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Thain Suggests IPO for Big Board

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The Big Board has seen thousands of initial public offerings in its time, but perhaps none will be as important to the exchange as the one it is considering now: its own. The New York Stock Exchange's chief executive officer, John Thain, told an audience at the World Economic Forum in Davos, Switzerland, yesterday that going public "is certainly one thing we'll consider and talk to our members about." On Wednesday, Mr. Thain said the NYSE should consider opening two hours earlier, at 7:30 a.m. from 9:30 a.m.

The Exchange has been a member owned nonprofit since its founding in 1792. The 1,366 current members own "seats," which confer the right to trade shares on the floors of the exchange. One of the NYSE's major dilemmas - apart from the high-profile legal and regulatory woes stemming from the departure of its chairman, Richard Grasso, in 2003 - has been the plunging value of seats. Seats, which are traded among new and current members, have dropped in value to \$1.2 million from \$2.65 million in 1999. Two weeks ago, a seat traded as low as \$975,000.

Mr. Thain has been under intense pressure from members to increase the value of seats, either by attracting more stock-trading business or by purchasing another securities exchange, such as its options-trading rival a few blocks over, the American Stock Exchange. Last year, 50 seat-holders formed a group to pressure the exchange to becoming a for-profit enterprise. One member of the group, Caldwell Asset Management's president, Tom Caldwell, told Bloomberg News, "We have to start thinking as a business, not a utility."

The NYSE's economics have certainly been utility like over the past few years, with miniscule revenue and income growth. In 2003 - 2004 figures have not been released - revenues grew less than 1%, to \$1.07 billion. Net income was \$49.6 million, an increase over 2002's \$28.1 million, based on higher fee income charged to companies for listing and nonmember trade processing.

One of the biggest challenges facing the Big Board is trades in its own listed stocks going to Internet-based rivals. In the fourth quarter, about 2.3% of all Big Board listed stocks were being traded by its emerging Chicago-based rival, Archipelago Exchange, a fully automated electronic buy- and sell-order matching system.

Exchanges have gone public in the past. The options- and derivative-trading powerhouse Chicago Mercantile Exchange floated stock at \$35 in 2002. At the end of trading yesterday, the stock was at \$209.90.

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