

NATIONAL PRESS CLUB LUNCHEON WITH DUNCAN L. NIEDERAUER, CEO, NYSE  
EURONEXT

SUBJECT: THE GLOBALIZATION OF FINANCIAL MARKETS

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MS. SMITH: Good afternoon and welcome to the National Press  
Club. I'm Sylvia Smith. I'm the Washington editor of the Fort Wayne  
Journal Gazette and president of the Press Club. I'd like to welcome  
club members and their guests, as well as those of you who are  
watching on C-SPAN. We're looking forward to today's speech, and  
afterward I'll ask as many questions from the audience as time  
permits. If I can ask you to please hold your applause during this  
speech. That will give us as much time as possible for questions.  
For our broadcast audience, I'd like to explain if you do hear  
applause it may be from our guests and members of the general public  
who attend our luncheons, not necessarily from the working press.

I'd now like to introduce our head table guests and ask them to  
stand briefly when their names are called. From your right, Steven  
Sloan, a reporter for American Banker; Di Bhambhani, a reporter at  
Platts McGraw-Hill and a member of our board of governors; Keith Hill,  
editor and writer at BNA and chairman of the Press Club Board of  
Governors; Amy Borrus, deputy director of the Council of Institutional  
Investors; Knight Kiplinger, editor-in-chief of Kiplinger's Personal  
Finance magazine, Kiplinger.com, and the Kiplinger Letter; Rich  
Adamonis, senior vice president for communications at the NYSE

EURONEXT; skipping over the podium, Angela Greiling Keane, Bloomberg News, who's the head of our Speakers Committee; now, skipping over our speaker for just a minute, Jerry Zremski, Washington bureau chief of the Buffalo News and the organizer of today's lunch, thanks, Jerry; Linda Rich, senior vice president for government relations at NYSE EURONEXT; Greg Mott (ph), U.S. finance team editor at Bloomberg News; Ruth Mantell, personal finance reporter at MarketWatch; and Keith Epstein, writer in the Washington bureau of Business Week.

(Applause.)

Back in the olden days when Ronald Reagan was president and Google was a typo, business reporters like the ones gathered here today were busy writing about what they called merger mania.

Companies swallowed each other at a record pace and corporate carnivores with names like Pickens thought some takeover targets were easy pickings. Never did any of us think back then, though, that the stock exchanges where those takeover artists plied their trade would themselves one day be part of a new merger mania. Yet, that's just what's happened here in this decade. And as a result, Wall Street has gone global.

Leading the way has been the vaunted Big Board, the legendary New York Stock Exchange, which last year became NYSE Euronext, thanks to a merger with Europe's leading stock exchange group. Our guest today, NYSE Euronext CEO Duncan Niederauer, is the man in charge of making this unprecedented merger work. The merger could not have happened at a more uncertain time, just before signs surfaced of a general economic slowdown.

And now, Duncan Niederauer, a former Goldman Sachs executive, finds himself running the world's largest and most prestigious group of stock exchanges at a time when companies and traders are looking at new out-of-the-box and off-the-street ways of trading securities. These new trading ventures, with exotic names like BATS and Direct Edge, have eroded the Big Board's share of U.S. securities trading market. While that has not happened to the European exchanges that formed Euronext, it may be because these new-fangled ways of trading securities are now only -- are just now about to hit Europe's shores.

In the midst of it, though, Niederauer and the giant exchange company he heads are most certainly not looking back. In fact, the word on the street is that he wants NYSE Euronext to grow bigger and better than ever, possibly with an eventual acquisition of the Chicago Board Options Exchange. Niederauer might not be ready to break any news about such a thing here today, and he's probably not going to leave us with any hot stock tips either, but he is here to talk in some depth about globalization of financial markets.

Ladies and gentlemen, please welcome me in a warm National Press Club welcome to Duncan Niederauer.

(Applause.)

MR. NIEDERAUER: Sylvia, thanks for that intro. Would you like to give my remarks? You were pretty good.

You're not going to get any tips, for sure. I did not say we were buying the Chicago Board Options Exchange, but thanks. And I was

reminiscing about doing one of these up at the Foreign Correspondents Club in Manhattan not too long ago and for any of you who have been there, which I'm sure many of you have, it's set up almost like that press conference room at the White House where you stand at a podium like this. There's a medallion behind you and you just point to people in the audience.

My first reaction was I figured I should ask someone named Helen to ask the first question. I couldn't find anybody named Helen. But the last question, I was pretty tired, I'd been doing my best, I was up there for about an hour, and the last question just rattled off four European countries and said what do you think about their exchanges. And I decided --- I knew I was speaking to people for whom English was at best their second language -- but I decided it was time to mix it up a little bit so I said we're actually buying all four of them.

(Laughter.)

And then I caught myself. I looked at my press people who were with me and I said that probably wasn't the smartest thing I've ever said as CEO, so I quickly said you guys know all that was a joke. It was a big joke, so the (CBOE ?) is a joke as well. Okay? At least for now. I reserve the right to change my mind but for now it's a joke.

So, Sylvia is a tough act to follow. I also want to thank her for not only having me today, but for getting my name right, not once, but several times. I spoke at another group -- I won't mention the city because I don't want to embarrass the person -- but we had a head table like this, they were introducing everybody, and each person's name had been spelled out phonetically for the speaker who didn't know most of us who were at the head table. Note to any of you who prepare notes like that. When you're trying to pronounce the word "knee" or the syllable "nee," don't use the knee, don't use the knee as on your leg because that's spelled k-n-e-e. Just use n-e-e because the guy saw k-n-e-e and he had just said my name about two seconds earlier and he goes k-nah, k-nih, k-ned-something-or other.

(Laughter.)

So, drop the "K" if you're ever going to do anything phonetically. So, I didn't give you stock tip, but I gave you some free advise.

(Laughter.)

It is my pleasure to be here. The ginger cookies, if you haven't had one, just like my mom used to make. They're fantastic. It is also nice to be in a place that has a 100-year history. I noticed in the stuff I was reading on the plane on the way down just celebrated its 100th anniversary. So, congratulations on that. We are one of the few companies that would view you as a pre-teen.

(Laughter.)

We just celebrated our 217th birthday. So, congratulations on being 100. You have a long way to go I hope.

In my role, even though the company's 217 years old, I've been in my role for just over six months now. And I've had the privilege of having this job and going to all the places that this job sends me to. At times it's a little bit tiring, to be perfectly honest. There's a lot of ground to cover. The industry is absolutely global now. This is not your mother's and father's New York Stock Exchange. It is NYSE EURONEXT. It's name -- as it's name suggests, it's a global company, and my travel schedule is very much global -- is very much global.

The joke that my wife and I have is my children see more of me on television than they do in real life. So, I'm sure it's being taped on C-SPAN today and my kids will get to watch me tonight. Even though they won't see me tonight, they at least know Daddy's somewhere. Usually the comments I get -- my daughter tells me I'm the good job, she's the smart one, my son tells me my hair looks really gray on television.

(Laughter.)

So, if you could turn the lights down a little bit, maybe it won't look quite as gray.

So, what I wanted to share -- to get a little more serious -- is just some observations I've had in my travels, and I'll spice each one of them up with anecdotes so that you know -- because a lot of the observations, I'm sure, are very obvious to you, but I want to try to drive them home with some anecdotes around each one.

The first theme, it's fairly obvious, is globalization. The markets are increasingly globalized. The markets are increasingly connected. Now, let's separate markets from economies. I think markets are very much still connected. If we have a down day here in the U.S., it is very likely that Asia's going to follow through and have a down day, and that contagion spreads over a 24-hour period pretty quickly.

What I've learned in my travels is that the economies are not nearly as connected as I believe most of us think. I went into this saying the economies are just as connected as the markets. I believed in that old cliché that if the U.S. catches a cold -- if the U.S. sneezes, rather, everyone else catches a cold. I'm not sure that's true anymore. A lot of my travel is into the BRICK countries, or what are now called the next 11, which will be the next 11 emerging economies. It is quite clear to me that those economies are growing at a very rapid pace. Sure, it's off a lower base in a lot of cases, but they are becoming much more a part of the global economy and I think we should all be very cognizant of that.

Now, a lot of our U.S. companies, including ourselves, have realized this trend, so think about this as anecdote number one or soundbite number one. It may surprise you, but already in our infancy

as a public company -- remember, only two years as a public company -- we've already earned more from our businesses outside of the U.S. than we do inside of the U.S.

So, once I realized that about my own company, I started to ask every CEO who walked through the door at the New York Stock Exchange what was their mix of business, what opportunities were they seeing, et cetera, et cetera. It's an informal survey.

I would say the average response I get from company CEOs -- remember, from all businesses, all right. We have nearly 3,000 listed companies on the NYSE. More to come with the approval of the American Stock Exchange deal this morning -- it was voted on by the shareholders this morning. So, all different industries. I would say the average is about 60 to 70 percent of their business is now coming from overseas.

So, a lot of people say to me, "Why isn't the market down more when I travel overseas?" Why isn't the U.S. market down more given everything they read in the papers sounds like we're near Armageddon here. It's not the case. A lot of these companies are doing quite well. Sure, it was a turbulent quarter in the U.S. financial markets. You know, our firm, for example, had a record quarter in the first quarter. So, companies that are embracing that things are global I think are doing quite well.

A couple of other observations. I travel around a lot, as I said, and when I go to the various cities, particularly in the U.S., I will try to have a lunch and/or dinner with a lot of representatives from our listed companies. And sometimes it's with prospects. It's with small companies that we hope are part of our family as their businesses get larger over time.

One such meal I had in California about six weeks ago, I asked them a couple of questions just to learn -- how big is your company, what does your business look like, et cetera, et cetera. The average person at the table had between 3 (hundred) and 500 employees. So, all pretty small companies. In this case, none of them were public companies yet. About 15 companies represented. My next question was, "You know, I kind of believe the world's pretty virtual. I do believe the world's getting flatter and flatter, which opens up a host of opportunities for businesses that didn't exist before. Just out of curiosity -- quick informal survey -- how many countries do your small companies do business in?" It shocked me. The average number was 15 to 20.

Now, think about any other time in history where 3 (hundred) to 500 person companies could say, "Yes, I do business in 15 to 20 countries." That's what the markets today let us do. That's what the world lets us do. That's a truly globalized economy if a 400 person company can be doing business in 20 different countries effectively. Pretty amazing.

Now, I then asked them, "Well, what's your biggest challenge? How the heck do you manage such a small company that operates with such a large global footprint?" Another soundbite for you. Their

biggest problem was getting Visas for their people that work in other parts of the world. So, it didn't make me feel great to be an American when they told me that majority of their offsite management meetings have to be held in overseas locations because members of their management team cannot get a Visa to come to this country to participate in an offsite on American shores. Not such a great outcome. I don't say that to bring everybody down. I'm just reporting the facts that I'm picking up while I'm out there.

So, when I add all this up together, my message on theme number one is I don't think protectionism is the right approach. It may not be my place to say that, but it shocks me as I travel around the world that our level of protectionist rhetoric seems to be at a fever pitch at a time when the economy has never been more global and the opportunities present for our companies have never been more global. It might be time to dial that down a bit.

Second theme -- I think a lot of you here will appreciate this one -- the U.S. regulatory landscape -- broadly speaking, not any specific -- I don't want to get in trouble with any of the various commissions, so I'll make them all equally culpable, how's that? A couple of subplots here. First, how we're viewed by companies and others overseas and then we'll hit a little closer to home.

Historically, as you probably know, the U.S. was always the default destination for good international companies. If you were a good international company and you wanted to grow and you had global aspirations, the first place you looked was to look to the United States because you knew it was the biggest and best and most open capital market.

Now, if you turn the clock forward to today, we're not the default destination anymore. We don't win even half of the international companies' listings. London wins a lot. Hong Kong wins some. Other countries are basically competing against us on the challenges of our regulatory environment.

Now, I am not advocating a race to the bottom. That's not what I'm here to talk about. But when a place like London, that is a very reputable financial center, shows up and says, "Hey, we're pretty reputable. Such the U.S. is, too, but we're not going to put you through nearly what they're going to put you through to go public over there." I think we see a lot of companies voting with their feet right now and I think it's disappointing. It would be a shame if we're no longer seen as the place that embraces free market solutions.

Now, to be perfectly honest and to be a little more balanced, a lot of this is perception. They heard about Sarbanes-Oxley, they're not exactly sure what it was. Anybody they've asked has told them it's not good for them. And our job is to do a little more homework and to explain to them here's what it is, but just as importantly, here's what it isn't. So, a big part of our job is to figure that out. But I'm not quite sure it's as simple as Sarbanes-Oxley either. It's IFRS versus GAPP and it's the litigious nature of the United States, which is probably what I hear most frequently from perspective companies in Eastern Europe and Asia in particular.

So, a couple of soundbites to drive this one home. We have five Russian companies, effectively none since Sarbanes-Oxley. We had one that was sort of in-process when Sarbanes-Oxley first came out. We've had exactly zero list in the United States since then, and there's hundreds of companies in the pipeline. They're not in our pipeline, regrettably. We had 20 Chinese companies last year, only one this year. Now, a lot of that's probably due to the market. The market's not exactly cooperating. But I think a lot of those companies made the choice ironically to say there's no better way for us to prove how much we care about good governance and disclosure than to list in the United States. So, I think we got lucky on that one. But we've had one this year, as opposed to 20 last year.

And we have a lot of European companies repatriating to their home markets. Now, I get asked about this a lot because people think that's another outcome of the regulatory landscape. I think the companies use it as an easy excuse. I actually think it's more about the following. Twenty or 30 years ago when European companies would have listed here their decision was fairly easy. Their home market was not as efficient. It was not as liquid.

It did not offer them access to a global shareholder base and it was hard for many companies back then when the world wasn't as virtual to brand themselves if they only listed in their home market.

So there were lots of reasons to list overseas and what better market to come to than the United States? Now, if you think about things today, the home markets in many of these countries are much more liquid, much more efficient, much more access to capital. The shareholders -- they wanted to know who they were know who they are and can find them in the local market. So a lot of those things have changed. I think that's why, I think that's a natural evolution that companies repatriate. The depository receipt traded in the offshore listing ends up having less and less liquidity over time.

A little closer to home. I think our biggest challenge is really helping the small and medium size enterprises. Another couple of sound bites here. I was in California last week, different dinner, this time with private equity and venture capital firms. They told me that as far back as they can remember, this will be the first quarter, second quarter of '08 that no venture capital-backed companies come to IPO and the United States. Unless someone pulls a rabbit out of a hat in the next eight days, zero in this quarter.

Other private equity folks have told me that the process is too long, it's too cumbersome, it's too expensive. They summarize that into it's a distraction for management. It's not that much fun in their mind to have a four (hundred million dollar) or \$500 million evaluation company be public anymore in this country. So rather than have them access to public markets, grow their business expand, they'd rather do none of the above, which I think is a pretty sad outcome and probably an unintended consequence of Sarbanes-Oxley and other regulations.

These companies are choosing not to come to market because it's a

distraction. It's expensive. And when they get there -- I had one woman in Atlanta yesterday, you can see I travel a lot. One woman in Atlanta yesterday at lunch said to me, I'm a \$65 million revenue company, my profit margin is 20 to 25 percent and I spend \$2 million a year complying with Sarbanes-Oxley. That's just wrong. I can't say it any more clearly than that.

I'm not saying these companies deserve a free pass, but we've got to think about this because that's the engine that helps economies like ours get back on their feet, right? They don't all go out and

hire 1,000 people, but they grow their businesses. It's entrepreneurial spirited. We need to make sure the gateway for these companies to come to market is wide open.

The third theme is technology and the pace of change, which I've already touched on. We did create the first transatlantic exchange with NYSE EURONEXT and we've gone in the exchange industry from being one of the sleepest industries to one of the most dynamic industries almost overnight. These were monopolistic public utilities five or ten years ago. The first exchange went public barely ten years ago and ten years from now, there will probably be three to five consolidators, if you will, that will be multi-product, global exchanges; animals we've never seen before. But we were the first transatlantic one and our biggest challenge right now is to figure out how to integrate all the different technology platforms we have. It's all about technology.

Now, to think about what we're taking on as a public company, I'll go back to the joke I made in the beginning. You guys are a kid at 100; we're 217 years old. We're probably the only company that waited 215 years to go public, and that wasn't because of the regulatory landscape or anything else. We had to completely change our organizational structure.

So with that, you've got to change the culture of the organization and think of what we've asked the organization to take on in its first two years as a public company, an acquisition of Archipelago, a merger with EURONEXT and five or six other smaller acquisitions. You know, most public companies in their first two years of life don't take that much on. We can't do it without technology. Technology is the great enabler. It drives efficiency for us. It drives an innovative spirit inside the company. It helps us add capacity on the fly, which we've had to do quite a bit the last couple of years for as mature a business as we think we have. Our capacity went up four-fold last year.

So think about that and it wasn't off a small number. A busy day when I got to the Exchange last April was two or three hundred million messages a day. An average day for us last August was nearly a billion messages a day, and that was a pretty mature business going in.

I can tell you as smart as we all think we are, none of us were sitting around in June saying I think we're going to need four times as much capacity in six weeks. Fifty percent more maybe; 400 percent more? No.



So technology is going to be in our lifeblood more and more and more. What I've started to say, maybe conveniently given the volatility in the financial services industry, we're not really a financial services company. We're really a technology company that happens to be in the exchange business, and I think you're going to hear me use words like that more and more.

Last theme is a little bit on transparency. This is about -- whether you're speaking about how markets operate, how they run or how companies are run, we're big fans of transparency, accountability and responsibility. I think we're proud of the role we play. When you go through periods like last summer and the first quarter of this year, the regulated transparent markets just flat out worked a lot better. There's no liquidity strikes in our market. You know where you stand and what you see is what you get and it's there every day, all day. It's there for you and I think it made a big difference.

I'm equally proud that we were just named one of the 90 most ethical companies in the world. That's something we take very seriously. To me, that was an acknowledgment of our spirit of volunteerism, our spirit of corporate citizenry and the approach we take to transparency and responsibility, all things we take very, very seriously. If we're not all talking about good corporate governance and good corporate citizenry, as the markets get more and more global, this is a global issue that we should all be focused on.

So I'll make a few recommendations because I don't want anybody come into my office raising issues, throwing out soundbites. I want them to have some solutions. So just a couple of ideas and observations and I'm happy to take all of your questions; filtered by Sylvia, of course.

Number one, I think it's obvious we should all embrace globalization. You're going to hear us talking a lot more about this. I think, number two, we should think about ways to rationalize Sarbanes-Oxley, particularly for the small and medium size enterprises. Number three, we are strongly encouraging the SEC to take action on some issues that have been in front of them for quite some time, namely streamlining of the rule process.

I've just described to you what is now becoming a very dynamic industry. I need the ability to compete. I know I have an older rulebook at NYSE and anyone else with whom I compete does, but we need the opportunity to compete. We need rule streamlining. We need there to be an opinion from the SEC on mutual recognition. I think to not have one is not acceptable and we really need to take a close look at IFRS and think about whether we mean what we've said about embracing it as a potential alternative to GAPP.

I thought the Treasury blueprint was excellently prepared. I thought there were a lot of good ideas in there. At a minimum, thinking about ways to modernize our regulatory structure and really weighing principles versus rules. I think you will find us not surprisingly in favor of a principles-based approach.

It would be a shame if that were taken -- if principle base is

interpreted by some in this town as a euphemism for deregulation or under-regulation. Please don't let that happen because that's a factually inaccurate statement. Principles-based approach has worked

and let's not let somebody grandstand because there's just been a lot of issues that would suggest more regulation is better. I think that would be dangerous. Anyone who could help us reduce the litigation risk in this country, hats off to you if you can do it, and I think we should really reassess the visa issue.

In conclusion, it has been my privilege to be here today. Thank you for extending the invitation to me. It's also a privilege to have my role. I'm very, very fortunate. I get to carry a business card that gets me into places I'd never thought I'd get into, including the National Press Club, so thanks for having me. I get to have meetings with people I never dreamed I would have in any other role and it's a responsibility I treat as a privilege.

The NYSE brand speaks for itself around the world. So I think we can be a meaningful advocate on a lot of these topics, and I think we can help our companies go global and help great companies around the world find their way to the U.S. capital markets. And I think our constituents can count on us going forward for leadership and advocacy and any way they need it.

And with that, Sylvia, I'll turn it over to you. Thank you very much. Appreciate it.

(Applause.)

MS. SMITH: Thank you very much. I'm not sure I've ever had such a thick packet of questions, so we'll have to talk fast to try to get them all in.

The questioner says: Clearly, Sarbanes-Oxley has become an impediment for overseas companies. Are you saying the burden for companies outweighs the benefit of the policy, which I think you did say? But what specifically would you recommend changing?

MR. NIEDERAUER: I think a couple of changes to areas of the rules have already been changed, but I think the specific area I would focus on is can we separate what rules different sized enterprises have to abide by? And how -- and again, I want to choose my words carefully. This is not about having no standards for these companies. It just seems a shame to me that if it's cited as the largest reason why these small and medium enterprises don't even give themselves a chance to come to markets to get bigger.

I would love for us to say, the bigger firms have already dealt with it. It's basically a sunk cost at this point. It's more about the pipeline that I think we should really be focused on, and let's reexamine it with intellectual honesty and say what did it do, what didn't it do. I can't believe an intended outcome was to have small and medium size enterprises decide that the United States market is

not for them anymore, at least I hope that wasn't an intended consequence. So I think the main place we're going to encourage

people to focus on is specifically what can be done for those companies.

MS. SMITH: What can be done for those companies? If you were going to sit down with the chairmen of the appropriate committees, what two or three things would you recommend that they change?

MR. NIEDERAUER: I would say make it a little easier for them to meet the standard. Unfortunately, one size does not fit all. I know that's convenient when we write these regulations. A lot of these companies do not have complex business models. They're fairly easy business models to understand. And I think the other thing I would strongly recommend is you've got to get auditors at the table to be part of this because the auditors have to hear from the regulators that it's okay.

I think -- a lot of times what I hear from the small companies is, well, even if the government changes it, if the auditors don't get the memo, then I'm still going to have to spend an awful lot of money because they're going to tell me, yes, the government said we're going to ease up on this, this and this, but the auditors say they don't really mean that and the auditors put them through their full paces anyway.

So I think part of what we've got to do -- I'm open to whatever the forum would be is get representatives from the legislature there, representatives from the auditing side there and get a cross section of small and medium size companies to sit down and let them tell us what the three or four most important things are, but make sure the auditors hear it because I think that's the biggest problem I'm picking up out there.

MS. SMITH: You've encouraged China to make some reforms. Do you think -- do you see any signs in that country that it's taking your advice to raise standards of corporate governance and loosen rules on where companies can raise capital?

MR. NIEDERAUER: I'm happy to report that I do. I've already been there twice as CEO when I've been going to China since the early '90s in a number of different capacities. So I've really watched the change quite a bit.

The dialogue is ongoing with the CSRC. I think it's quite constructive at this point, and one of the things I've specifically encouraged them to think about came as a result of talking to a lot of the Chinese companies that listed with us last year. As I said earlier, we had 20 companies find their way through to listing on the NYSE last year, which was, by far, the most we'd ever had and it was counterintuitive to me given everything else I was picking up in my travels. I would have thought they would have opted out of doing that.

And when I probed a little bit more, they told me what I mentioned earlier in my remarks, which was, well, there's no better way to state how we feel about corporate governance and disclosure than to list in the toughest place in the world to list -- who has the highest standards. But secondarily, they said at that time and still

the case today, in China, you either choose to list locally in Shanghai or you choose to have an international listing.

Now, you cannot do both. So what we've been discussing with the CSRC is why don't we have a concept where you can have a share listed in Shanghai, and you can also have a share listed overseas, like in the United States, and if we can create fungibility between those two instruments, I think a lot of good things would happen. One, Chinese companies could choose both instead of having to choose one or the other because I think what China is realizing is a lot of the Chinese companies that did choose the U.S. did so because they had global aspirations and they wanted shareholders from around the world and they wanted customers from around the world and they weren't going to get that by just listing in Shanghai.

Conversely, for us, we think -- I've had 40 or 50 companies approach me -- of our own listed companies -- saying they'd like to do the same thing in China; they realize they can't get -- expand their shareholder base into China or get better branded in China without a listing there. So they'd like to know how to do it. So what we're in discussion now at the CSRC is how would that work. And we volunteered our own company to be the first company to try to do it.

So I find the dialogue to be quite constructive. I know that in Washington this week, in fact, in Annapolis, is the next round of the strategic economic dialogue and I think -- I view it from afar maybe as there's a lot of reasons for us to be sitting down and talking. There's a lot more things where our interests are aligned than not, and I hope that we have more results like the one I just described.

MS. SMITH: Follow-up question to the first couple. Have you met with any people recently on Capitol Hill regarding Sarbanes-Oxley? And if so, how much openness is there to change?

MR. NIEDERAUER: We've only begun to talk about it. I think we're now setting ourselves up to where we can play the role of advocate effectively, and then we just today started thinking about who would be the right people to go and how do we really talk about this.

When I heard this once or twice, I wasn't convinced yet. Now, that I've heard it multiple times around the world and here, I really wanted to get through my first six months, go to all the places I was going to go. I've probably visited with almost half of our listed companies in the last six months, just to hear what's on their minds and now that I've heard this loud and clear in such a resounding way, I think we're going to try to get into more motion here as the administration shifts and we've already kind of started to come up with a list, but I haven't really explored it much yet, Sylvia.

MS. SMITH: Several questions are looking for more information about your criticism of the rule base regime and your support of principle-based oversight.

What are the downsides? Principle-based is what the Commodities Futures Trading Commission uses. But what are the downsides of that kind of approach?

MR. NIEDERAUER: The principles-based approach? As someone who has only lived in the rules based environment my whole life until recently, it's -- maybe I'm just seeing that the pasture is greener. I don't know. But I feel for running exchanges, which are more and more about technology and you want to make sure the barriers are fairly low. So if I'm going to be asked to welcome competition, which we do, that's something I've believed in my whole life, I can't change my view now, then, to me, principles-based regulation allows for a lot more fluidity.

As I alluded to in my remarks, it's not necessarily anybody's fault; it's more of an inheritance of mine and the SEC's. Our company has a 75-year-old rulebook, the people with whom we compete don't. So if every time I want to go -- try to do something new or innovative, we've got to look back at 75-year-old rules that have nothing to do with today's market. It makes it very difficult.

So it's hard for me to imagine that a principles-based regime would be anything but better because we can all understand what the right principles are. We can easily operate within those principles, and then you reserve the right that if we realize we miss something because we thought it fit inside other principles and it clearly doesn't, organizations like the CFPC have the opportunity to abrogate the filing.

So I think your biggest fear would be it's too loose, it's too easy to navigate through. We don't want it to be that easy, and if we miss something, there's nothing we can do about it. Sure, there's something you can do about it.

So I don't find that much fault with it, and I wish we would have an open discussion about it because I realize the two approaches are very different, but I find that that's going to be a much better way to go ahead if we're going to have the opportunity to compete effectively.

MS. SMITH: Under mutual recognition, how would U.S. investors and journalists obtain information about foreign-based companies? Do all countries have something like the SEC and EDGAR?

MR. NIEDERAUER: I actually must confess I don't know. I know all countries have an SEC equivalent. Sometimes, in most cases, it's actually already combined with their derivatives regulators. So I know that was one of the things that was raised in the treasury blueprint.

So usually it's an easier regulatory landscape to navigate in a lot of the foreign countries. I don't know if they have things like EDGAR everywhere else. But my view is more and more information is more and more available to all of us today. I can't believe that would be an impediment.

I'm not even sure we've gotten that far in mutual recognition. I hope we do get a lot further. I think it would send a message that it's a lot easier to have capital flows across borders already

happening. Let's recognize it. Let's accept that we do live in a virtual world and let's try to tackle it.

I'm embarrassed to admit I don't know if everybody has something like EDGAR where it's a requirement.

MS. SMITH: Would that be important, though? I mean is that an essential component of the system that we have now that you would think would be important globally?

MR. NIEDERAUER: I think it's all quite important. I think, as I said earlier, we believe in transparency disclosure, accountability. Those are all good things. What I try to get on my high horse and raise some of those issues as I did, I had to speak to Moscow recently on a government-sponsored conference on good governance, good corporate governance, and I raised that and I went down through my notes and then a few people pulled me aside afterwards and said, oh, so, all the disclosure that all your investors had access to in the United States worked really then, didn't it? Because it seems like they had no idea what these companies had off their balance sheet. So before you guys get on your high horse from America, maybe you should think about exactly, you know, what exactly your investors are really getting and what they're not getting. And it was, frankly, Sylvia, hard to quarrel with that.

So I think sometimes, sure, it's good to have a standard that's aspirational. Let's make sure we're walking the walk and not just talking the talk, too, though, right?

MS. SMITH: What did you say to those folks?

MR. NIEDERAUER: They were right. And then I kind of pretended that I didn't really understand the question, I had another meeting.

MS. SMITH: Good answer. You learn quick.

MR. NIEDERAUER: Yes.

MS. SMITH: Are regulators well enough equipped to oversee trading in a world where brokerage trade, brokerages trade around the globe through derivative markets that are outside their judicial jurisdiction? You can tell I didn't write that one. Sorry.

MR. NIEDERAUER: Easy for you to say, Sylvia.

I actually don't know if they are, and that's why I think the regulator -- we need to figure out a way to harmonize a lot of the regulation. We need to get everybody talking. I know it's not easy. But it would be good if everybody just started by speaking to each other and seeing what we can harmonize because, individually, you're right. When your constituents start to trade all around the world, there's got to be a handoff somewhere and that's what mutual recognition is meant to be all about.

The SEC has no hope of, you know, being able to do their normal job on a U.S.-based brokerage firm that wants to trade here, there and everywhere around the globe. The local regulator -- they have to be

in coordination with to make sure that, effectively, somebody who has blessed that or somebody sponsored that, if you will, and I think that's one of the ideas that's being kicked around now is a local firm can sponsor you coming to that country and vice versa. So someone is at least vouching for your behavior, your activity while you're operating your business in that country.

So I think there's no hope of a local regulator, you know, becoming an international regulator, but I think it's a network of local regulators that could be quite an effective regulator.

MS. SMITH: A questioner wants to know. What lessons are there to be learned from the ongoing CSX proxy fight? How do the issues in play there resonate with globalization and other big themes?

MR. NIEDERAUER: I should let Angela answer it. Angela, what lessons are there to be learned from the ongoing CSX proxy fight? Angela should speak because this is very topical right now.

We were chatting about that at lunch a little bit. I have not taken a deep dive into all the issues that are going on there, but if you think about some of the themes we touched on during my remarks, it does strike a few interesting chords, right? Depending on which way you want to lean are the investors being a little too activist? Or is the U.S. being a little too protectionist? I'm not going to pick sides on this one because it doesn't make any sense for me to pick sides. But I think these are issues, these types of issues are going to be coming up more and more and more.

We're a little bit unique in this respect because we're viewed in many regards as a national asset. So when we were having the

discussion in the other room, in the anteroom before we all came in here, I jokingly said to a couple of you if there's ever a rumor about us and another exchange, we're never the target, right? We're always the consolidator because it's virtually impossible for us to be bought, right?

We have things in our charter that were mandated not by us, but by the authorities who run the country that we have certain thresholds above which, I think, is virtually impossible for anyone to get approval to own a stake any larger than that in our particular asset. That's obviously not true of most companies, and I think this brings to light a lot of issues about the global nature of shareholders, the global nature of businesses, where do shareholder rights begin and end?

I think it's going to be very interesting and this will, I'm sure, be used as a test case by many on both the company management side, as well as the shareholder side to see where we go from here.

MS. SMITH: What's the significance of your takeover of the American Stock Exchange?

MR. NIEDERAUER: As I said, I was happy to report that we got the vote from the shareholders this morning. It was pretty convincing, I think. Nearly 700 to just a couple of negative votes -- 7, 7 negative

votes. So, we were pleased to see how well that went. We need one more approval from the SEC, which should come in a matter of weeks. So, we hope to get that deal closed on or about the first of August. Given the size of it, which is about a quarter-billion dollar acquisition, it's not that large as far as our company goes, but it is significant for a couple of reasons.

One, the American Stock Exchange is in a lot of businesses we're already in, whether it's -- they have a listings franchise, an equities franchise, an ETF franchise, an options franchise. Those are all businesses we're already in, so, it's very easy for us to slot their businesses into our businesses.

And it should be fairly easy for us to integrate the company, which brings me to the second key reason. We want to start evidencing to the marketplace that we're becoming professional integrators. We know we're going to be a consolidator. This should be a fairly easy one for us to deliver on. We've made some promises about what we're going to do. And now I'm holding myself accountable and my team accountable to deliver what we said in the time we said it. And this is a fairly straightforward one. There were not a lot of difficult decisions here about which platform to use, which infrastructure to use, et cetera. So, the fun begins on August 1st with that one. But it's going to give us scale in each of those four businesses I just mentioned and I think will make us even more an advocate for the small and medium enterprise, which is most of what AMEX has listed on its exchange.

MS. SMITH: A questioner asks: Please assess the performance of Bluenext, the carbon emission exchange the New York Stock Exchange -- or NYSE EURONEXT and the French state bank started in December. How much can that market grow and can the U.S. develop along those lines?

MR. NIEDERAUER: Bluenext, for those of you who don't know, is our joint venture in the carbon trading space with Caisse des Depots in France. I think you will see us opening up the organizational and capital structure to other investors in the not-too-distant future. And then I think our biggest challenge is where do we go from there? It's very, very early days. We've been pleased with the progress we've made so far.

But because it is such a hot topic right now, as is the case in a lot of these situations, it is already an extremely fragmented market. So, one of the things I think we're going to be recommending soon is that we get everyone together who is trying to start these various liquidity pools to trade carbon credits and other like instruments, try to get everybody in one city somewhere and discuss where we're going from here because it clearly has the potential to be a huge market.

It's incredibly important in terms of the top five or ten themes that would be on anybody's list of truly global issues. It's going to make everybody's list and yet if we have a modicum of success and so do 10 or 15 other people, I'm not sure that's the answer we should all be shooting for. So, where we go from here is anybody's guess, but I think the next step is to get all the key players in a room together, if we can, and then try to figure out what makes sense and what the



right structure going forward is.

MS. SMITH: A decade ago, would you have thought that we'd be buying and selling pollution as a commodity?

MR. NIEDERAUER: (Off mike.)

MS. SMITH: For years investors bid-up prices of mortgage-backed securities and encouraged the housing bubble that has burst in the past year, this questioner says. Now investors seem to be rushing into commodities, particularly oil futures, thereby driving up the price of oil and gasoline. Are these facts evidence that technology has encouraged investment that is really just speculation in the end? And do you have concerns that these investment vehicles do not reflect the underlying value of the products involved?

MR. NIEDERAUER: Very neatly typed, as well. Very good.

MS. SMITH: He mailed it in.

(Laughter.)

MR. NIEDERAUER: Oh, that's very good.

I would say the end of the question really gets at the key issue. I don't think this is -- I don't think the same people that were bidding up mortgage-backed securities have suddenly rushed into commodities. We chatted about this in the anteroom also.

I think this one is more about simple supply and demand, and it's a way we've never thought about supply and demand in the commodities markets before. There's effectively a new set of entrants called global and state and municipal pension funds who a few years ago it became in fashion to take somewhere between 0 and 10 percent of their assets and shift them into something called commodities.

And there were assets created that enabled them to make that investment in various baskets of commodities or whatever it might be. So, I am still in the camp that until I get other evidence, I would say it is much more about the involvement of those investors that, remember, they're in it for life.

Their demand does not ebb and flow. If anything, it only increases because if their funds are being run well and their companies are doing well, the assets they're managing in their pension plans typically go up so that allocation in commodities -- just into commodities, even if they keep it at, say, 5 percent, it gets larger and larger and larger and larger. And then every quarter, they just roll into the next cycle. And they're not sellers. Unless they wake up one day and say, "Oh, I'm going to reduce my allocation to commodities to zero," they're going to be a factor in the market every month, every quarter.

And they're not what -- you read all the papers now, I guess they're being now called speculators. Speculator is such a pejorative term. That's not really what these people are, but they are, what I would call as a former trader, outriders of these contracts. They're

not hedgers, right? This is not somebody who has a business that's in one of these businesses that's trying to hedge out their commodity risk in their business, they're just allocating some of their assets to commodities. And, frankly, that completely alters the supply and demand relationship of some of these commodities.

So, if you look at the rest of the numbers, which other people have gone a lot deeper than I have, it seems like, X, that factor -- the demand-supply is not as out of whack as everybody thinks. So, I think that's more what's driving it. So, I would have to answer "probably" to the person's question that says, "Are these investment vehicles not reflecting the underlying value of the products involved?" That may be.

MS. SMITH: Perhaps your answer just got at this question to, but do you have any concerns that too much money may be flooding the futures markets and distorting the financial landscape?

MR. NIEDERAUER: I think we got that one.

MS. SMITH: Someone says: The New York Stock Exchange wants to own a futures exchange. Why?

MR. NIEDERAUER: Oh, I'm sorry -- didn't mean to. That's for not answering the CSX question.

(Laughter.)

We already own a futures exchange under NYSE EURONEXT. It's the old London Financial Futures Exchange, the so-called LFFE. It's our biggest business auction, NYSE EURONEXT, from a revenue point of view. Derivatives continues to be a very different competitive landscape than equities; much more oligopolistic, therefore, obviously a lot less competitive, and very much a growing business, as well.

So we felt that we needed a footprint in the United States. There were really only two ways in: one was through acquisition -- and there weren't that many properties left to buy, and they were quite expensive -- and the other one is to try to grow one organically. So all we've done so far is buy the precious metals franchise from the CME. We thought they would have to sell it as part of getting the NYMEX deal through DOJ. So we bought it. It's a very small franchise, but it gave us a reason to go to the CFTC, get our license -- which we should get next month -- and then establish our own clearing solution so we at least have a chance to get into the futures business in the United States. We know we're late, but we know we have very little to lose as well because, you know, as of today we trade zero contracts in the United States. So even when we get our license it won't be much more than that -- it'll be 20(,000) or 30,000 contracts a day -- but it's a start, it's a foothold, and then we can hopefully develop new products from there.

MS. SMITH: Another e-mail question. NYSE Euronext has seen its own share price drop in recent months. And since March, the volume of trading it handles has tumbled. This is largely due to the new electronic markets that have emerged.

How concerned are you about this competition? And what does NYSE Euronext offer that these efficient new markets cannot offer?

MR. NIEDERAUER: Yeah, there's a lot of questions in there as well.

The entire sector has been really revalued in the last three or four months. That's why I sometimes am a little bit tongue in cheek when I say please don't view us as a financial services company. I genuinely believe we're not, but I'm not sure I'd be saying that if the financial services sector was up 30 percent instead of down 30 percent -- (chuckles) -- I don't know.

But we really are changing where we're not a financial services company. Yet because of all this competition that the questioner asks about, exchanges are being revalued. The general belief is we've seen a ton of competition in the U.S. Some are not -- some exchanges are not as diversified as we are; others are about as diversified as we are. None are probably more diversified than we are. It doesn't seem to matter.

All the exchanges have gone down. I would say the global exchanges that really only have a one-dimensional business model,

they've probably been hit a little harder. But it has been a difficult four or five months because the average exchange is down something like 40 percent year to date. And yet our first quarter this year was a record for the company, so all you can do is put up the numbers and you hope that it sorts itself out.

Obviously, the volumes are very transparent to everybody -- much lower volumes in the second quarter. It's obvious to everybody that the second quarter is not going to be as good as the first quarter, but I think there's a general fear that the incumbents can only lose, they can't win.

Clearly, a lot of the upstarts offer something on the trading side that many of the incumbents don't. They're faster. They're more efficient. They've got newer rulebooks. They've got newer technology. At the same time, they don't offer listings. They don't really have meaningful data products. They can't really position themselves as an advocate for companies because companies are not their constituencies. And the way it works on most exchanges is companies pick a place to list, but anyone who gets the license can trade the security. So I think liquidity's destined to be fairly fragmented.

Now, when we shift to Europe, we say, okay, we watched what the incumbents here in the United States did not do; we're not going to make those same mistakes again. And actually, an unintended synergy of the deal with Euronext has been Americans and Europeans sitting together, saying we watched this movie in the U.S.; when the upstarts came and competition came, as is now coming to Europe, here's what the U.S. incumbents didn't do. Please don't repeat history. Let's do this, this and this. We've already put two or three of those things in motion. I think our customer base is quite pleased and a little bit, frankly, surprised that we've been so proactive in making these

changes. So those are the kind of things we can do to stay ahead of it, but I think that's one of the reasons why the threat of competition is weighing very heavily on the whole industry right now.

MS. SMITH: Should the FCC and the CFTC be merged? (Laughter.)

MR. NIEDERAUER: Is it 2:00? (Laughter.)

MS. SMITH: Can't run out the clock, either. (Laughs, laughter.)

MR. NIEDERAUER: Okay. What's so funny? (Laughter.) Yeah. Oh, okay.

I believe they should be. The challenge is it's really, really hard to envision how you'd do it.

When I travel to a lot of these other countries, as the markets get more and more integrated -- and go back to the question from four or five questions ago, where -- forget about a local regulator trying to be an international regulator. We've got to compare more and more notes just across these markets because they're all moving together, right? So why should there be a different regulator for the derivatives markets and the cash markets in the same country? Most

countries have not adopted this approach. The problem is we've got two long-standing institutions who probably are both going to give you the opinion that would say, yeah, we're happy to merge as long as, you know -- there's no merger of equals, right? That's an oxymoron.

There's no such thing. So, who's the winner, who's the loser? The problem is there shouldn't be winners and losers here. We'd be better served if we had one regulator.

The question is, how do you contemplate it? When I've been asked this question before, we've written a comment letter that said it's the right objective, the problem is it would take too long. And I'd rather have everybody focused on trying to get both guys around principles-based regulation, then it might be easier to execute a merger later. You're more likely to have a meeting of the minds if you're coming at it with a similar approach.

So when we've been asked we've said, look, it's a worthy ambition. It's probably the right answer for the United States in the end. It seems really hard to envision. Why don't we try to get everyone centered around principles-based regulation first, get both groups thinking about regulation the same way, then I think a merger will be more natural.

Susan, I didn't really duck it did I?

MS. : You forgot to mention that they are -- on the Hill they're authorized by different committees.

MR. NIEDERAUER: That's right. That's (another file?). Mr. Paulson reminded me of that. That's another issue that actually would have to be dealt with. Right? No, you're right. You answered it already. That's an important impediment to merging them actually, so

good point.

MS. SMITH: Has the New York Stock Exchange taken action to increase its presence in emerging markets? If yes, where and if yes, what specific actions?

MR. NIEDERAUER: We have, as I've mentioned a few times today. Our business model was all about diversification and we can't do it fast enough. In a lot of these emerging markets there isn't -- we almost done? Okay. In a lot of these emerging markets there's not a lot to do yet. None of these exchanges are for sale so in a lot of these other markets it's about establishing relationships. It's about laying the groundwork so that you're the preferred partner later if and when these exchanges feel as though they'd like to be part of a global exchange group.

So examples of what we've already done, I already touched on some of the things we've done in China. It didn't involve investment but it's a lot of work with the local regulators, with the local exchange officials to be helpful in any way that we can there. In India, we've made minority investments in the leading stock exchange and the leading derivatives exchange in India. And we will sit on both boards, we'll be able to help them figure out how to grow their businesses, maybe think about that region.

In a lot of other emerging markets what you see us doing is delivering technology to these exchanges. A big business for us is our exchange solutions business. So we'll go to some of these smaller markets and say it's unlikely you're going to be able to build your own technology given the capacity constraints we think you're going to have. And if the market, if the global investors identify you as a market in which they want to trade, your capacity is going to go in ways you can't even dream about. We've been through all this already and we are a distributor of technology platforms so that's something we've done in a lot of emerging markets as well.

MS. SMITH: We're almost out of time but before we ask the last question let me remind people of upcoming speakers. Next Monday, we have Congressman Henry Waxman, who is the chairman of the Committee on Oversight and Government Reform. And on July 8th, for you NASCAR fans, we have Jimmy Johnson, who is the reigning NASCAR Sprint Cup Series champion. And also I would like to present our speaker with the National Press Club mug.

MR. NIEDERAUER: Wow, you could have sent me home with a cookie and --

MS. SMITH: I could. Well, we (can do that ?) too. And for the last question, what is the significance of your lapel pin?

MR. NIEDERAUER: How many people know what this lapel pin is for? A few. Good. You guys don't count, you already know what it's for.

This is for Autism Speaks, which is a fantastic charity that if you don't know about it I would encourage you to go onto [autismspeaks.org](http://autismspeaks.org). It is a wonderful charity. My wife is on the board. It was the vision of Suzanne and Bob Wright, names that may be

familiar to you. Bob, obviously, spent most of his career at NBC. They have a grandson who is on the autistic spectrum. My wife and I have a boy who is on the autistic spectrum.

It is very personal to us. It is a very important cause and you may have seen, if you go back into the archives, on April 2nd of this year was World Autism Awareness Day. And it's only been done three or four other times by the U.N. where they recognize an issue like this. And I think, you know, malaria is one of the other examples as an illustration.

And my son had the honor of ringing the opening bell on World Autism Awareness Day with Bob and Suzanne and with the Ambassador from Qatar, who -- Qatar was probably more responsible than any other country for getting World Autism Awareness Day recognized. So it's a very important cause. I appreciate whoever wrote that question down for asking. It's one we give a lot of personally and one that I think is affecting an increasing number of families, not just in this country but around the world. So thank you for asking and I appreciate the time today.

Thank you very much.

MS. SMITH: Thank you so much.

(Applause.)

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