

[[THE WALL STREET JOURNAL.]]

NYSE Seat Fetches Only \$1 Million, A Nine-Year Low

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TALK ABOUT a postholiday bargain. Yesterday, a New York Stock Exchange membership "seat" sold for \$1 million, a \$500,000 discount to its price at the beginning of last year.

That sale—the second of two that were made final—marked a nine-year low for NYSE seat prices.

Given the hurdles that the Big Board faces, the drop-off isn't much of a surprise. Since early 2004, the exchange has faced a management overhaul, restive shareholders and customers, and government reforms that could threaten the way the exchange currently does business.

Amid the uncertainty, NYSE Chief Executive John Thain has proposed a reinvention of the way stocks trade on the Big Board that would answer major investors' gripes about perceived inefficiencies. At the same time, his plan could put the exchange's long-term seat holders—the floor brokers and stock auctioneers known as specialists—at a disadvantage.

No wonder the NYSE's 1,366 seats, which give owners the right to buy and sell stocks at the exchange, and 4½ years ago traded for \$2.65 million apiece, have fallen through the floor, say market watchers.

"If [a seat price] is driven by demand for floor brokerage services or specialist services, the demand is drying up here," says Jamie Selway, managing director of the independent brokerage firm White Cap Trading. "John Thain is the No. 1 dryer. He's said, 'The way we do business is going to have to change.'"

The NYSE blamed the latest low on market conditions. "Seat prices are cyclical and reflect overall market and securities-industry conditions," an NYSE spokesman said. "Currently seat prices are impacted by factors like low levels of trading volume, low volatility and continued pressure on commissions."

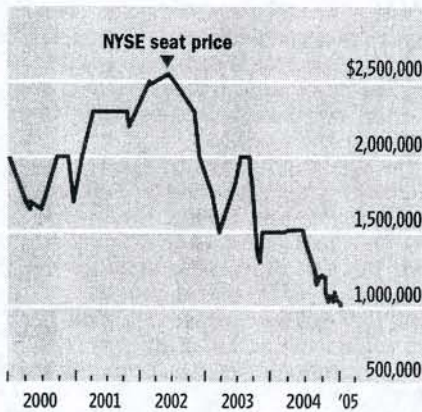
The Thain approach makes floor brokers natural sellers, Mr. Selway said, while big brokerage firms—which could potentially benefit from the increased electronic-trading services Mr. Thain has said he will offer—could be tempted to buy at

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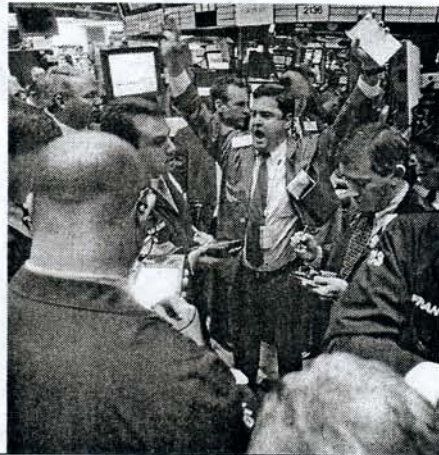
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A Mere \$1 Million

Yesterday, a membership seat on the New York Stock Exchange sold for \$1 million, the lowest price in more than nine years. Pictured below right, traders on the NYSE floor in December.



Source: NYSE



NYSE Seat Sells at 9-Year Low

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the current bargain-basement rates.

There is another dynamic that could throw a crimp into all those plans: the federal government. For most of the past year, the Securities and Exchange

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Commission has been considering wide-ranging changes to the rules governing how stocks trade in the U.S. The commission's most current rule proposal, which suggests that brokers and market centers be forced to publish all the bids and offers for stock at a given time if investors are to be guaranteed the best price for stock, could threaten the NYSE's market share.

That is because despite Mr. Thain's vision for the future, the 212-year-old exchange is somewhat behind in its technology, which could make meeting the SEC's transparency standards hard to do quickly. And, demanding that investors' closely held bids and offers be published would take away one of the exchange floor brokers' biggest selling points: anonymity for clients.

The NYSE "seat" gets its name from a historical tradition of having floor members sit in assigned seats during a roll call of stocks for trading. That practice vanished in 1871, when continuous stock trading was established.

Earlier yesterday, a seat was sold for \$1.015 million. The price dropped to \$1 million in a subsequent sale made final also yesterday. The parties to the sales weren't named.

Some NYSE members are optimistic that the SEC rule overhaul will go the exchange's way and not demand full publication of bids and offers to guarantee best price. The notion of publishing full order lists and then forcing markets and brokers to route bids electronically to the best corresponding offers at a given time "is very ill-advised, and even our competitors see that," says Tom Caldwell, chairman of Caldwell Asset Management and a holder—along with family members and a business partner—of four NYSE seats.

But Mr. Caldwell acknowledges that "despondency" over a potentially unfavorable SEC ruling is weighing down the NYSE's seat price, which hasn't traded at the \$1 million level since October 1995. A feeling that the public no longer appreciates the NYSE floor members' abilities to search for the best stock prices and contribute their own capital to trading sessions when needed also is dogging the seat prices, he said.

The NYSE spokesman says that the NYSE is examining ways to shore up its ownership value, including potentially changing the 1,366-seat ownership structure by reducing the number of outstanding seats, or by altering the legal structure of the exchange, which is currently registered as a New York state not-for-profit corporation.