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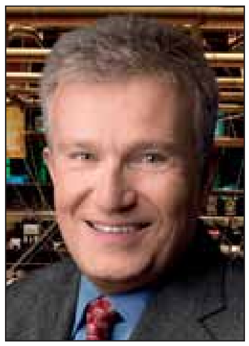
Customer Focused

An Interview with Duncan L. Niederauer, Chief Executive Officer, NYSE Euronext



Duncan L. Niederauer

EDITORS' NOTE *Before assuming his current post, Duncan Niederauer was the Head of U.S. cash equities for NYSE Euronext. Prior to joining the exchange in April 2007, he was Managing Director and Co-Head of the Equities Division Execution Services for Goldman Sachs. Niederauer earned his B.A. from Colgate University and his M.B.A. from Emory University.*

COMPANY BRIEF *NYSE Euronext (www.nyx.com) is a leading global operator of financial markets and a provider of innovative trading technologies. The company's exchanges in Europe and the United States trade equities, futures, options, fixed-income, and exchange-traded products. With more than 8,000 listed issues, NYSE Euronext's equities markets – the New York Stock Exchange, Euronext, NYSE Arca, and NYSE Amex – represent nearly 40 percent of the world's equities trading. NYSE Euronext also operates NYSE Liffe, the leading European derivatives business and the world's second-largest derivatives business by value of trading. The company offers comprehensive commercial technology, connectivity, and market data products and services through NYSE Technologies. NYSE Euronext is in the S&P 500 index, and is the only exchange operator in the S&P 100 index and Fortune 500.*

Where do you see the recovery of the economy today, and is it really possible for the U. S. to have a jobless recovery?

It isn't, and so far, it is a jobless recovery. We have corporate profitability having returned rather convincingly; we have balance sheets healthier than they've been in some time; we have plenty of money on the sidelines ready to be invested; interest rates are close to zero so that money on the sidelines isn't earning much of a yield at the moment; we have no near-term threat of inflation; and from our vantage point, we have an IPO pipeline that is wider, deeper, and more global than we have had since the Internet bubble. The frequency with which those things all align is not very high. But the market is going sideways, and that's largely because this recovery is pretty fragile and unconvincing. So once we can clear up some of the uncertainty and convince people that we're on the road to recovery, we should be well-positioned for success and a real robust recovery. It is all about jobs now.

Can we expect jobs to come back in a traditional way or are we going to have to create new opportunities?

It's going to require innovation and entrepreneurship, and facilitating an environment where small companies – which are, in the short run, likely to be the creators of the jobs – can be fostered and nurtured, which all starts with access to affordably priced capital.

This is not about more public stimulus or creating more public sector jobs. If the Administration wants a sustainable recovery, it has to be built around access to capital for small businesses. It's reconnecting Main Street and Wall Street; encouraging the banks to lend; and providing incentives for small businesses to create jobs.

Is the appropriate environment there to encourage entrepreneurs to build companies today?

Right now, it isn't. There are plenty of people out there with ideas. However, when the conventional path for getting funding to develop those ideas is closed off, it's our collective responsibility to show them other routes they can take to get access to funding. It could be via the venture capital route, it could be via the microfinance route, it could be via public/private partnerships – there are lots of alternatives.

Are there changing expectations from your member companies about the services you should provide?

For a long time, particularly with the listed companies, we viewed ourselves too much as a listing venue and not as a partner or potential co-brander, or possibly even as sharing co-customer relationships.

So we've been exploring more possibilities with our listed companies ranging from commercial assignments like the data center, to teaming up with other companies on financial literacy, for example. These have also become a big part of our corporate responsibility platform.

The regular services – data services, information services about your stock or industry – go without saying, and we didn't have to think about providing those in the old days either, and now it's a critical part of the value proposition.

You seem to have put a heavy emphasis on supporting some of the core competencies in your business, like financial literacy and Operation Hope. How important is it to have a clear focus, and does it need to align with your business strategy?

We found we could be much more effective the closer we got to aligning with our core competencies.

When we had the idea to launch the financial literacy platform, NYSE MoneySense, we felt that it was a way we could do a lot of good. We already had the distribution channel to the people we wanted to positively impact – the employees of all of our listed companies, who were typically the heads of households in their families, and the subject matter is closely aligned with where we operate every day.

Joining the board of Operation Hope and the advisory board at the Museum of American Finance were natural extensions of things that are core to what we do.

This exchange has a long history and a traditional way of doing things. Has it been challenging to move that cultural change forward?

We have come out on the back-end as a much better positioned company than we were going in. But that required that we flatten the organizational construct, that we get people to think differently about whom their potential customers were, that we be a more customer-focused organization, and that we completely overhaul the technology.

We have an amalgam of 15 companies and exchanges from all different parts of the world staffed by people from all over the world. So we went from being a very regional, one-dimensional company to where we're now a multinational company that is trying to reinvent an industry. And that all happened in just three or four short years.

With dynamic growing markets like China, many feel that New York may be losing its position as the world's financial capital. Does that concern you?

My objective is for it to continue to be. New York hasn't lost its position as the center of the world's markets, but we have some rebranding to do. We have the support of the Mayor and the commitment of the big businesses in New York, as well as of the much larger number of good, small companies. This is a hot-bed of entrepreneurism, and there is some very fertile ground for that. If we can harness that, it can be a big driver of future job growth in this area. ●