

Executing a Global Mission

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



The facade of the New York Stock Exchange building on Wall Street in New York City

EDITORS' NOTE In December 2007, Duncan Niederauer became CEO of NYSE Euronext and has 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.



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 represent one-third of the world's equities trading. NYSE Euronext also operates NYSE Liffe, one of the leading European derivatives businesses 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.

Is the U.S. truly on the road to economic recovery?

The U.S. economy is better than we're led to believe. The fact that the Fed thinks they can begin to take their foot off the pedal and we're beginning to taper off the stimulus is a good sign.

We have asked monetary policy to do the job of monetary and fiscal responsibility for too long. A lot of CEOs got involved in fixing the debt because we all share the belief that a credible fiscal solution involves more clarity around tax regimes and tough decisions on entitlements. You get something credible out of that process and you unleash an upside bonus – that is job creation and companies with strong balance sheets. The global economy has proven in the past several months that emerging markets such as Turkey, Brazil, and, to some degree, China, come with additional volatility that can't always be anticipated. Decisions that looked obvious were proven not to be. Investors are ready to put money to work in the U.S. – we just need a credible fiscal solution. Then, this economy will clearly be the place to be.

Does unemployment need to be looked at differently now?

Yes. Structural unemployment needs to be reset, because it's probably going to be higher than we're used to given the nature of the jobs that are being created in the country.

If an industry around fracking and shale gas exploration takes off, it would make me answer the question differently because it will create more traditional manufacturing jobs that those who are unemployed would be well-positioned to take.

This brings us back to a fiscal compromise – if we get that right, a lot of the jobs that would be created would be traditional industrial manufacturing jobs.

With regard to too-big-to-fail issues, doesn't a company need to be of a certain size today to compete globally?

It should not be about your size but about the risk of your balance sheet – it's too risky to fail, not too big to fail. Unfortunately, size has been associated with risk and I'm not sure there is a correlation.

Europe is of the mindset now that local, national, or regional solutions are all preferred to global solutions, because with globalization comes size and with size comes risk. Globalization makes it difficult to harness that risk because you feel like you can't get your arms around it when it's out of jurisdiction. They understand that, from a long-term perspective, it may be a foolish stance to take. However, part of taking that step back from globalization is determining whether they can gain a higher degree of confidence and have more control over the denominator before moving forward.

Is much of your growth still coming from emerging markets?

This year, capital formation – which is where the strength of our brand is – has largely been from U.S.-led capital issuance business. But the pipeline has a lot of international companies in it. So when we look back, it will have been a diversified year for issuance in the U.S. market. I'm hoping it reaffirms our dominance as the leading brand. We're well on the way to becoming the leader for the third year in a row in terms of capital formation.

What differentiates us is that there are companies from all over the world listed here.

Is your leadership on the technology side well understood?

We were not associated with innovation several years ago, particularly around technology; yet, our evolution began with technology. It started with platform transformation: taking disparate technologies, upgrading them, and integrating them into a single global platform, which put us in a great position to be a good merger partner for companies.

It has also manifested itself in our listings brand, where we now get an overwhelming majority of the technology IPOs, whereas 10 years ago, we got less than 10 percent.

Now where it manifests itself is that we were the first exchange to think differently about the commercial technology business. We didn't just run around selling matching engines to every country's exchange around the world. Instead, we identified trends in the business for our customers that allowed us to say, we can be your managed services and hosted services provider as you wrestle with your own business models and work to reinvent yourselves; and we can be an independent aggregator, utility provider, and service bureau for a lot of the banks that need to start thinking of their infrastructure costs in an entirely different way.

How are you able to drive innovation throughout the organization?

We brought in new talent, but there was a lot of nascent talent here that hadn't been challenged. We told them our ambition and talked about core behaviors, including innovation, which can only occur via collaboration, which is another core behavior. We told them to engage with their clients and we explained that we're trying to execute a global mission, not a local mission. They took it and ran with it.

First, it addressed the platform; then, it was about success in listings; now, we're seen as a credible provider to outsource meaningful parts of infrastructure because it is recognized that our technology is state-of-the-art.

Has the talent you have brought into NYSE transformed your organization and has that been a key to success?

We have loaded our company with good people, empowered them to make the right decisions, and let them know that we're here if they need help. We don't second-guess their decisions. If we identify talent correctly, they will make good decisions. I'm surrounded by good people who put the company ahead of themselves. ●