4 | 7.5 | 20.8 | 104.7 | 24.7 | 8.6 | 33.3 | 8.5 | 8.4 | 16.2 | 138.0 |
| 1986 | 149.8 | 10.1 | 67.8 | 227.7 | 43.2 | 13.9 | 57.1 | 22.3 | 18.1 | 20.9 | 284.8 |
| 1987 | 117.8 | 9.9 | 91.7 | 219.4 | 41.5 | 11.4 | 52.9 | 24.0 | 14.3 | 17.5 | 272.3 |
| 1988 | 120.3 | 3.1 | 113.8 | 237.2 | 29.7 | 7.6 | 37.3 | 23.6 | 5.7 | 6.1 | 274.5 |
| 1989 | 134.1 | 5.5 | 135.3 | 274.9 | 22.9 | 7.7 | 30.6 | 13.7 | 6.1 | 9.2 | 305.5 |
| 1990 | 107.7 | 4.7 | 176.1 | 288.4 | 19.2 | 4.7 | 23.9 | 10.1 | 4.5 | 9.0 | 312.3 |
| 1991 | 203.6 | 7.8 | 300.0 | 511.5 | 56.0 | 19.9 | 75.9 | 25.1 | 16.4 | 30.9 | 587.4 |
| 1992 | 319.8 | 7.1 | 427.0 | 753.8 | 72.5 | 29.3 | 101.8 | 39.6 | 24.1 | 32.9 | 855.7 |
| 1993 | 448.4 | 9.3 | 474.8 | 932.5 | 102.4 | 28.4 | 130.8 | 57.4 | 41.3 | 45.0 | 1,063.4 |
| 1994 | 381.2 | 4.8 | 253.5 | 639.5 | 61.4 | 15.5 | 76.9 | 33.7 | 28.3 | 27.7 | 716.4 |
| 1995 | 466.0 | 6.9 | 152.4 | 625.3 | 82.0 | 15.1 | 97.1 | 30.2 | 30.0 | 51.8 | 722.4 |
| 1996 | 564.8 | 9.3 | 252.9 | 827.0 | 115.5 | 36.5 | 151.9 | 50.0 | 49.9 | 65.5 | 979.0 |
| 1997 | 769.8 | 8.5 | 385.6 | 1,163.9 | 120.2 | 33.3 | 153.4 | 44.2 | 43.2 | 75.9 | 1,317.3 |
| 1998 | 1,142.5 | 6.3 | 566.8 | 1,715.6 | 115.0 | 37.8 | 152.7 | 43.7 | 36.6 | 71.2 | 1,868.3 |
| 1999 | 1,264.8 | 16.1 | 487.1 | 1,768.0 | 164.3 | 27.5 | 191.7 | 66.8 | 64.3 | 97.5 | 1,959.8 |
| 2000 | 1,236.2 | 17.0 | 393.4 | 1,646.6 | 189.1 | 15.4 | 204.5 | 76.1 | 75.8 | 112.9 | 1,851.0 |
| 2001 | 1,511.2 | 21.6 | 832.5 | 2,365.4 | 128.4 | 41.3 | 169.7 | 40.8 | 36.0 | 87.6 | 2,535.1 |
| 2002 | 1,303.2 | 8.6 | 1,115.4 | 2,427.2 | 116.4 | 37.6 | 154.0 | 41.2 | 25.8 | 75.2 | 2,581.1 |
| 2003 | 1,370.7 | 10.6 | 1,352.3 | 2,733.6 | 118.5 | 37.8 | 156.3 | 43.7 | 15.9 | 74.8 | 2,889.9 |
| 2004 | 1,278.4 | 5.5 | 1,372.3 | 2,656.2 | 169.6 | 33.2 | 202.7 | 72.8 | 47.9 | 96.7 | 2,859.0 |
| 2005 | 1,205.4 | 6.3 | 1,808.6 | 3,020.3 | 160.5 | 29.9 | 190.4 | 62.6 | 39.6 | 97.8 | 3,210.7 |
| 2005 | | | | | | | | | | | |
| Jan | 145.6 | 0.2 | 135.5 | 281.3 | 8.2 | 0.7 | 8.9 | 4.9 | 2.1 | 3.3 | 290.2 |
| Feb | 80.5 | 0.0 | 121.2 | 201.7 | 14.8 | 1.7 | 16.4 | 9.8 | 7.1 | 5.0 | 218.2 |
| Mar | 116.0 | 0.5 | 142.8 | 259.3 | 14.4 | 4.3 | 18.7 | 4.4 | 1.6 | 10.0 | 278.0 |
| Apr | 62.5 | 0.8 | 129.3 | 192.5 | 6.0 | 1.6 | 7.6 | 2.2 | 0.8 | 3.8 | 200.2 |
| May | 98.9 | 0.0 | 162.5 | 261.4 | 10.8 | 2.0 | 12.8 | 4.9 | 3.0 | 6.0 | 274.2 |
| June | 152.5 | 2.0 | 171.4 | 325.9 | 14.5 | 5.5 | 20.0 | 7.3 | 4.7 | 7.1 | 345.9 |
| July | 90.9 | 0.0 | 123.8 | 214.7 | 7.8 | 1.3 | 9.1 | 3.9 | 3.1 | 3.9 | 223.8 |
| Aug | 97.3 | 0.0 | 168.3 | 265.6 | 18.8 | 1.4 | 20.2 | 8.3 | 6.6 | 10.5 | 285.8 |
| Sept | 112.8 | 0.0 | 185.2 | 298.0 | 23.4 | 4.2 | 27.6 | 5.8 | 1.6 | 17.6 | 325.7 |
| Oct | 75.9 | 0.0 | 150.8 | 226.7 | 11.4 | 2.2 | 13.7 | 3.5 | 1.7 | 7.9 | 240.4 |
| Nov | 88.9 | 1.6 | 159.7 | 250.3 | 10.8 | 2.8 | 13.6 | 4.0 | 3.7 | 6.8 | 263.9 |
| Dec | 83.5 | 1.2 | 158.0 | 242.8 | 19.5 | 2.2 | 21.7 | 3.6 | 3.6 | 15.9 | 264.5 |
| 2006 | | | | | | | | | | | |
| Jan | 141.4 | 1.6 | 101.8 | 244.9 | 9.6 | 1.6 | 11.2 | 2.3 | 2.2 | 7.3 | 256.1 |
| Feb | 107.4 | 0.0 | 161.0 | 268.3 | 8.8 | 0.2 | 9.0 | 5.0 | 4.6 | 3.8 | 277.4 |
| Mar | 162.3 | 1.0 | 164.8 | 328.1 | 22.4 | 3.7 | 26.1 | 2.3 | 2.0 | 20.1 | 354.1 |
| Apr | 86.5 | 0.4 | 121.7 | 208.5 | 10.9 | 2.6 | 13.5 | 4.0 | 2.6 | 7.0 | 222.1 |
| May | 125.8 | 1.7 | 150.0 | 277.5 | 17.7 | 3.3 | 21.0 | 5.7 | 5.7 | 12.1 | 298.5 |
| June | 153.4 | 1.1 | 194.8 | 349.3 | 7.9 | 4.8 | 12.6 | 3.3 | 2.9 | 4.6 | 361.9 |
| July | 78.9 | 0.9 | 101.5 | 181.3 | 6.4 | 2.7 | 9.2 | 2.8 | 1.7 | 3.6 | 190.5 |
| Aug | 100.7 | 0.9 | 137.6 | 239.2 | 8.8 | 1.5 | 10.3 | 2.3 | 1.8 | 6.5 | 249.5 |
| Sept | 138.8 | 0.1 | 171.8 | 310.7 | 10.6 | 5.2 | 15.8 | 4.3 | 3.0 | 6.3 | 326.5 |
| Oct | 105.8 | 0.0 | 113.2 | 218.9 | 8.8 | 3.8 | 12.6 | 5.1 | 5.1 | 3.7 | 231.5 |
| Nov | | | | | | | | | | | |
| Dec | | | | | | | | | | | |
| YTD '05 | 1,032.9 | 3.5 | 1,490.9 | 2,527.3 | 130.2 | 24.8 | 155.0 | 55.1 | 32.3 | 75.1 | 2,682.3 |
| YTD '06 | 1,201.0 | 7.7 | 1,418.0 | 2,626.7 | 111.9 | 29.4 | 141.3 | 36.9 | 31.5 | 75.0 | 2,768.0 |
| % Change | 16.3% | 119.1% | -4.9% | 3.9% | -14.0% | 18.2% | -8.9% | -33.0% | -2.4% | -0.1% | 3.2% |

Note: IPOs and secondaries are subsets of common stock. “True” IPOs exclude closed-end funds.
Source: Thomson Financial

## MUNICIPAL BOND UNDERWRITINGS
(In $ Billions)

## INTEREST RATES
(Averages)

| | Compet. Rev. Bonds | Nego. Rev. Bonds | **TOTAL REVENUE BONDS** | Compet. G.O.s | Nego. G.O.s | **TOTAL G.O.s** | **TOTAL MUNICIPAL BONDS** | 3-Mo. T Bills | 10-Year Treasuries | SPREAD |
|---|---|---|---|---|---|---|---|---|---|---|
| 1985 | 10.2 | 150.8 | 161.0 | 17.6 | 22.8 | 40.4 | 201.4 | 7.47 | 10.62 | 3.15 |
| 1986 | 10.0 | 92.6 | 102.6 | 23.1 | 22.6 | 45.7 | 148.3 | 5.97 | 7.68 | 1.71 |
| 1987 | 7.1 | 64.4 | 71.5 | 16.3 | 14.2 | 30.5 | 102.0 | 5.78 | 8.39 | 2.61 |
| 1988 | 7.6 | 78.1 | 85.7 | 19.2 | 12.7 | 31.9 | 117.6 | 6.67 | 8.85 | 2.18 |
| 1989 | 9.2 | 75.8 | 85.0 | 20.7 | 17.2 | 37.9 | 122.9 | 8.11 | 8.49 | 0.38 |
| 1990 | 7.6 | 78.4 | 86.0 | 22.7 | 17.5 | 40.2 | 126.2 | 7.50 | 8.55 | 1.05 |
| 1991 | 11.0 | 102.1 | 113.1 | 29.8 | 28.1 | 57.9 | 171.0 | 5.38 | 7.86 | 2.48 |
| 1992 | 12.5 | 139.0 | 151.6 | 32.5 | 49.0 | 81.5 | 233.1 | 3.43 | 7.01 | 3.58 |
| 1993 | 20.0 | 175.6 | 195.6 | 35.6 | 56.7 | 92.4 | 287.9 | 3.00 | 5.87 | 2.87 |
| 1994 | 15.0 | 89.2 | 104.2 | 34.5 | 23.2 | 57.7 | 161.9 | 4.25 | 7.09 | 2.84 |
| 1995 | 13.5 | 81.7 | 95.2 | 27.6 | 32.2 | 59.8 | 155.0 | 5.49 | 6.57 | 1.08 |
| 1996 | 15.6 | 100.1 | 115.7 | 31.3 | 33.2 | 64.5 | 180.2 | 5.01 | 6.44 | 1.43 |
| 1997 | 12.3 | 130.2 | 142.6 | 35.5 | 36.5 | 72.0 | 214.6 | 5.06 | 6.35 | 1.29 |
| 1998 | 21.4 | 165.6 | 187.0 | 43.7 | 49.0 | 92.8 | 279.8 | 4.78 | 5.26 | 0.48 |
| 1999 | 14.3 | 134.9 | 149.2 | 38.5 | 31.3 | 69.8 | 219.0 | 4.64 | 5.65 | 1.01 |
| 2000 | 13.6 | 116.2 | 129.7 | 35.0 | 29.3 | 64.3 | 194.0 | 5.82 | 6.03 | 0.21 |
| 2001 | 17.6 | 164.2 | 181.8 | 45.5 | 56.3 | 101.8 | 283.5 | 3.39 | 5.02 | 1.63 |
| 2002 | 19.5 | 210.5 | 230.0 | 52.3 | 73.1 | 125.4 | 355.4 | 1.60 | 4.61 | 3.01 |
| 2003 | 21.1 | 215.8 | 236.9 | 54.7 | 87.7 | 142.4 | 379.3 | 1.01 | 4.02 | 3.00 |
| 2004 | 17.2 | 209.8 | 227.1 | 51.5 | 77.7 | 129.2 | 356.3 | 1.37 | 4.27 | 2.90 |
| 2005 | 20.5 | 240.9 | 261.4 | 55.9 | 89.1 | 145.0 | 406.4 | 3.15 | 4.29 | 1.15 |
| <u>2005</u> | | | | | | | | | | |
| Jan | 1.0 | 11.7 | 12.7 | 3.6 | 6.6 | 10.2 | 22.8 | 2.33 | 4.22 | 1.89 |
| Feb | 1.5 | 15.6 | 17.1 | 4.5 | 9.2 | 13.6 | 30.7 | 2.54 | 4.17 | 1.63 |
| Mar | 1.2 | 24.1 | 25.3 | 7.2 | 12.5 | 19.7 | 45.0 | 2.74 | 4.50 | 1.76 |
| Apr | 1.9 | 16.4 | 18.2 | 5.1 | 7.9 | 13.0 | 31.3 | 2.76 | 4.34 | 1.58 |
| May | 1.3 | 20.8 | 22.1 | 4.1 | 9.5 | 13.6 | 35.7 | 2.84 | 4.14 | 1.30 |
| June | 2.4 | 25.2 | 27.6 | 7.1 | 9.4 | 16.5 | 44.1 | 2.97 | 4.00 | 1.03 |
| July | 1.5 | 21.8 | 23.3 | 3.8 | 6.8 | 10.5 | 33.8 | 3.22 | 4.18 | 0.96 |
| Aug | 1.3 | 21.7 | 23.0 | 4.3 | 6.8 | 11.1 | 34.1 | 3.44 | 4.26 | 0.82 |
| Sept | 2.5 | 17.2 | 19.7 | 4.9 | 6.7 | 11.7 | 31.4 | 3.42 | 4.20 | 0.78 |
| Oct | 2.9 | 18.8 | 21.7 | 2.4 | 3.4 | 5.8 | 27.4 | 3.71 | 4.46 | 0.75 |
| Nov | 2.3 | 26.1 | 28.4 | 5.1 | 5.1 | 10.3 | 38.7 | 3.88 | 4.54 | 0.66 |
| Dec | 0.8 | 21.5 | 22.3 | 3.8 | 5.2 | 9.0 | 31.3 | 3.89 | 4.47 | 0.58 |
| <u>2006</u> | | | | | | | | | | |
| Jan | 0.7 | 10.5 | 11.2 | 3.4 | 3.9 | 7.4 | 18.6 | 4.24 | 4.42 | 0.18 |
| Feb | 1.6 | 12.2 | 13.8 | 3.2 | 5.9 | 9.1 | 22.9 | 4.43 | 4.57 | 0.14 |
| Mar | 1.1 | 16.2 | 17.3 | 4.2 | 5.4 | 9.6 | 26.9 | 4.51 | 4.72 | 0.21 |
| Apr | 2.2 | 19.7 | 21.9 | 2.8 | 4.2 | 6.9 | 28.8 | 4.60 | 4.99 | 0.39 |
| May | 2.6 | 22.3 | 24.9 | 3.9 | 5.6 | 9.5 | 34.4 | 4.72 | 5.11 | 0.39 |
| June | 2.8 | 30.0 | 32.8 | 4.7 | 7.4 | 12.1 | 44.9 | 4.79 | 5.11 | 0.32 |
| July | 1.1 | 19.7 | 20.8 | 4.0 | 2.9 | 6.8 | 27.6 | 4.95 | 5.09 | 0.14 |
| Aug | 1.2 | 19.4 | 20.6 | 3.2 | 7.7 | 10.9 | 31.5 | 4.96 | 4.88 | -0.08 |
| Sept | 1.9 | 15.7 | 17.7 | 5.2 | 4.1 | 9.3 | 26.9 | 4.81 | 4.72 | -0.09 |
| Oct | 2.0 | 17.3 | 19.3 | 4.5 | 6.7 | 11.2 | 30.5 | 4.92 | 4.73 | -0.19 |
| Nov | | | | | | | | | | |
| Dec | | | | | | | | | | |
| YTD '05 | 17.4 | 193.3 | 210.7 | 46.9 | 78.8 | 125.7 | 336.4 | 3.00 | 4.25 | 1.25 |
| YTD '06 | 17.3 | 182.9 | 200.2 | 39.2 | 53.7 | 92.9 | 293.0 | 4.69 | 4.83 | 0.14 |
| % Change | -0.8% | -5.4% | -5.0% | -16.6% | -31.8% | -26.1% | -12.9% | 56.6% | 13.8% | -88.7% |

Sources: Thomson Financial; Federal Reserve

| | STOCK MARKET PERFORMANCE INDICES (End of Period) | | | | STOCK MARKET VOLUME (Daily Avg., Mils. of Shs.) | | | VALUE TRADED (Daily Avg., $ Bils.) | |
|---|---|---|---|---|---|---|---|---|---|
| | Dow Jones Industrial Average | S&P 500 | NYSE Composite | NASDAQ Composite | NYSE | AMEX | NASDAQ | NYSE | NASDAQ |
| 1985 | 1,546.67 | 211.28 | 1,285.66 | 324.93 | 109.2 | 8.3 | 82.1 | 3.9 | 0.9 |
| 1986 | 1,895.95 | 242.17 | 1,465.31 | 348.83 | 141.0 | 11.8 | 113.6 | 5.4 | 1.5 |
| 1987 | 1,938.83 | 247.08 | 1,461.61 | 330.47 | 188.9 | 13.9 | 149.8 | 7.4 | 2.0 |
| 1988 | 2,168.57 | 277.72 | 1,652.25 | 381.38 | 161.5 | 9.9 | 122.8 | 5.4 | 1.4 |
| 1989 | 2,753.20 | 353.40 | 2,062.30 | 454.82 | 165.5 | 12.4 | 133.1 | 6.1 | 1.7 |
| 1990 | 2,633.66 | 330.22 | 1,908.45 | 373.84 | 156.8 | 13.2 | 131.9 | 5.2 | 1.8 |
| 1991 | 3,168.83 | 417.09 | 2,426.04 | 586.34 | 178.9 | 13.3 | 163.3 | 6.0 | 2.7 |
| 1992 | 3,301.11 | 435.71 | 2,539.92 | 676.95 | 202.3 | 14.2 | 190.8 | 6.9 | 3.5 |
| 1993 | 3,754.09 | 466.45 | 2,739.44 | 776.80 | 264.5 | 18.1 | 263.0 | 9.0 | 5.3 |
| 1994 | 3,834.44 | 459.27 | 2,653.37 | 751.96 | 291.4 | 17.9 | 295.1 | 9.7 | 5.8 |
| 1995 | 5,117.12 | 615.93 | 3,484.15 | 1,052.13 | 346.1 | 20.1 | 401.4 | 12.2 | 9.5 |
| 1996 | 6,448.27 | 740.74 | 4,148.07 | 1,291.03 | 412.0 | 22.1 | 543.7 | 16.0 | 13.0 |
| 1997 | 7,908.25 | 970.43 | 5,405.19 | 1,570.35 | 526.9 | 24.4 | 647.8 | 22.8 | 17.7 |
| 1998 | 9,181.43 | 1,229.23 | 6,299.93 | 2,192.69 | 673.6 | 28.9 | 801.7 | 29.0 | 22.9 |
| 1999 | 11,497.12 | 1,469.25 | 6,876.10 | 4,069.31 | 808.9 | 32.7 | 1,081.8 | 35.5 | 43.7 |
| 2000 | 10,786.85 | 1,320.28 | 6,945.57 | 2,470.52 | 1,041.6 | 52.9 | 1,757.0 | 43.9 | 80.9 |
| 2001 | 10,021.50 | 1,148.08 | 6,236.39 | 1,950.40 | 1,240.0 | 65.8 | 1,900.1 | 42.3 | 44.1 |
| 2002 | 8,341.63 | 879.82 | 5,000.00 | 1,335.51 | 1,441.0 | 63.7 | 1,752.8 | 40.9 | 28.8 |
| 2003 | 10,453.92 | 1,111.92 | 6,440.30 | 2,003.37 | 1,398.4 | 67.1 | 1,685.5 | 38.5 | 28.0 |
| 2004 | 10,783.01 | 1,211.92 | 7,250.06 | 2,175.44 | 1,456.7 | 66.0 | 1,801.3 | 46.1 | 34.6 |
| 2005 | 10,717.50 | 1,248.29 | 7,753.95 | 2,205.32 | 1,602.2 | 63.5 | 1,778.5 | 56.1 | 39.5 |
| 2005 | | | | | | | | | |
| Jan | 10,489.94 | 1,181.27 | 7,089.83 | 2,062.41 | 1,618.4 | 62.5 | 2,172.3 | 54.1 | 45.5 |
| Feb | 10,766.23 | 1,203.60 | 7,321.23 | 2,051.72 | 1,578.2 | 62.7 | 1,950.2 | 54.5 | 43.2 |
| Mar | 10,503.76 | 1,180.59 | 7,167.53 | 1,999.23 | 1,682.6 | 66.7 | 1,849.0 | 59.1 | 38.8 |
| Apr | 10,192.51 | 1,156.85 | 7,008.32 | 1,921.65 | 1,692.8 | 61.7 | 1,839.2 | 58.8 | 39.6 |
| May | 10,467.48 | 1,191.50 | 7,134.33 | 2,068.22 | 1,502.1 | 52.9 | 1,685.6 | 50.8 | 36.6 |
| June | 10,274.97 | 1,191.33 | 7,217.78 | 2,056.96 | 1,515.8 | 58.0 | 1,747.9 | 52.5 | 39.4 |
| July | 10,640.91 | 1,234.18 | 7,476.66 | 2,184.83 | 1,478.9 | 58.8 | 1,621.8 | 53.1 | 37.8 |
| Aug | 10,481.60 | 1,220.33 | 7,496.09 | 2,152.09 | 1,441.4 | 61.9 | 1,538.9 | 51.3 | 34.1 |
| Sept | 10,568.70 | 1,228.81 | 7,632.98 | 2,151.69 | 1,683.0 | 70.5 | 1,716.5 | 60.6 | 37.5 |
| Oct | 10,440.07 | 1,207.01 | 7,433.12 | 2,120.30 | 1,846.7 | 72.7 | 1,796.3 | 64.6 | 41.7 |
| Nov | 10,805.87 | 1,249.48 | 7,645.28 | 2,232.82 | 1,641.7 | 64.6 | 1,768.3 | 58.3 | 41.9 |
| Dec | 10,717.50 | 1,248.29 | 7,753.95 | 2,205.32 | 1,553.5 | 69.6 | 1,704.4 | 55.2 | 39.6 |
| 2006 | | | | | | | | | |
| Jan | 10,864.86 | 1,280.08 | 8,106.55 | 2,305.82 | 1,956.9 | 81.4 | 2,170.7 | 72.4 | 55.0 |
| Feb | 10,993.41 | 1,280.66 | 8,060.61 | 2,281.39 | 1,815.2 | 77.4 | 2,014.0 | 68.8 | 48.8 |
| Mar | 11,109.32 | 1,294.83 | 8,233.20 | 2,339.79 | 1,740.3 | 75.0 | 2,135.2 | 65.2 | 47.6 |
| Apr | 11,367.14 | 1,310.61 | 8,471.43 | 2,322.57 | 1,775.5 | 92.0 | 2,138.7 | 69.0 | 49.3 |
| May | 11,168.31 | 1,270.09 | 8,189.11 | 2,178.88 | 1,986.9 | 92.5 | 2,163.6 | 77.3 | 49.6 |
| June | 11,150.22 | 1,270.20 | 8,169.07 | 2,172.09 | 2,006.2 | 82.3 | 2,087.4 | 73.5 | 45.6 |
| July | 11,185.68 | 1,276.66 | 8,242.12 | 2,091.47 | 1,797.6 | 60.1 | 1,894.6 | 65.3 | 42.2 |
| Aug | 11,381.15 | 1,303.82 | 8,388.56 | 2,183.75 | 1,614.2 | 50.9 | 1,710.3 | 57.4 | 36.9 |
| Sept | 11,679.07 | 1,335.85 | 8,469.65 | 2,258.43 | 1,787.3 | 55.2 | 1,942.0 | 65.8 | 44.3 |
| Oct | 12,080.73 | 1,377.94 | 8,774.98 | 2,366.71 | 1,852.5 | 54.0 | 2,018.8 | 69.8 | 48.0 |
| Nov | | | | | | | | | |
| Dec | | | | | | | | | |
| YTD '05 | 10,440.07 | 1,207.01 | 7,433.12 | 2,120.30 | 1,603.2 | 62.8 | 1,786.9 | 55.9 | 39.3 |
| YTD '06 | 12,080.73 | 1,377.94 | 8,774.98 | 2,366.71 | 1,832.5 | 71.8 | 2,025.8 | 68.4 | 46.6 |
| % Change | 15.7% | 14.2% | 18.1% | 11.6% | 14.3% | 14.3% | 13.4% | 22.3% | 18.6% |

## MUTAL FUND ASSETS / MUTUAL FUND NET NEW CASH FLOW*

| | MUTUAL FUND ASSETS ($ Billions) | | | | | MUTUAL FUND NET NEW CASH FLOW* ($ Billions) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Equity | Hybrid | Bond | Money Market | TOTAL ASSETS | Equity | Hybrid | Bond | Money Market | TOTAL | Total Long-Term Funds |
| 1985 | 116.9 | 12.0 | 122.6 | 243.8 | 495.4 | 8.5 | 1.9 | 63.2 | -5.4 | 68.2 | 73.6 |
| 1986 | 161.4 | 18.8 | 243.3 | 292.2 | 715.7 | 21.7 | 5.6 | 102.6 | 33.9 | 163.8 | 129.9 |
| 1987 | 180.5 | 24.2 | 248.4 | 316.1 | 769.2 | 19.0 | 4.0 | 6.8 | 10.2 | 40.0 | 29.8 |
| 1988 | 194.7 | 21.1 | 255.7 | 338.0 | 809.4 | -16.1 | -2.5 | -4.5 | 0.1 | -23.0 | -23.1 |
| 1989 | 248.8 | 31.8 | 271.9 | 428.1 | 980.7 | 5.8 | 4.2 | -1.2 | 64.1 | 72.8 | 8.8 |
| 1990 | 239.5 | 36.1 | 291.3 | 498.3 | 1,065.2 | 12.8 | 2.2 | 6.2 | 23.2 | 44.4 | 21.2 |
| 1991 | 404.7 | 52.2 | 393.8 | 542.5 | 1,393.2 | 39.4 | 8.0 | 58.9 | 5.5 | 111.8 | 106.3 |
| 1992 | 514.1 | 78.0 | 504.2 | 546.2 | 1,642.5 | 78.9 | 21.8 | 71.0 | -16.3 | 155.4 | 171.7 |
| 1993 | 740.7 | 144.5 | 619.5 | 565.3 | 2,070.0 | 129.4 | 39.4 | 73.3 | -14.1 | 228.0 | 242.1 |
| 1994 | 852.8 | 164.5 | 527.1 | 611.0 | 2,155.4 | 118.9 | 20.9 | -64.6 | 8.8 | 84.1 | 75.2 |
| 1995 | 1,249.1 | 210.5 | 598.9 | 753.0 | 2,811.5 | 127.6 | 5.3 | -10.5 | 89.4 | 211.8 | 122.4 |
| 1996 | 1,726.1 | 252.9 | 645.4 | 901.8 | 3,526.3 | 216.9 | 12.3 | 2.8 | 89.4 | 321.3 | 232.0 |
| 1997 | 2,368.0 | 317.1 | 724.2 | 1,058.9 | 4,468.2 | 227.1 | 16.5 | 28.4 | 102.1 | 374.1 | 272.0 |
| 1998 | 2,978.2 | 364.7 | 830.6 | 1,351.7 | 5,525.2 | 157.0 | 10.2 | 74.6 | 235.3 | 477.1 | 241.8 |
| 1999 | 4,041.9 | 383.2 | 808.1 | 1,613.1 | 6,846.3 | 187.7 | -12.4 | -5.5 | 193.6 | 363.4 | 169.8 |
| 2000 | 3,962.0 | 346.3 | 811.1 | 1,845.2 | 6,964.7 | 309.4 | -30.7 | -49.8 | 159.6 | 388.6 | 228.9 |
| 2001 | 3,418.2 | 346.3 | 925.1 | 2,285.3 | 6,975.0 | 31.9 | 9.5 | 87.7 | 375.6 | 504.8 | 129.2 |
| 2002 | 2,667.0 | 327.4 | 1,124.9 | 2,272.0 | 6,391.3 | -27.7 | 8.6 | 140.3 | -46.7 | 74.5 | 121.2 |
| 2003 | 3,684.8 | 436.7 | 1,240.9 | 2,051.7 | 7,414.1 | 152.3 | 32.6 | 31.0 | -258.5 | -42.6 | 215.8 |
| 2004 | 4,384.0 | 519.3 | 1,290.4 | 1,913.2 | 8,106.9 | 177.9 | 42.7 | -10.8 | -156.6 | 53.2 | 209.8 |
| 2005 | 4,940.0 | 567.3 | 1,357.4 | 2,040.5 | 8,905.2 | 135.5 | 25.2 | 31.3 | 63.1 | 255.2 | 192.0 |
| 2005 | | | | | | | | | | | |
| Jan | 4,288.7 | 515.7 | 1,302.6 | 1,892.5 | 7,999.5 | 10.1 | 5.0 | 4.7 | -27.5 | -7.8 | 19.7 |
| Feb | 4,416.3 | 528.9 | 1,305.3 | 1,875.4 | 8,125.8 | 22.1 | 4.4 | 2.6 | -19.3 | 9.8 | 29.1 |
| Mar | 4,349.6 | 525.4 | 1,295.7 | 1,875.7 | 8,046.4 | 15.3 | 3.9 | -1.3 | -2.2 | 15.7 | 17.9 |
| Apr | 4,246.8 | 522.6 | 1,306.8 | 1,841.3 | 7,917.6 | 8.5 | 2.6 | 1.2 | -36.7 | -24.4 | 12.3 |
| May | 4,407.3 | 534.7 | 1,323.4 | 1,858.4 | 8,123.7 | 11.8 | 2.2 | 4.0 | 14.5 | 32.5 | 18.0 |
| June | 4,472.1 | 543.9 | 1,336.4 | 1,865.4 | 8,217.7 | 6.3 | 2.0 | 4.1 | 3.0 | 15.4 | 12.4 |
| July | 4,670.3 | 554.6 | 1,339.4 | 1,883.9 | 8,448.3 | 9.9 | 1.4 | 7.4 | 13.9 | 32.5 | 18.6 |
| Aug | 4,678.6 | 557.5 | 1,360.6 | 1,922.9 | 8,519.7 | 6.4 | 1.8 | 7.4 | 32.5 | 48.0 | 15.5 |
| Sept | 4,759.5 | 560.8 | 1,356.3 | 1,912.6 | 8,589.2 | 7.8 | 1.3 | 3.8 | -13.4 | -0.4 | 13.0 |
| Oct | 4,664.3 | 552.0 | 1,344.7 | 1,936.5 | 8,497.5 | 6.5 | 0.9 | 0.6 | 21.2 | 29.2 | 8.0 |
| Nov | 4,863.6 | 562.7 | 1,349.2 | 1,991.1 | 8,766.6 | 21.0 | 0.5 | -0.3 | 30.3 | 51.5 | 21.2 |
| Dec | 4,940.0 | 567.3 | 1,357.4 | 2,040.5 | 8,905.2 | 9.8 | -0.8 | -2.8 | 47.0 | 53.2 | 6.2 |
| 2006 | | | | | | | | | | | |
| Jan | 5,196.4 | 581.1 | 1,375.4 | 2,040.4 | 9,193.3 | 31.6 | -0.1 | 8.3 | -4.4 | 35.3 | 39.7 |
| Feb | 5,198.1 | 582.5 | 1,389.3 | 2,051.0 | 9,220.9 | 27.3 | 0.8 | 8.7 | 5.5 | 42.3 | 36.8 |
| Mar | 5,340.5 | 588.1 | 1,384.6 | 2,048.5 | 9,361.7 | 34.4 | 0.6 | 5.3 | -8.3 | 32.0 | 40.2 |
| Apr | 5,473.9 | 596.5 | 1,389.6 | 2,027.2 | 9,487.2 | 26.3 | 0.3 | 0.9 | -27.1 | 0.5 | 27.6 |
| May | 5,262.3 | 586.1 | 1,386.3 | 2,081.9 | 9,316.6 | 3.2 | -0.2 | -2.6 | 50.8 | 51.3 | 0.5 |
| June | 5,255.4 | 585.5 | 1,387.1 | 2,108.4 | 9,336.4 | -8.6 | -0.5 | -0.4 | 19.8 | 10.3 | -9.5 |
| July | 5,237.1 | 591.5 | 1,406.5 | 2,141.8 | 9,376.9 | 0.7 | -0.1 | 3.2 | 25.8 | 29.7 | 3.9 |
| Aug | 5,361.5 | 602.8 | 1,430.9 | 2,189.5 | 9,584.7 | 5.1 | 0.2 | 6.6 | 42.9 | 54.8 | 11.9 |
| Sept | 5,460.9 | 613.0 | 1,444.0 | 2,209.0 | 9,726.9 | 6.6 | 0.6 | 4.6 | 15.4 | 27.2 | 11.8 |
| Oct | 5,669.6 | 633.1 | 1,463.9 | 2,246.9 | 10,013.5 | 12.2 | 1.6 | 10.6 | 32.5 | 56.9 | 24.4 |
| Nov | | | | | | | | | | | |
| Dec | | | | | | | | | | | |
| YTD '05 | 4,664.3 | 552.0 | 1,344.7 | 1,936.5 | 8,497.5 | 104.7 | 25.4 | 34.5 | -14.1 | 150.5 | 164.6 |
| YTD '06 | 5,669.6 | 633.1 | 1,463.9 | 2,246.9 | 10,013.5 | 138.8 | 3.3 | 45.3 | 152.9 | 340.2 | 187.4 |
| % Change | 21.6% | 14.7% | 8.9% | 16.0% | 17.8% | 32.6% | -87.1% | 31.5% | 1183.2% | 126.1% | 13.9% |

* New sales (excluding reinvested dividends) minus redemptions, combined with net exchanges

Source: Investment Company Institute

SIFMA

Securities Industry and
Financial Markets Association