

## Leading in Challenging Times

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

**EDITORS' NOTE** Duncan Niederauer became CEO of NYSE Euronext in December 2007 and has since led an historic transformation of the company. Prior to joining the exchange in April of that year, 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.



Duncan Niederauer

**COMPANY BRIEF** NYSE Euronext ([www.nyx.com](http://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 MKT, NYSE Arca, and NYSE Alternext – represent one-third of the world's equities trading. NYSE Euronext also operates NYSE Liffe. 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 Fortune 500.

### Is the economy in recovery mode and is this a time of opportunity?

Q1 offered reason for optimism; in Q2, people were still feeling good about the U.S. economy; and Q3 and Q4 don't look quite as good for the U.S. So you can already feel the U.S. pulling back.

This should be a great period of opportunity. U.S. multinationals for the most part have very healthy balance sheets, cost of funding is at or near historic lows if they need a little more cash for acquisitions, and plenty of assets are available in every industry at reasonable prices. Despite that, Q2 was one of the slowest quarters for M&A activity in recent history.

So the economy is more tepid than it appears on the surface based on a confluence of issues – the U.S., China, and Brazil are slowing; Europe is still uncertain; the U.S. election this year; the debt ceiling issues; the question of tax cuts being allowed to expire, etc. You add those up and the resulting behavior is that everybody is being extra conservative. If that remains the

case, the U.S. economy won't grow in the second half.

People get the message that we can't create jobs fast enough to make up for a slowdown in the second half of the year.

### How does this volatile environment impact NYSE?

The macro-environment we're operating in leads everyone to get conservative. Given that the equity market is relatively healthy and the volatility index is relatively low despite the uncertainty, you would expect volume to

be much higher. Yet volume is the lowest it has been in several years and we don't see evidence of it returning to more normal levels anytime soon.

Part of that is the result of a lack of confidence, but it's also based on the fact that when people are being conservative, they sit things out. That's an interesting decision to make when sitting things out leads them to put their assets in a risk-free vehicle that is paying zero or less than zero today.

So equity markets are doing okay, earnings-to-date have been fine, the volatility index will tell you it's not as uncertain as people think, and the risk-free alternative returns zero. You would think people would be trading more in equities than they are, so something is up.

Also, we count on the IPO calendar to replenish the listings business. It looks like we're going to have a good year with IPOs. When the Volatility Index is low, companies go public.

But net-net, it's still a difficult environment for our business; everyone in our industry is having a tough year.

### With many IPOs coming out of emerging markets, does the U.S. still offer strong opportunities?

Manchester United thought about going to Asia but the deepest capital market is still in the U.S. They also chose us because of the co-branding opportunity.

The IPO pipeline is good and our brand is stronger in that arena than it has ever been.

### How critical is creating added value for members and has it changed how you deal with your listed companies?

Issuer services is one of the most important areas on which we must remain focused because the brand is largely tied to our community of great companies.

Our brand is known as the center of capitalism and free markets because of the great companies that are listed here – it gives us the brand imprimatur. In the old days when most of the volume was also here, the service was merely going back to the companies and telling them what was happening every day. Given how much things have changed, we need to augment that with other value-added services such as helping them in the boardroom, and with market intelligence and shareholder forensics at the CFO and IRO levels. We also just bought a company that is in the compliance and risk management space.

We are always thinking of ways to co-sponsor or participate in co-branded events. That allows a company under our umbrella to use their brand along with ours to get their message out and raise awareness. I'm happy to be the convener/community organizer – it's an important part of what we do.

### With your reputation, are you surprised when you don't win an IPO?

We dominate most industries except technology where, due to a combination of our lack of focus on it historically and our standards not being compatible with emerging growth companies, we initially gave up that opportunity.

But we placed a renewed focus on the technology industry four or five years ago when we only had a 5 percent share in technology; last year, we had almost 50, and this year, we have 60.

These companies' investors and advisors are telling them what we're all about now; they see that the model and brand are different today.

### What is it that makes the business community in New York City so tight-knit?

Part of it can be attributed to the Mayor because the city has become a great place to build and run a business. Most of the companies that have a business headquartered in this part of the world want New York to stay as relevant as ever.

I do feel that the spirit may be as good in other places – New York is not unique in that regard. But New York has been able to maintain that community of large companies that are critical to the fabric of the city while creating an environment where small companies and entrepreneurs can also find a home.

Silicon Alley is for real. New York City is becoming a hot bed for entrepreneurship and small and emerging growth companies. That's good for New York and the United States. ●