

NYSE Group, Inc.  
Form 424B3  
May 05, 2006

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Filed Pursuant to Rule 424(b)(3)  
Registration No. 333-132390

**PROSPECTUS**

**25,000,000 Shares**

**Common Stock**

This is a public offering of shares of common stock of NYSE Group, Inc. All of the shares are being sold by current NYSE Group stockholders, which include certain underwriters and their affiliates and certain executive officers of NYSE Group. See "Principal and Selling Stockholders." NYSE Group will not receive any of the proceeds from the sale of the shares.

NYSE Group common stock is listed on the New York Stock Exchange under the symbol "NYX." On May 4, 2006, the last reported sale price of the NYSE Group common stock on the NYSE was \$62.88 per share.

*See "Risk Factors" beginning on page 16 to read about important factors you should consider before buying shares of NYSE Group common stock.*

**Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.**

	<b>Per Share</b>	<b>Total</b>
Public offering price	\$ 61.50	\$ 1,537,500,000
Underwriting discount	\$ 1.23	\$ 30,750,000
Proceeds, before expenses, to selling stockholders	\$ 60.27	\$ 1,506,750,000

To the extent that the underwriters sell more than 25,000,000 shares of common stock, the underwriters have the option to purchase up to an additional 3,750,000 shares of common stock from the selling stockholders at the public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on or about May 10, 2006.

**JPMorgan                      Lehman Brothers                      Merrill Lynch & Co.                      Morgan Stanley**

**Banc of America Securities LLC**

**Bear, Stearns & Co. Inc.**

**Citigroup**

**Credit Suisse**

**Deutsche Bank Securities**

**Goldman, Sachs & Co.**

**Jefferies & Company**

**UBS Investment Bank**

Prospectus dated May 4, 2006

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**No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representation. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as to its date.**

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Throughout this document, unless otherwise specified or if the context otherwise requires:

"NYSE Group," "we," "us" and "our" refer to NYSE Group, Inc., a Delaware corporation, and its subsidiaries, which, following the merger, include the NYSE and Archipelago;

"NYSE" refers to (i) prior to the completion of the merger, New York Stock Exchange, Inc., a New York Type A not-for-profit corporation, and (ii) after the completion of the merger, New York Stock Exchange LLC, a New York limited liability company, and its subsidiaries, NYSE Market, Inc., a Delaware corporation, and NYSE Regulation, Inc., a New York not-for-profit corporation;

"Archipelago" refers to, prior to and following the completion of the merger, Archipelago Holdings, Inc., a Delaware corporation, and, where the context requires, its predecessor, Archipelago Holdings, LLC, a Delaware limited liability company;

"NYSE Arca" refers to the Archipelago Exchange, L.L.C., a Delaware limited liability company, and the NYSE Arca, Inc., a Delaware corporation (formerly known as the Pacific Exchange, Inc.), and NYSE Arca Equities, Inc., a Delaware corporation (formerly known as PCX Equities, Inc.);

"NYSE Arca, Inc.", where that specific term is used, refers to the entity registered as a national securities exchange (formerly known as the Pacific Exchange, Inc.); and

"merger" refers to the mergers combining the NYSE and Archipelago under NYSE Group, which were completed on March 7, 2006.

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Please note that in some places in the document, we utilize the pre-merger name of certain entities as may be required for specificity or as the context otherwise requires.

## PROSPECTUS SUMMARY

*This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before investing in our common stock. You should read this entire prospectus carefully, especially the risks of investing in our common stock discussed under "Risk Factors."*

### NYSE Group, Inc.

#### Overview

We are a holding company that, through our subsidiaries, operates two securities exchanges: the NYSE and NYSE Arca, Inc. We are a leading provider of securities listing, trading and market data products and services. We were formed in connection with the merger of the NYSE and Archipelago, which was completed on March 7, 2006. Although the trading platforms of the NYSE and NYSE Arca currently operate separately, we are actively integrating certain of their activities to achieve revenue and cost synergies.

The NYSE is the world's largest cash equities exchange. The NYSE is approximately three times the size of the next largest cash equities exchange in the world in terms of aggregate market capitalization of domestic listed companies. The NYSE provides a reliable, orderly, liquid and efficient marketplace where investors buy and sell listed companies' common stock and other securities. For 213 years, the NYSE has facilitated capital formation, serving a wide spectrum of participants, including individual and institutional investors, the trading community and listed companies. As of March 31, 2006, 2,682 issuers, which include operating companies, closed-end funds and exchange-traded funds ("ETFs"), were listed on the NYSE. Our listed operating companies represent a total global market capitalization of over \$22.9 trillion. For the period from January 2006 to March 2006, on an average trading day, over 1.7 billion shares, valued at over \$65 billion, were traded on the NYSE.

NYSE Arca operates the first open, all-electronic stock exchange in the United States and has one of the leading market positions in trading ETFs and exchange-listed securities. NYSE Arca is also an exchange for trading equity options. Through NYSE Arca, customers can trade over 8,000 equity securities and over 175,000 option products. NYSE Arca's equity trading platforms link traders to multiple U.S. market centers and provide customers with fast electronic execution and open, direct and anonymous market access. The technological capabilities of NYSE Arca's trading platforms, combined with its trading rules, have allowed NYSE Arca to create a large pool of liquidity that is available to customers internally on NYSE Arca and externally through other market centers. For the period from January 2006 to March 2006, on an average trading day, over 700 million shares, valued at over \$20 billion, were traded through NYSE Arca's trading platforms.

For the fiscal year ended December 31, 2005, on a pro forma basis reflecting the merger, NYSE Group generated \$1.6 billion in revenues and approximately \$90 million in income from continuing operations.

#### Our History

The NYSE traces its origins to shortly after the American Revolutionary War, when a small group of New York brokers traded a handful of securities on Wall Street. In May 1792, 24 brokers and merchants signed the historic "Buttonwood Agreement," under which they agreed to trade securities on a commission basis. In 1865, the NYSE moved to its present location near Wall Street. In February 1971, the NYSE incorporated as a New York not-for-profit corporation and was owned by its broker-dealer users, known as members or "seat holders." The NYSE was demutualized and converted from a not-for-profit entity into a for-profit entity when it merged with Archipelago on March 7, 2006 and became a wholly owned subsidiary of NYSE Group.

NYSE Arca traces its origins to Archipelago, which originated in December 1996, through the founding of the Archipelago Electronic Communications Network, or the Archipelago ECN, the predecessor to the trading platform that operated as the exchange facility of the NYSE Arca, Inc. ("ArcaEx"). Electronic communications networks ("ECNs") are electronic trading systems that automatically match buy and sell orders at specified prices. The Archipelago ECN was the first ECN to link traders to pools of liquidity throughout the U.S. securities markets. In July 2000, Archipelago partnered with the Pacific Exchange to develop ArcaEx. By November 2002, Archipelago completed the rollout of exchange-listed securities on ArcaEx, and in April 2003 Archipelago fully integrated its trading platforms and completed the migration of Nasdaq-listed securities from the Archipelago ECN to ArcaEx. On September 26, 2005, Archipelago acquired PCX Holdings, Inc., including the Pacific Exchange.

On March 7, 2006, the NYSE and Archipelago merged and became wholly owned subsidiaries of NYSE Group. In the merger, the NYSE members and Archipelago stockholders received shares of NYSE Group common stock (in addition to a cash payment made to NYSE members) that were issued in an offering registered under the Securities Act. The shares of NYSE Group common stock received by the NYSE members and certain significant Archipelago stockholders are subject to certain restrictions on transfer. See "Shares Eligible For Future Sale Transfer Restrictions." These transfer restrictions may be waived at the discretion of our board of directors. Our board has exercised its discretion to waive the transfer restrictions that would otherwise be applicable to the shares sold in this offering. These transfer restrictions are distinct from the restrictions on transfer of unregistered securities under federal securities laws. This offering is being conducted to permit holders of NYSE Group common stock to sell a portion of their shares of NYSE Group common stock in an underwritten offering, thereby enhancing the liquidity of our common stock.

## Industry

The securities industry provides services, including securities listing, trade execution and market data, both in the United States and internationally. Companies typically pay listing fees to list their securities on a given exchange, such as the NYSE or NYSE Arca. In addition, persons engaged in securities trading typically pay trading fees for securities transactions effected on a given exchange. Revenue is also generated from collecting and distributing market data and other products for a fee, including real-time information relating to securities quotations, limit orders and the prices at which securities transactions take place.

In recent years, the securities industry has experienced rapid globalization and consolidation. Global competition has increased as a result of the emergence of global capital markets, ECNs and other trading networks. There has also been a recent increase in acquisitions, particularly in the trade execution services area, driven by the desire for greater efficiency in trade execution. Industry participants are now exploring the development of systems to trade multiple asset classes through universal platforms. This "cross asset trading" has the potential to enhance customer choice and convenience, and lower customer costs through the standardization of the industry's technology infrastructure.

## Our Competitive Strengths

Our principal competitive strengths include:

*Leading Global Brand Name and Reputation.* The "New York Stock Exchange" or "NYSE" is among the most well-recognized brand names in the world. For 213 years, the NYSE has facilitated national and global capital formation and symbolized the strength and vitality of the U.S. securities markets. Issuers that list with the NYSE benefit from association with this brand name.

*World's Highest Overall Listing Standards.* The NYSE has the highest overall listing standards of any securities marketplace in the world. These listing standards improve the prestige and value of a NYSE listing. In 2005, the NYSE obtained approximately 91.5% of all domestic initial public offerings that

qualified to list under the NYSE's standards, as measured by the aggregate proceeds raised by companies listing on U.S. exchanges. In addition, through NYSE Arca, we provide a venue for issuers to list and trade securities that do not initially qualify to list under the NYSE's criteria. Our listing venues provide issuers with unique benefits, including the affiliation with one of the world's leading brands, superior market quality based on measures such as liquidity and volatility, and a wide range of value-added products and services.

*World's Largest Equities Market.* We operate the world's largest market for listing and trading cash equity securities and are one of the industry leaders for the trading of ETFs. In 2005, proceeds raised from initial public offerings of equity securities of U.S. and non-U.S. companies and closed-end funds on the NYSE totaled approximately \$44 billion, more than four times as much as any other U.S. market and approximately three times as much as any non-U.S. market. According to statistics published by the World Federation of Exchanges, as of March 31, 2006, the total U.S. market capitalization of the NYSE's listed domestic operating companies was approximately \$14.1 trillion, greater than the combined value of the Tokyo Stock Exchange (\$4.8 trillion), Nasdaq (\$3.8 trillion) and the London Stock Exchange (\$3.3 trillion). We also operate the largest market for trading equity securities in the world, and provide a highly liquid trading market for our listed stocks. In 2005, the combined dollar value of transaction volumes of the NYSE and NYSE Arca represented approximately \$17.8 trillion dollars, which was greater than the value of trading of Nasdaq (\$10.1 trillion), the London Stock Exchange (\$5.7 trillion), the Tokyo Stock Exchange (\$4.4 trillion), Euronext (\$2.9 trillion) and the Deutsche Börse (\$1.9 trillion).

*Broad Range of Products and Services.* We provide our customers with diverse platforms for the trading of listed and over-the-counter equities, ETFs, fixed income products, options and other derivative products, as well as two listing venues for quality companies seeking access to the public markets. By operating multi-asset class markets that offer an expanded and enhanced range of products and services, we believe that we are reinforcing our leadership position in the global securities market. Through the NYSE and NYSE Arca, we offer multiple opportunities to trade cash equity securities, and we believe that we provide deeper liquidity, lower volatility and execution costs and the best quoted prices. We also believe that the combined breadth of our product offerings will create new opportunities to offer our customers a broader array of market data products and services.

*Strong and Effective Regulation.* We believe that our independent regulatory structure and high listing standards enhance our reputation and that of our listed companies and member organizations. NYSE Regulation, which operates as a not-for-profit entity, monitors and examines member organizations for, and enforces compliance with, federal securities laws and the rules of the NYSE and NYSE Arca, Inc. NYSE Regulation also oversees compliance by our listed companies with our financial and corporate governance listing standards. We believe that our high original and continued listing requirements have helped us maintain a strong brand name, which by association benefits our listed companies.

*Premier Management Team.* We have a strong, dedicated and entrepreneurial management team, with significant experience in the securities industry, client service and technology sector. We believe that, through their leadership, we will continue to successfully recognize, anticipate and respond to market opportunities, deliver innovative products and services to our customers, and adapt to changes in our operating and regulatory environment, while continuing to grow our business on a global scale. We believe that we have demonstrated our ability to innovate and execute successfully our business objectives, including successfully managing the merger transaction that created NYSE Group.

## Our Strategy

We plan to build on our status as the preeminent global exchange by executing a clearly defined strategy:

*Build on Strength in Cash Equities Securities Trading.* The NYSE is the leading exchange in cash equity securities, and we plan to preserve the unique attributes of price improvement and value-added floor services that dampen volatility and decrease costs. Through NYSE Arca, we intend to continue to grow our strong market position in trading volume of Nasdaq-listed stocks and ETFs. We plan to continue to enhance the trading technology of both the NYSE and NYSE Arca, including the rollout of the NYSE Hybrid Market<sup>SM</sup>, which will combine the benefits of an auction market with advanced electronic trading functionality. Together, the NYSE and NYSE Arca will provide a full-service market that offers customers a choice of products and appeals to a broad range of investors. We believe that this combination will help to build on our leadership position, enhance our ability to compete with both domestic and global participants, and deliver innovation and efficiency.

*Leverage Our Brand Name Across Listing Platforms.* Building on the NYSE's premier brand and listing platform, we expect that the NYSE Arca listing venue will derive new revenue from companies with smaller market capitalizations that do not initially qualify for the NYSE's listing standards. We estimate that approximately two-thirds of the companies that list on Nasdaq do not meet the NYSE's listing requirements. NYSE Arca provides us with an opportunity to target a select universe of companies that historically have not had the choice to list on a venue affiliated with the NYSE. We believe that we are in a strong position to compete domestically and internationally for listings and will continue to aggressively pursue listings of publicly traded companies from all over the world. In addition, we are exploring opportunities to offer extended NYSE floor-based trading hours to increase overlap with non-U.S. markets and enhance investor access.

*Expand to Other Product Areas.* We intend to continue to expand the capabilities that we offer to our customers to trade a variety of asset classes and build on our strong relationships with listed companies to trade other financial products they may issue. For example, in addition to trading in cash equities and ETFs, we plan to provide high-speed, low-cost platforms for trading in derivatives and fixed income products by using NYSE Arca's core trading technology. We will also pursue opportunities to enhance our current portfolio of market data products and services.

*Reduce Costs and Maximize Integration Benefits.* As a result of the merger of the NYSE and Archipelago, we expect to achieve operational synergies resulting from the consolidation of capabilities and elimination of redundancies, and to achieve greater efficiencies from increased scale, market integration, automation and a for-profit structure. For example, we have identified opportunities to achieve annualized cost savings targets of \$100 million by the end of 2006 and an additional \$100 million in savings in 2007 in a number of areas, such as hiring freezes, headcount and benefit reductions; the elimination of overlaps in technology, marketing, occupancy, and general and administrative costs; and increased efficiencies in our general business processes, while maintaining adequate resources dedicated to NYSE Regulation and its regulatory activities.

*Pursue Strategic Acquisitions and Alliances.* The securities industry has changed significantly in recent years through demutualizations and consolidations of a number of industry participants, and we believe that consolidations and strategic transactions are likely to continue in our industry. We regularly explore and evaluate strategic acquisitions and alliances in the United States and abroad that could provide us with opportunities to enhance our competitive position, some of which could be material. We are currently engaged in discussions with significant industry participants, although no formal proposals have been made nor have any agreements in principle been reached. We intend to continue to pursue domestic and international acquisitions and strategic alliances to further strengthen and diversify our business and revenue streams, enter new markets and advance our technology. We may also pursue partnerships and

commercial agreements to further build our brand and take advantage of industry trends. While we will continue to explore and evaluation strategic opportunities and transactions, which could occur quickly, there can be no assurance we will enter into any strategic transactions and, if so, on what terms. For a discussion of the risks associated with any future acquisition or strategic transaction, including risks associated with the issuance of a substantial amount of equity securities of NYSE Group, the impact on our stock price and demands on our management, see "Risk Factors."

*Maintain Strong and Effective Regulation.* We believe that our reputation is built in large part on our effective regulatory oversight and listing standards. Stock exchanges must run a fair, well-regulated marketplace. Companies list on a trading venue in part to associate themselves with the branding that comes from meeting high standards in a fairly regulated environment. In addition, broker-dealers send their order flow to a trading venue to seek access to liquidity in a fair and orderly marketplace. We therefore remain committed to maintaining strong and effective regulation.

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We maintain our principal executive offices at 11 Wall Street, New York, New York 10005. Our telephone number is (212) 656-3000, and our website address is [www.nyse.com](http://www.nyse.com). Information contained in our website does not constitute a part of this prospectus. We have included our website address only as an inactive text reference and do not intend it to be an actual link to our website.

**The Offering**

Common stock offered by the selling stockholders	25,000,000 shares <sup>(1)(2)</sup>
Shares outstanding immediately prior to this offering	155,899,628 shares <sup>(3)</sup>
Shares outstanding immediately following this offering	155,899,628 shares <sup>(3)</sup>
Use of proceeds	The shares of common stock offered hereby are being sold by the selling stockholders, including certain underwriters or their affiliates and certain of our executive officers. We will not receive any of the proceeds from this offering. See "Principal and Selling Stockholders" and "Underwriting."
Dividends	We do not expect to pay any dividends in the immediate future. Any determination to pay dividends in the future will be at the discretion of our board of directors and will depend upon our results of operations and financial condition, contractual restrictions, restrictions imposed by applicable law, our business and investment strategy and other factors that our board of directors deems relevant.
Voting rights	Subject to voting limitations applicable to certain large stockholders, holders of our common stock will be entitled to one vote per share on all matters submitted to a vote of our stockholders. For a description of these voting limitations, see "Description of Capital Stock Ownership and Voting Limits on Our Capital Stock."
NYSE trading symbol	NYSE
Certain relationships and related transactions	Please read "Certain Relationships and Related Transactions" for a discussion of business relationships between us and related parties, including the underwriters.
Risk factors	Please read "Risk Factors" and other information included in this prospectus for a discussion of factors that you should carefully consider before deciding to invest in shares of our common stock.

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- (1) Does not include 3,750,000 shares of common stock that may be sold by the selling stockholders if the underwriters choose to exercise in full their option to purchase additional shares. See "Underwriting." Unless otherwise indicated, the information contained in this prospectus assumes that the underwriters' option to purchase additional shares is not exercised.
- (2) Of these shares, 9,706,331 shares of common stock will be offered by certain underwriters or their affiliates and 415,586 shares of common stock will be offered by certain of our executive officers. See "Principal and Selling Stockholders."
- (3) Does not include (a) 1,645,415 shares held in treasury, all of which are held by NYSE Arca, Inc., an indirect wholly owned subsidiary of NYSE Group, (b) 1,198,301 shares underlying restricted stock units granted to persons who were officers and employees of the NYSE as of the merger, (c) 158,019 shares underlying restricted stock units granted to former Archipelago directors, officers and employees, (d) 2,028,304 shares underlying options granted to former Archipelago officers and employees, or (e) 8,500,000 shares reserved for issuance for NYSE Group employees under the 2006 Stock Incentive Plan. See "Management Compensation of Directors and Executive Officers."

**Recent Developments**

On April 19, 2006, we announced our unaudited financial results for the three months ended March 31, 2006. Our results for this period included the operations of NYSE for the full period and the operations of NYSE Arca since completion of the merger, which occurred on March 7, 2006. Our revenues for this period were \$454.2 million (inclusive of activity assessment fees of \$139.2 million), an increase of \$104.5 million, or 29.9%, from revenues of \$349.7 million (inclusive of activity assessment fees of \$92.9 million) for the comparable period a year ago. Expenses increased by \$122.1 million, or 36.2%, from \$337.0 million (inclusive of section 31 fees of \$92.9 million) for the three months ended March 31, 2005 to \$459.1 million (inclusive of section 31 fees of \$139.2 million) for the three months ended March 31, 2006. First quarter 2006 expenses included a \$37.7 million charge as a result of compensation awards granted to NYSE employees at the time of the merger. Also included in the first quarter 2006 results was a \$20.9 million gain on sale of an equity investment in The Depository Trust and Clearing Corporation. As a result, we reported net income of \$30.3 million, or \$0.24 per diluted share, for the three months ended March 31, 2006, an increase of \$4.3 million compared to net income of \$26.0 million, or \$0.22 per diluted share, for the comparable period a year ago.

### Summary Historical and Pro Forma Financial and Statistical Data

NYSE Group is a Delaware corporation formed for the purpose of consummating the business combination of the NYSE and Archipelago, which was completed on March 7, 2006. The merger of the NYSE and Archipelago has been treated as a purchase business combination for accounting purposes, with the NYSE designated as the acquirer. As a result, the historical financial statements of the NYSE have become the historical financial statements of NYSE Group. Set forth below are summary historical financial and statistical data for: (1) the NYSE, as the predecessor to NYSE Group; and (2) Archipelago, which was acquired by NYSE Group on March 7, 2006. Because the merger was not consummated by December 31, 2005, the following summary historical financial data reflect the NYSE and Archipelago separately.

#### Summary Historical Financial Data of the NYSE (as the predecessor to NYSE Group)

The following summary consolidated financial data of the NYSE has been derived from the historical consolidated financial statements and related notes for the years ended December 31, 2001 through December 31, 2005. The information presented here is only a summary, and it should be read together with the NYSE's historical financial statements set forth on pages F-5 to F-36 of this prospectus. The information set forth below is not necessarily indicative of NYSE Group's results of future operations and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations of NYSE Group and the NYSE."

	Year ended December 31,				
	2005	2004	2003	2002	2001
	(in millions)				
<b>Results of Operations</b>					
<b>Revenues</b>					
Activity assessment fees	\$ 594.6	\$ 359.8	\$ 419.7	\$ 290.4	\$ 358.1
Listing fees	342.7	329.8	320.7	299.6	297.2
Data processing fees	182.9	220.7	224.8	224.6	223.2
Market information fees	178.2	167.6	172.4	168.9	160.3
Trading fees	145.8	153.6	157.2	152.8	144.6
Regulatory fees	129.8	113.3	113.2	120.4	152.2
Facility and equipment fees	49.4	50.4	60.6	52.7	48.1
Membership fees	6.4	8.3	11.0	12.8	11.6
<b>Total revenues</b>	<b>1,629.8</b>	<b>1,403.5</b>	<b>1,479.6</b>	<b>1,322.2</b>	<b>1,395.3</b>
Section 31 fees	(594.6)	(359.8)	(419.7)	(290.4)	(358.1)
Compensation	(509.8)	(522.6)	(520.5)	(512.3)	(508.2)
Systems and related support	(124.1)	(138.6)	(146.0)	(143.6)	(151.8)
Professional services	(127.7)	(132.7)	(97.5)	(116.9)	(133.1)
Depreciation and amortization	(103.4)	(95.7)	(89.0)	(81.4)	(74.5)
Occupancy	(70.6)	(68.6)	(67.0)	(66.3)	(56.1)
General and administrative	(69.7)	(84.3)	(76.5)	(102.4)	(126.2)
Archipelago merger and related exit costs <sup>(1)</sup>	(26.1)				
Regulatory fine income	35.4	7.6	11.2	6.0	3.5
<b>Operating income (loss)</b>	<b>39.2</b>	<b>8.8</b>	<b>74.6</b>	<b>14.9</b>	<b>(9.2)</b>
Investment and other income, net	51.7	34.5	32.4	42.7	74.8
<b>Income before provision for income taxes and minority interest</b>	<b>90.9</b>	<b>43.3</b>	<b>107.0</b>	<b>57.6</b>	<b>65.6</b>
Provision for income taxes	(48.1)	(12.1)	(45.2)	(18.7)	(22.7)
Minority interest in income of consolidated subsidiary	(2.0)	(1.0)	(1.3)	(2.3)	(3.3)
<b>Net income</b>	<b>\$ 40.8</b>	<b>\$ 30.2</b>	<b>\$ 60.5</b>	<b>\$ 36.6</b>	<b>\$ 39.6</b>

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As of December 31,

	2005	2004	2003	2002	2001
	(in millions)				
<b>Balance Sheet</b>					
Total assets	\$ 2,204.1	\$ 1,982.3	\$ 2,009.2	\$ 1,999.8	\$ 1,973.6
Current assets	1,464.2	1,264.6	1,293.9	1,227.6	1,225.9
Current liabilities	685.0	486.9	513.2	434.2	481.8
Working capital	\$ 779.2	\$ 777.7	\$ 780.7	\$ 793.4	\$ 744.1
Long term obligations <sup>(2)</sup>	\$ 684.9	\$ 694.7	\$ 736.2	\$ 877.8	\$ 823.9
Equity of members	\$ 807.8	\$ 767.0	\$ 736.9	\$ 676.4	\$ 639.8

(1) Represents \$18.5 million in legal costs, \$3.9 million in severance payments and \$3.7 million in integration costs incurred in 2005 in connection with the merger with Archipelago.

(2) Represents liabilities due after one year, including accrued employee benefits and the long-term portion of deferred revenue.

**Summary Historical Financial Data of Archipelago (as predecessor to NYSE Arca)**

The following summary historical financial data of Archipelago has been derived from the historical consolidated financial statements and related notes of Archipelago for each of the years ended December 31, 2001 through December 31, 2005. The information presented here is only a summary, and it should be read together with Archipelago's historical financial statements set forth on pages F-37 to F-68 of this prospectus. The information set forth below is not necessarily indicative of NYSE Group's results of future operations and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations of Archipelago." Archipelago acquired PCX Holdings on September 26, 2005. The financial data set forth below do not reflect the results of operation or financial condition of PCX Holdings prior to the date of acquisition.

	Year ended December 31,				
	2005 <sup>(1)</sup>	2004 <sup>(2)</sup>	2003	2002 <sup>(3)</sup>	2001
	(in millions, except per share data)				
<b>Results of Operations</b>					
Revenues <sup>(4)</sup> :					
Transaction fees	\$ 425.0	\$ 434.5	\$ 380.6	\$ 346.2	\$ 172.2
Activity assessment fees <sup>(5)</sup>	48.0				
Market data fees <sup>(6)</sup>	62.0	56.4	29.0	1.7	
Listing and other fees	6.4	0.4	0.5	0.3	
	<u>541.4</u>	<u>491.3</u>	<u>410.1</u>	<u>348.2</u>	<u>172.2</u>
Equity entitlements <sup>(7)</sup>					(17.0)
<b>Total revenues</b>	<u>541.4</u>	<u>491.3</u>	<u>410.1</u>	<u>348.2</u>	<u>155.2</u>
Expenses <sup>(4)</sup> :					
Section 31 fees <sup>(5)</sup>	48.0				
Liquidity payments <sup>(8)</sup>	206.9	203.5	154.2	45.8	
Routing charges	66.7	88.7	113.8	150.5	63.9
Clearance, brokerage and other transaction expenses <sup>(9)</sup>	5.9	13.7	45.0	86.8	29.1
NYSE merger costs and related executive compensation <sup>(10)</sup>	46.1				
Other employee compensation and benefits	51.6	38.4	36.1	21.6	21.7
Depreciation and amortization	21.6	22.9	25.9	16.6	10.1
Communications	19.5	16.3	18.3	23.1	26.8
Marketing and promotion	22.2	20.1	8.1	19.0	24.5
Legal and professional	12.6	11.1	8.3	7.0	6.5
Occupancy	6.7	4.2	4.0	2.5	2.0
General and administrative	16.2	11.3	9.9	8.5	8.0
	<u>524.0</u>	<u>430.2</u>	<u>423.6</u>	<u>381.4</u>	<u>192.6</u>
<b>Total expenses</b>	<u>524.0</u>	<u>430.2</u>	<u>423.6</u>	<u>381.4</u>	<u>192.6</u>
Operating income (loss)	17.4	61.1	(13.5)	(33.2)	(37.4)
Interest and other, net	4.5	1.6	0.6	1.3	3.3
Unrealized loss on investment owned				(2.7)	(3.9)
	<u>21.9</u>	<u>62.7</u>	<u>(12.9)</u>	<u>(34.6)</u>	<u>(38.0)</u>
<b>Income (loss) before income tax provision</b>	<u>21.9</u>	<u>62.7</u>	<u>(12.9)</u>	<u>(34.6)</u>	<u>(38.0)</u>
Income tax provision <sup>(11)</sup>	9.4	5.3			
	<u>12.5</u>	<u>57.4</u>	<u>(12.9)</u>	<u>(34.6)</u>	<u>(38.0)</u>
<b>Income (loss) from continuing operations</b>	<u>12.5</u>	<u>57.4</u>	<u>(12.9)</u>	<u>(34.6)</u>	<u>(38.0)</u>
Income (loss) from discontinued operations <sup>(12)</sup>	3.8	11.5	14.7	(1.0)	
	<u>16.3</u>	<u>68.9</u>	<u>1.8</u>	<u>(35.6)</u>	<u>(38.0)</u>
<b>Net income (loss)</b>	<u>16.3</u>	<u>68.9</u>	<u>1.8</u>	<u>(35.6)</u>	<u>(38.0)</u>

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	Year ended December 31,				
Deemed dividend on convertible preferred shares <sup>(13)</sup>			(9.6)		
Net income (loss) attributable to common stockholders	\$ 16.3	\$ 59.3	\$ 1.8	\$ (35.6)	\$ (38.0)

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Basic earnings (loss) per share from:										
Continuing operations	\$	0.27	\$	1.42	\$	(0.36)	\$	(1.11)	\$	(2.35)
Discontinued operations		0.08		0.29		0.41		(0.03)		
Deemed dividend on convertible preferred shares <sup>(13)</sup>				(0.24)						
<b>Basic earnings (loss) per share<sup>(14)</sup></b>										
	\$	0.35	\$	1.47	\$	0.05	\$	(1.14)	\$	(2.35)
Diluted earnings (loss) per share from:										
Continuing operations	\$	0.26	\$	1.34	\$	(0.35)	\$	(1.11)	\$	(2.35)
Discontinued operations		0.08		0.27		0.40		(0.03)		
Deemed dividend on convertible preferred shares <sup>(13)</sup>				(0.22)						
<b>Diluted earnings (loss) per share<sup>(14)</sup></b>										
	\$	0.34	\$	1.38	\$	0.05	\$	(1.14)	\$	(2.35)
Basic weighted average shares outstanding <sup>(14)</sup>										
		46.8		40.3		36.2		31.2		16.2
Diluted weighted average shares outstanding <sup>(14)</sup>										
		47.8		42.9		37.0		31.2		16.2
<b>As of December 31,</b>										
<b>2005<sup>(1)</sup>      2004<sup>(2)</sup>      2003      2002<sup>(3)</sup>      2001</b>										
<b>(in millions)</b>										

**Balance Sheet<sup>(3)</sup>**

Cash and cash equivalents <sup>(1)(5)(15)(16)</sup>	\$	134.4	\$	145.2	\$	94.4	\$	28.2	\$	54.8
Receivables from brokers, dealers and customers, net <sup>(5)</sup>		56.6		31.4		31.7		21.6		20.8
Receivables from related parties, net <sup>(4)</sup>		23.3		42.9		35.4		16.2		10.1
<b>Total assets</b>		<b>579.8</b>		<b>543.9</b>		<b>471.3</b>		<b>379.6</b>		<b>234.4</b>
<b>Total stockholders' equity</b>		<b>422.1</b>		<b>460.9</b>		<b>303.3</b>		<b>302.8</b>		<b>195.8</b>

- (1) In September 2005, Archipelago completed the acquisition of PCX Holdings and its subsidiaries for a total purchase price of approximately \$94.0 million consisting of a \$90.9 million cash payment to PCX Holdings stockholders and certain employees of PCX Holdings and its subsidiaries, and approximately \$3.1 million of direct costs incurred by Archipelago as part of this acquisition. The results of operations of PCX Holdings have been included in Archipelago's results of operations since October 1, 2005.
- (2) On August 11, 2004, prior to the consummation of its initial public offering, Archipelago Holdings L.L.C. converted from a Delaware limited liability company to a Delaware corporation, Archipelago Holdings, Inc.
- (3) On March 15, 2002, Archipelago completed a merger with REDIBook ECN L.L.C., a competing ECN, as a result of which Archipelago significantly increased its trading volumes in Nasdaq-listed securities.
- (4) Archipelago engages in a significant amount of business with related parties in the ordinary course of its business. For a discussion of Archipelago's related-party transactions, see Note 10 to Archipelago's consolidated financial statements included elsewhere in this prospectus.
- (5) Archipelago pays Section 31 fees to the SEC based on fee schedules determined by the SEC and, in turn, collects activity assessment fees from equity trading permit ("ETP") and option trading permit ("OTP") holders. Activity assessment fees received are included in cash and cash equivalents at the time of receipt, and, as required by law, the amount due to the SEC is recorded as an accrued liability and remitted semiannually. Following the September 2005 acquisition of PCX Holdings, activity assessment fee revenue and Section 31 fee expense are presented gross in Archipelago's statement of operations. These fees have had no impact on Archipelago's consolidated statement of operations.
- (6) Following the launch of ArcaEx in March 2002, Archipelago began earning revenues from market data fees based on the level of trading activity on ArcaEx. As the operator of ArcaEx, Archipelago became eligible to participate in the sale of market data to, and the receipt of market data fees from, centralized aggregators of this information.

(7)

In January 2000, Archipelago implemented an equity entitlement program under which participating customers became eligible to earn "equity entitlements" based on the volume of order flow on Archipelago's trading platforms. Equity entitlements were converted into Class B shares of Archipelago Holdings L.L.C. without additional consideration. These shares were converted into shares of Archipelago common stock in the conversion of Archipelago Holdings L.L.C. into Archipelago Holdings, Inc.

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- (8) In April 2002, to enhance the liquidity of its system, Archipelago began to pay a small fee per share, referred to as "liquidity payments," to participants that post certain buy orders and sell orders on the Archipelago system when the quote is executed against by other participants purchasing and selling internally on the Archipelago system. Archipelago generally does not pay these fees for orders posted on NYSE-listed securities.
- (9) Archipelago undertook self-clearing initiatives of its routing broker and introducing broker businesses. Effective in January 2005, Archipelago Securities Inc. began to clear trades it routed to other market centers for execution. In addition, effective in July 2004, Archipelago Securities, Inc. began to clear trades effected by non-ETP broker-dealer customers accessing ArcaEx through Archipelago Trading Services. In addition, due to the lower percentage of orders routed out to other market centers, Archipelago's number of trades subject to clearing costs has decreased.
- (10) In connection with its merger with the NYSE, Archipelago incurred legal, banking, regulatory and other fees. In addition, Archipelago incurred certain executive compensation expenses as a result of the acceleration of payments to, and vesting of restricted stock units of, Archipelago officers.
- (11) As a limited liability company, all income taxes were paid by the members of Archipelago. As a corporation, Archipelago is responsible for the payment of all U.S. federal, state and local corporate income taxes.
- (12) As part of a proposed rule change filed by the Pacific Exchange with the SEC, Archipelago undertook to divest Wave Securities L.L.C., a wholly owned subsidiary of Archipelago providing agency brokerage services. The results of operations and financial position of Wave Securities are presented as discontinued operations in the consolidated financial statements. All historical periods presented have been restated to reflect such presentation. Archipelago completed the sale of Wave Securities on March 3, 2006.
- (13) In August 2004, in connection with its initial public offering, Archipelago converted 16,793,637 Class A preferred shares of Archipelago (sold to GAP Archa Holdings, L.L.C., an affiliate of General Atlantic LLC ("General Atlantic"), on November 12, 2003 for total consideration of \$50.0 million) into 4,449,268 shares of Archipelago common stock. Included in this conversion was the issuance of 717,349 shares of common stock attributable to a \$9.6 million beneficial conversion feature included in the previously issued redeemable preferred interest.
- (14) In August 2004, in connection with Archipelago's reorganization, the members of Archipelago Holdings L.L.C. received 0.222222 shares of Archipelago common stock for each membership held by the member in Archipelago Holdings L.L.C. The weighted average number of shares used in the basic and diluted earnings per share computations gives retroactive effect to this 4.5-for-1 reverse stock split.
- (15) As approved by the board of managers of Archipelago Holdings L.L.C. on July 16, 2004, Archipelago Holdings L.L.C. made a cash distribution to its members immediately prior to the conversion transaction. The cash distribution provided funds to the members to permit them to pay taxes that the members owe for their share of Archipelago's profits in 2004 as a limited liability company through the date of the conversion transaction, calculated primarily based on the highest federal and state income tax rate applicable for tax withholding purposes to an individual. The cash distribution was approximately \$24.6 million and resulted in a corresponding reduction to cash and cash equivalents. As used in this discussion, the term "members" refers to the former owners of Archipelago Holdings L.L.C.
- (16) In August 2004, Archipelago completed its initial public offering and sold 6,325,000 shares of Archipelago common stock at \$11.50 per share. Archipelago received net proceeds of \$67.6 million and incurred approximately \$6.8 million in expenses in connection with its initial public offering.

## Selected Statistical Data of NYSE and NYSE Arca

	Year Ended December 31,		
	2005	2004	2003
	(unaudited)		
<b>NYSE:</b>			
Company listings:			
NYSE listed issuers <sup>(1)</sup>	2,672	2,618	2,561
Number of new issuer listings <sup>(2)</sup>	192	165	109
NYSE share (%) of domestic qualified new operating company listings proceeds (IPOs) <sup>(3)</sup>	91.5%	90.0%	82.5%
NYSE share (%) of international qualified new operating company listings proceeds (IPOs) <sup>(4)</sup>	95.8%	96.6%	100.0%
Trading activity: NYSE-listed common and warrants <sup>(5)</sup>			
Consolidated average daily volume (millions of shares) <sup>(6)</sup>	2,001.2	1,774.6	1,691.9
% change	12.8%	4.9%	
NYSE listed average daily volume (millions of shares) <sup>(6)</sup>	1,529.3	1,402.7	1,341.0
% change	9.0%	4.6%	(3.4)%
NYSE share of trading full day (%) <sup>(7)</sup>	76.4%	79.0%	79.3%
NYSE share of trading trading hours (%) <sup>(8)</sup>	78.6%	81.1%	81.5%
Trading activity: other <sup>(9)</sup>			
NYSE UTP ETF average daily volume (millions of shares) <sup>(10)</sup>	5.4	7.9	10.6
Average daily volume in crossing sessions, preferred stocks and other issues <sup>(11)</sup>	61.4	42.1	41.6
Market information:			
Tape A share of trades (%) <sup>(12)</sup>	87.5%	90.6%	89.8%
Professional subscribers	413,458	411,343	402,152
Regulatory fees:			
Gross FOCUS revenues (\$ billions) <sup>(13)</sup>	187.3	145.4	145.7
Data processing:			
% SIAC revenue from non-NYSE customers	42.0%	45.1%	47.0%
<b>NYSE Arca:</b>			
NYSE Arca's total U.S. market volume (millions of shares)	144,318	140,306	116,800
NYSE Arca's share of total U.S. market volume <sup>(14)</sup>	13.8%	14.2%	12.6%
NYSE Arca's total volume of Nasdaq-listed securities (millions of shares)	104,271	115,008	104,312
NYSE Arca's share of total volume of Nasdaq-listed securities <sup>(14)</sup>	23.0%	25.2%	24.6%
% of handled shares matched internally	18.4%	19.2%	16.8%
% of handled shares routed out	4.6%	6.0%	7.8%
NYSE Arca's volume in NYSE-listed securities (millions of shares)	18,855	8,375	4,904
NYSE Arca's share of total volume of NYSE-listed securities <sup>(14)</sup>	3.6%	1.8%	1.1%
NYSE Arca's volume in AMEX-listed securities (millions of shares)	21,192	16,924	7,585
NYSE Arca's share of total volume of AMEX-listed securities <sup>(14)</sup>	30.0%	22.7%	12.2%
NYSE Arca's ETF volume (millions of shares)	25,152	15,637	6,349
% of customer order volume matched internally <sup>(15)</sup>	88.8%	86.6%	80.6%
% of customer order volume routed out <sup>(15)</sup>	11.2%	13.4%	19.4%

(1) Number of listed operating companies, closed-end funds and ETFs as of period end.

(2) Includes initial public offerings and transfers of common stocks from other markets.

(3) Proceeds raised by NYSE-listed domestic IPOs/Total proceeds raised by qualified domestic IPOs. Qualified domestic IPOs represent initial public offerings of U.S. issuers that meet the NYSE's initial listing criteria.

(4)

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Proceeds raised by NYSE-listed international IPOs/Total proceeds raised by qualified international IPOs. Qualified international IPOs represent the initial capital-raising event in the United States involving a listing by non-U.S. issuers that meet the NYSE's initial listing criteria.

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- (5) Trading activity includes only trades executed in NYSE-listed common stocks and warrants, as defined by the NYSE, and excludes any trading activity in NYSE's preferred stocks, rights, structured products (including NYSE-listed ETFs) and during the NYSE's four crossing sessions (which are periods during which trading takes place after the close of regular trading sessions).
- (6) Consolidated average daily volume includes the trading volume executed across all exchanges as reported to the consolidated tape between 4:00 am to 8:00 pm EST. NYSE-listed average daily volume includes the trading volume executed on the NYSE during normal NYSE business hours (currently 9:30 am to 4:00 pm EST). The consolidated aggregate trading volume and the NYSE-listed aggregate trading volume are then divided by the appropriate number of trading days in the period.
- (7) Represents the NYSE average daily volume executed during normal NYSE business hours (currently 9:30 am to 4:00 pm EST) divided by the consolidated average daily volume executed full day (currently 4:00 am to 8:00 pm EST).
- (8) Represents the NYSE average daily volume executed during normal NYSE business hours (currently 9:30 am to 4:00 pm EST) divided by the consolidated average daily volume executed during normal NYSE business hours.
- (9) Other trading activity includes any trades executed on the NYSE that were not included in note (5) above, including (a) trades executed on the NYSE in non-listed ETFs under NYSE's unlisted trading privileges, (b) trades executed during the NYSE's four crossing sessions, and (c) trades executed on the NYSE in preferred stocks, rights, and structured products. Unlisted trading privileges, or UTP, refer to the right of exchanges under the Exchange Act to trade securities listed on any national securities exchange or Nasdaq.
- (10) The NYSE began trading ETFs on a UTP basis on the NYSE began on July 31, 2001. The NYSE currently trades over 47 ETFs on a UTP basis, including the Standard & Poor's Depository Receipts® (SPY) and the Dow Industrials DIAMONDS® (DIA).
- (11) Represents trading volumes executed on the NYSE in preferred stocks, rights, structured products (including NYSE-listed ETFs) and trading volumes executed during the NYSE's four crossing sessions.
- (12) Represents the NYSE's share of qualifying trades in NYSE-listed securities reported by the NYSE to the consolidated tape, as compared to the total number of qualifying trades in NYSE-listed securities reported to the consolidated tape by all other participating market centers. The consolidated tape refers to a collection of market data that multiple markets make available on a consolidated basis. "Tape A" refers to trades in NYSE-listed securities reported to the consolidated tape.
- (13) Gross FOCUS revenues represent revenues generated by member broker-dealers as reported on their "FOCUS" report (a report that is required to be filed with the SEC). A member broker-dealer's regulatory fee is based on the revenues reported. The NYSE records revenue on a six-month lag; the data is provided on this basis.
- (14) NYSE Arca's share of trading is calculated based on the number of shares handled on the NYSE Arca system as a percentage of total volume as reported in the consolidated tape. For a discussion of the method by which Archipelago calculates its share, its trading volumes and selected operating measures, see "Management's Discussion and Analysis of Financial Condition and Results of Operations of Archipelago Key Statistical Information."
- (15) For the percentage of handled shares matched internally and routed out, see "Management's Discussion and Analysis of Financial Condition and Results of Operations of Archipelago Key Statistical Information."

**Selected Unaudited Pro Forma Condensed Combined Financial Data**

The following table shows information about the pro forma financial condition and results of operations of NYSE Group after giving effect to the merger of the NYSE and Archipelago and the acquisition of PCX Holdings by Archipelago.

The table sets forth selected unaudited pro forma condensed combined statements of operations data for the fiscal year ended December 31, 2005, as if the merger of the NYSE and Archipelago and Archipelago's acquisition of PCX Holdings had become effective on January 1, 2005, and the selected unaudited pro forma condensed combined balance sheet data as of December 31, 2005, as if the merger of the NYSE and Archipelago and Archipelago's acquisition of PCX Holdings had become effective on that date. For purposes of the pro forma condensed combined financial data, we have assumed that the stock price of Archipelago is \$22.43 per share (based on the average closing stock price for the five-day period beginning two days before and ending two days after April 20, 2005, the date on which the merger was agreed to and announced) and that 47,838,000 shares of Archipelago common stock were outstanding at the date of the completion of the merger (including 49,640,000 shares issued less approximately 1,802,000 shares held in treasury). The closing price of Archipelago common stock on March 7, 2006, the date of the completion of the NYSE and Archipelago merger, was \$64.25 per share. The information presented below should be read together with the publicly available historical consolidated financial statements of the NYSE and Archipelago, including the related notes, and together with the consolidated historical financial data for the NYSE and Archipelago and the other unaudited pro forma financial data, including the related notes, appearing elsewhere in this prospectus. See "Unaudited Pro Forma Condensed Combined Financial Data for NYSE Group." The unaudited pro forma financial data is not necessarily indicative of results that actually would have occurred had the NYSE-Archipelago merger been completed on the dates indicated or that may be obtained in the future. See also "Risk Factors" and "Forward-Looking Statements."

	<b>Year Ended December 31, 2005</b>
	<b>(unaudited) (in thousands except per share data)</b>
Total revenues	\$ 1,574,879
Income from continuing operations	\$ 89,991
Diluted earnings per share from continuing operations	\$ 0.58
	<b>As of December 31, 2005</b>
	<b>(unaudited) (in thousands)</b>
Total assets	\$ 3,154,039
Total liabilities	\$ 1,752,950
Total stockholders' equity	\$ 1,365,925

## RISK FACTORS

*An investment in our common stock is subject to risks and uncertainties. You should carefully consider the following risks and all of the other information set forth in this prospectus before deciding whether to purchase our common stock. These risks could result in the loss of all or part of your investment.*

### Risks Relating to Our Business

*We face numerous competitors, including both U.S.-based and non-U.S.-based competitors.*

We face significant competition, and expect competition to continue to intensify for securities trading and listings. Our competitors and prospective competitors, both domestically and around the world, are numerous and include both traditional and non-traditional execution and listings venues.

We compete with U.S.-based and non-U.S.-based markets, ECNs and other alternative trading systems, market-makers and other execution venues. We also face competition from broker-dealers, some of which are the NYSE's largest customers, that internalize order flow. Internalization of order flow occurs when a broker-dealer trades against or matches its own customers' orders, extracting liquidity from the public market and decreasing trading volume in the public domain.

We compete with other market participants in a variety of ways, including the cost, quality and speed of trade execution, the functionality, ease of use and performance of trading systems, the range of products and services offered to trading participants and listed companies, technological innovation and reputation. Our competitors may:

respond more quickly to competitive pressures because they are not subject to the same degree of regulatory oversight as we are;

develop products that are preferred by our customers;

price their products and services more competitively;

develop and expand their network infrastructure and service offerings more efficiently;

utilize faster, more user-friendly technology;

consolidate and form alliances, which may create greater liquidity, lower costs and better pricing than we are able to offer;

market, promote and sell their products and services more effectively; and

better leverage existing relationships with customers and alliance partners or better exploit brand names to market and sell their services.

We may also face competition from new entrants into the markets in which we compete. The emergence of new competitors may increase price competition and reduce margins for all existing securities markets, including ours. New entrants may include new alternative trading systems and new initiatives by existing market participants, including established securities markets or exchanges, and current customers of the NYSE and NYSE Arca that may internalize some of their order flow in the future.

As a result of this competition, the NYSE's share of trading in NYSE-listed securities has recently declined, although the NYSE's overall trading volume in these securities has increased during this time period. If the growth in the NYSE's overall trading volume does not adequately offset any decline in the NYSE's share of trading, or if the decline in the NYSE's share of trading makes the NYSE's market appear to be less liquid, then our financial condition and operating results will be adversely affected. For a discussion of the competitive environment in which we operate, see "Industry Overview Competition."

*Globalization, growth, consolidations and other strategic arrangements may impair our competitive position.*

The liberalization and globalization of world markets have resulted in greater mobility of capital, greater international participation in local markets and more competition among markets in different

geographical areas. As a result, the competition among U.S.-based and non-U.S.-based markets and other execution venues has become more intense.

In addition, in the last several years, the structure of the securities industry has changed significantly through demutualizations and consolidations. In response to growing competition, many marketplaces in both Europe and the United States have demutualized to provide greater flexibility for future growth. The securities industry is also experiencing consolidation, creating a more intense competitive environment. In particular, Nasdaq recently completed its acquisition of INET ECN ("INET"). Both the Philadelphia Stock Exchange, Inc. and Boston Stock Exchange, Inc. have also recently entered into investment agreements with other participants in the securities industry, with the objective of enabling them to better compete with other exchanges. In addition, there have been a number of recent attempts by more than one European exchange to acquire the London Stock Exchange. On March 10, 2006, Nasdaq made a takeover bid for the London Stock Exchange, which it subsequently withdrew. On April 11, 2006, Nasdaq announced that it had acquired a 14.99% ownership interest in the London Stock Exchange. On May 3, 2006, Nasdaq announced that it had increased its ownership interest in the London Stock Exchange to 18.7%.

While we intend to pursue strategic acquisitions and alliances to enhance our global competitive position, the market for acquisition targets and strategic alliances is highly competitive, particularly in light of increasing consolidation in the securities industry, which may adversely affect our ability to find acquisition targets or strategic partners that fit our strategy objectives. In pursuing our strategy, consistent with industry practice, we routinely engage in discussions with industry participants regarding potential strategic transactions. We are currently engaged in discussions with certain significant industry participants. Although we have not made any formal proposals for a business combination with any such significant industry participants, nor reached an agreement in principle or a definitive agreement with any party regarding such a transaction, discussions could at any time result in our announcement of one or more strategic transactions which could take any number of forms. For example, if we were to agree to a business combination transaction with another company, we may agree to pay consideration to equityholders of that company that is at a premium to the then current trading value of such company's equity securities, which trading value may be high relative to historic values. Such consideration could take the form of a significant amount of NYSE Group equity securities, which issuance may be dilutive to NYSE Group stockholders, or payment of a significant amount of cash financed in whole or in part by substantial borrowings, or a combination thereof. Any such transaction could also result in directors and management of the other company having a significant role in the management and governance of the combined company. We are unable to determine at this time whether discussions with any party will result in our making a formal proposal or reaching a definitive agreement, or whether any such agreement, if reached, will be consummated. Any transaction would be subject to risks, including risks of non-consummation and risks relating to integration of a completed transaction (see "Future business combinations, acquisitions, partnerships and joint ventures may require significant resources and/or result in significant unanticipated costs or liabilities.").

We intend to continue to engage in a range of strategic discussions, and we will need to respond to potential opportunities quickly and decisively. As a result, strategic transactions may occur at any time and may be significant in size relative to our assets and operations. As a result of such transactions, our business may change significantly and our stock price may be materially and adversely affected.

Because of these market trends, we face intense competition. If we are unable to compete successfully in this environment, our business, financial condition and operating results will be adversely affected.

***Future business combinations, acquisitions, partnerships and joint ventures may require significant resources and/or result in significant unanticipated costs or liabilities.***

We may seek to grow our company and businesses by entering into business combination transactions, making acquisitions or entering into partnerships and joint ventures, which may be material. Such transactions may be financed by the issuance of additional equity securities, including NYSE Group

common stock, or the incurrence of indebtedness, or a combination thereof. The issuance of additional equity may be substantial and dilutive to existing NYSE Group stockholders. In addition, the announcement or completion of future transactions could have a material adverse effect on the price of our common stock. We could face financial risks associated with incurring indebtedness such as reducing our liquidity, curtailing our access to financing markets and requiring the service of such indebtedness.

In addition, business combinations, acquisitions, partnerships and joint ventures may require significant managerial attention, which may be diverted from our other operations. These capital, equity and managerial commitments may impair the operation of our businesses. Furthermore, any future business combinations or acquisitions could entail a number of additional risks, including:

*Challenges integrating operations and maintaining key pre-transaction business relationships.* There may be significant challenges in consolidating functions in a business combination, acquisition or partnership transaction, including with respect to integration of technology, organizations, procedures, policies and operations, as well as addressing differences in the business cultures and retaining key personnel. Integration may also be complex and time consuming and require substantial resources and effort, which may disrupt business operations or cause inconsistencies in standards, controls, procedures and policies. Any of the foregoing adversely affect our relationships with market participants, employees, regulators and others with whom we have business or other dealings or may impair our reputation.

*Increased operating costs and difficulties in realizing anticipated efficiencies, synergies and cost savings.* Any transaction is likely to be based in part on the projected realization of efficiencies, cost savings and other synergies. We may be required to increase expenditures to manage the integration of any acquired business and it may be difficult to achieve anticipated benefits from a transaction. An increase in expenditures above our expectations or a failure to achieve anticipated efficiencies, cost savings and other synergies could adversely affect our business, financial position or results of operations.

*Increased regulation.* If we enter into a transaction with a company outside of the United States, some or all of our operations will become subject to laws, rules and regulatory jurisdictions to which we are not now subject. Some of these requirements may not be similar or consistent with U.S. requirements, and there can be no assurance the regulatory requirements across multiple jurisdictions will be harmonized or that regulatory authorities from different jurisdictions will coordinate the exercise of their respective regulatory oversight. This may increase our costs of compliance and impair our ability to conduct our business, and could require a material restructuring of our operations, including our self-regulatory operations.

*Exposure to unanticipated liabilities.* Combining with, acquiring or partnering with another business that we have not managed may result in our exposure to liabilities that we have not anticipated. This could adversely affect our business, financial position or results of operations.

***The legal and regulatory environment in the United States may make it difficult for us to compete with non-U.S. securities exchanges for the secondary listings of non-U.S. companies.***

We compete to obtain the listing of non-U.S. issuer securities (in addition to the listing of domestic issuer securities). However, the legal and regulatory environment in the United States, as well as the perception of this environment, has made it more difficult for us to compete with non-U.S. securities exchanges for these listings. For example, the Sarbanes-Oxley Act of 2002 imposes a stringent set of corporate governance, reporting and other requirements on both U.S. and non-U.S. publicly listed companies. Significant resources are necessary to come into and remain in compliance with the requirements of the Sarbanes-Oxley Act, which has had, and may continue to have, an impact on our ability to attract and retain listings. At the same time, international companies are increasingly seeking access to the U.S. markets through private transactions that do not require listing or trading in the U.S. public markets, such as through Rule 144A transactions. In 2000, approximately 50% of the proceeds

raised by international companies in the U.S. markets were raised privately, and, from 1996 to 1999, the NYSE listed an average of approximately 48 foreign private issuers per year. In comparison, in 2005, approximately 94% of the proceeds raised by international companies in the U.S. markets were raised privately, and from 2000 to 2005, the NYSE averaged approximately 20 new listings for international companies per year. Non-U.S. issuers may choose to list with non-U.S. securities exchanges exclusively without a secondary listing in the United States because they perceive the U.S. regulatory requirements and the U.S. litigation environment as too cumbersome and costly. If we are unable to successfully attract the listing business of non-U.S. issuers, the perception of the NYSE as a premier listing venue may be diminished, our competitive position may be adversely affected or operating results could suffer.

***Our business may be adversely affected by price competition.***

The securities industry is characterized by intense price competition. The pricing model for trade execution for equity securities has changed in response to competitive market conditions. Some of our competitors have recently lowered their transaction costs and accordingly reduced the fees that they charge. In addition, we may face price competition in the fees that we charge to our customers to list securities on our securities exchanges. It is likely that we will continue to experience significant pricing pressures and that some of our competitors will seek to increase their share of trading or listings by further reducing their transaction fees or listing fees, by offering larger liquidity payments or by offering other forms of financial or other incentives. Our operating results and future profitability could be adversely affected as a result of these activities. For example, we could lose a substantial percentage of our share of trading or listings if we are unable to price our transactions in a competitive manner, or our profit margins could decline if we reduce our pricing in response. In addition, one or more competitors may engage in aggressive pricing strategies and significantly decrease or completely eliminate their profit margin for a period of time in order to capture a greater share of trading or listings. Some competitors, especially those outside of the United States, have high profit margins in business areas in which we do not engage, which may assist them in executing these strategies. This environment could lead to loss of order flow and decreased revenues, and consequently could adversely affect our operating results.

In addition, we are currently undertaking a fundamental review of our pricing structures for trading fees. There is risk inherent in the introduction of new pricing structures, and the implementation of a new price structure may have material adverse effects on our business, financial condition and operating results.

***We may not be able to successfully integrate the businesses and operations of the NYSE and Archipelago in a timely fashion or at all.***

Our management may face significant challenges in consolidating the functions of the NYSE and Archipelago, integrating their technologies, organizations, procedures, policies and operations, as well as addressing differences in the business cultures of the companies and retaining key personnel. The integration may also be complex and time consuming, and require substantial resources and effort. The integration process and other disruptions resulting from these transactions may disrupt our ongoing businesses or cause inconsistencies in standards, controls, procedures and policies that adversely affect our relationships with market participants, employees, regulators and others with whom we have business relationships or other dealings. If we fail to manage the integration of these businesses effectively, our growth strategy and future profitability could be negatively affected. In addition, difficulties in integrating the businesses of the NYSE and Archipelago could harm our reputation.

***We may fail to realize the anticipated cost savings, growth opportunities and synergies and other benefits anticipated from the combination of the NYSE and Archipelago.***

We are a holding company that was formed for the purpose of effecting the merger of the NYSE and Archipelago, which occurred on March 7, 2006. Prior to the merger, the NYSE and Archipelago operated as separate, independent companies. The success of the merger (and, in turn, our results of operations)

will depend, in part, on our ability to realize the anticipated synergies and growth opportunities from combining these businesses, as well as on achieving the cost savings and revenue growth trends that the NYSE and Archipelago had identified prior to the merger that they expect to achieve. We expect that the merger will enable us to benefit from operational synergies resulting from combining the two companies' capabilities and eliminating redundancies, as well as from greater efficiencies from increased scale, market integration and automation. We also intend to focus on revenue synergies that can be achieved by the combined entity. It is possible, however, that we may not be able to successfully integrate the businesses in a manner that achieves these cost savings and synergies. In addition, it is possible that the measures we take to achieve these costs savings and synergies could adversely affect revenues and our investments in future growth.

***We must keep up with emerging technological changes in order to compete effectively in a rapidly evolving and highly competitive industry.***

We operate in a business environment that has undergone, and continues to experience, significant and rapid technological change. In recent years, electronic trading has grown significantly, and customer demand for increased choice of execution methods has increased. To remain competitive, we must continue to enhance and improve the responsiveness, functionality, accessibility and features of our trading platforms, software, systems and technologies. Our success will depend, in part, on our ability to:

develop and license leading technologies useful in our businesses;

enhance our existing trading platforms and services;

respond to customer demands, technological advances and emerging industry standards and practices on a cost-effective and timely basis; and

continue to attract and retain highly skilled technology staff to maintain and develop our existing technology and to adapt to and manage emerging technologies.

The development and expansion of electronic trading technology entails significant technological, financial and business risks. Any failure or delay in exploiting technology, or failure to exploit technology as effectively as our competitors, could have a material adverse effect on our business, financial condition and operating results. In addition, the increased use of electronic trading on the NYSE may make it more difficult for us to differentiate our products from those of our competitors, possibly reducing one of the competitive strengths of the NYSE. This may have an adverse impact on our business and, in particular, may reduce the incentive for companies to list on the NYSE. In addition, the commoditization of trade execution may result in a reduction in the number of people using the NYSE's trading floor. This may result in a decrease in the revenues raised through the use of our trading floor.

We use leading technologies and currently devote substantial resources to our services. The adoption of new technologies or market practices may require us to devote additional resources to modify and adapt our services. In such cases, we cannot assure you that we will succeed in making these improvements to our technology infrastructure in a timely manner or at all. If we are unable to anticipate and respond to the demand for new services, products and technologies on a timely and cost-effective basis and to adapt to technological advancements and changing standards, we may be unable to compete effectively, which would have a material adverse effect on our business, financial condition and results of operations. Moreover, we may incur substantial development, sales and marketing expenses and expend significant management effort to add new products or services to our trading platforms. Even after incurring these costs, we ultimately may not realize any, or may realize only small amounts of, revenues for these new products or services. Consequently, if revenue does not increase in a timely fashion as a result of these expansion initiatives, the up-front costs associated with expansion may exceed revenue and reduce our working capital and income.

***Regulation NMS, and changes in Regulation NMS, may adversely affect our businesses.***

On April 6, 2005, the SEC adopted Regulation NMS, which is a set of regulations that will govern certain aspects of trading on securities market centers. Its provisions are scheduled to become operative at various points throughout 2006. One of the principal features of Regulation NMS is the modernization of the "trade-through" or "order protection" rule. Among other things, this rule requires market centers to establish and maintain procedures to prevent "trade-throughs," which are the executions of orders at a price inferior to the best bid or offer displayed by another market center at the time of execution. This aspect of Regulation NMS will protect and apply only to quotes available for immediate execution. The "trade through" rule implemented by Regulation NMS is expected to increase competition between markets.

Regulation NMS will also impose a cap of \$0.003 per share on the access fees charged by market centers to members (or customers) and non-members, based on executions against the best bid or best offer displayed through consolidated quote systems. As a result, the transaction fees that we may charge for executions against our best bid and offer will be capped, which could decrease the amount of transaction fees that we earn and prevent us from increasing our revenues by charging higher prices. The imposition of a cap on access fees could have an adverse effect on certain of our businesses.

Regulation NMS will also impose significant changes on the formula used to calculate each market center's share of market data revenue. These new rules could alter behavior by market participants and reduce the share of revenue obtained by the NYSE and NYSE Arca, Inc.

We have begun to develop our business strategy and alter our business in consideration of the rules of Regulation NMS. There is no assurance, however, that Regulation NMS will be implemented in a timely manner or in its current form. Any delay or difficulties that arise in the implementation of Regulation NMS, as well as any amendment to Regulation NMS, could create uncertainty and adversely affect our financial condition and results of operations.

***The successful implementation and operation of the NYSE Hybrid Market<sup>SM</sup> faces a number of significant challenges and depends on a number of factors that will be outside our control.***

We are currently working on implementing the NYSE Hybrid Market<sup>SM</sup>, which was approved by the SEC on March 22, 2006. The NYSE Hybrid Market<sup>SM</sup> is intended to integrate into one platform aspects of both the physically-convened auction market and automated electronic execution. This effort is our response to the request from both market professionals and individual investors for greater choice and flexibility in buying and selling stocks on the NYSE. The NYSE Hybrid Market<sup>SM</sup> is also our strategy for adapting to the revised "trade through" rule adopted by the SEC on April 6, 2005 as a part of Regulation NMS, which prohibits trading-through quotations that are displayed by another market and immediately accessible through automatic execution. If successfully implemented, we expect that the NYSE Hybrid Market<sup>SM</sup> will change the way that securities are traded on the NYSE and will differentiate the NYSE from electronic trading venues. This initiative is being launched in phases during 2006.

In December 2005, the NYSE initiated the first phase of the NYSE Hybrid Market<sup>SM</sup> as a pilot to test selected features and functionality among a limited number of securities approved by the SEC. The pilot terminated upon SEC approval of the NYSE Hybrid Market<sup>SM</sup> initiative and floor-wide roll-out of the first phase began. As of April 5, 2006, the first phase of the NYSE Hybrid Market<sup>SM</sup> has been implemented in substantially all securities listed on the NYSE. To date, NYSE Hybrid Market<sup>SM</sup> software is functioning as expected, and all implemented features are being actively exercised by trading floor professionals. However, technological, functional, or other problems with respect to NYSE Hybrid Market<sup>SM</sup> may not come to light until additional features and functionality are introduced through subsequent pilot phases over the next several months.

The successful implementation of the NYSE Hybrid Market<sup>SM</sup> faces a number of significant challenges, including the difficulties of developing and implementing novel technology and the ability and willingness of specialists to build new technology platforms. In addition, as a novel technology and method

of trading, there is no assurance that the NYSE Hybrid Market<sup>SM</sup> will function as it is currently anticipated to function, or that customers will accept and use the services that it offers. The operation of the NYSE Hybrid Market<sup>SM</sup> also places greater demands on NYSE Regulation, and specifically market surveillance.

A challenge of a different kind is presented by a petition filed on or about April 25, 2006, by the Independent Broker Action Committee, Inc. ("IBAC"), which describes itself as a not-for-profit corporation whose membership consists of independent brokers on the floor of the NYSE. The petition was filed in the U.S. Court of Appeals for the District of Columbia and seeks review of two orders issued by the SEC (Exchange Act Release No. 34-53539 (March 22, 2006) and 34-53382 (February 27, 2006) (the "Orders")) insofar as they relate to the creation of the NYSE Hybrid Market<sup>SM</sup> and NYSE's proposed method of allocating trading rights. The petition names only the SEC as a respondent and asks the Court to vacate Exchange Act Release No. 34-53539 regarding the NYSE Hybrid Market<sup>SM</sup> and that portion of Exchange Act Release No. 34-53382 that approved the NYSE's proposed method of allocating trading rights at the NYSE through annual trading licenses, and to remand the matter to the SEC for further proceedings. IBAC also asked the SEC to stay the authorization given to NYSE under Exchange Act Release No. 34-53539 to implement subsequent phases of the NYSE Hybrid Market<sup>SM</sup>, pending the Court's resolution of IBAC's petition for review. We intend to oppose IBAC's stay request and to seek leave to intervene to oppose IBAC's petition.

Any delay or difficulties in implementing or operating the NYSE Hybrid Market<sup>SM</sup> may have a material adverse effect on our ability to compete and our operating results, particularly if the NYSE Hybrid Market<sup>SM</sup> is not implemented by the time that the first phase of Regulation NMS becomes operative. Currently, the first phase of Regulation NMS is scheduled to become operative on June 29, 2006. Although the NYSE expects that it will be able to be in compliance with Regulation NMS by June 29, 2006, it expects that it will not be able to implement all of the planned features and functionalities of the NYSE Hybrid Market<sup>SM</sup> on the operative date of this first phase unless the SEC postpones this date. In addition, any unwillingness by our customers to accept or use the NYSE Hybrid Market<sup>SM</sup> services may also have an adverse impact on our ability to compete and on our operating results. For a discussion of the NYSE Hybrid Market<sup>SM</sup>, see "Business Information About the NYSE The NYSE Hybrid Market<sup>SM</sup> Initiative."

***We intend to enter into or increase our presence in established trading markets, such as the U.S. options or futures markets or non-U.S. securities markets. Demand and market acceptance for our products and services within these markets will be subject to a high degree of uncertainty and risks and may affect our growth potential.***

We intend to enter into or increase our presence in certain trading markets, such as the U.S. options and futures markets or non-U.S. securities markets, which already possess established competitors. As a result, demand and market acceptance for our products and services within these markets will be subject to a high degree of uncertainty and risk. If we are unable to enter into or increase our presence in these markets and compete successfully, we may not generate sufficient revenues from these products and services.

Our future growth and success may depend in part on our ability to compete with and penetrate the non-U.S. securities markets. However, we may not be successful in competing with or penetrating these markets. Attracting customers in certain countries may be subject to a number of risks, including currency exchange rate risk, difficulties in enforcing agreements or collecting receivables, longer payment cycles, compliance with the laws or regulations of foreign countries, and political and regulatory uncertainties.

***Increased investor interest in other investment products could have a material adverse effect on our businesses.***

Trading fees account for a significant proportion of our revenues. Increased investor interest in investment products that we do not trade may result in a reduction in order flow, and may therefore have a material adverse effect on our business, financial condition and operating results.

***The loss of key personnel may adversely affect our business.***

We are dependent upon the contributions of our senior management team and other key employees, as well as key staff of NYSE Regulation, for our success. With the exception of John A. Thain, our chief executive officer, who entered into a letter agreement with the NYSE, these individuals do not have agreements relating to their employment with us. Mr. Thain's letter agreement does not provide for a fixed employment term or prevent him from terminating his employment at any time. If Mr. Thain, or one or more of our other executives or other key employees, were to cease to be employed by us, we could be adversely affected. In particular, we may have to incur costs to replace senior executive officers or other key employees who leave, and our ability to execute our business strategy could be impaired if we are unable to replace such persons in a timely manner.

***We may be at greater risk from terrorism than other companies.***

Given the NYSE's position as the world's largest cash equities market, its prominence in the U.S. and global securities industry, and the concentration of many of its properties and personnel in lower Manhattan, we may be more likely than other companies to be a direct target of, or an indirect casualty of, attacks by terrorists or terrorist organizations.

It is impossible to predict the likelihood or impact of any terrorist attack on the securities industry generally or on our business. In the event of an attack or a threat of an attack, our security measures and contingency plans may be inadequate to prevent significant disruptions in our business, technology or access to the infrastructure necessary to maintain our business. For a discussion of some of our security measures and contingency plans, see "Business Security Measures and Contingency Plans." Damage to our facilities due to terrorist attacks may be significantly in excess of any amount of insurance received, or we may not be able to insure against such damage at a reasonable price or at all. The threat of terrorist attacks may also negatively affect our ability to attract and retain employees. In addition, terrorist attacks may cause instability or decreased trading in the securities markets, including trading on exchanges. Any of these events could have a material adverse effect on our business, financial condition and operating results.

***We operate in a highly regulated industry, and may be subject to censures, fines and other legal proceedings if we fail to comply with our legal and regulatory obligations.***

We operate in a highly regulated industry and are subject to extensive regulation. The securities industry is subject to extensive governmental regulation and could be subject to increased regulatory scrutiny. As a matter of public policy, these regulations are designed to safeguard the integrity of the securities and other financial markets and to protect the interests of investors in those markets. The SEC regulates the U.S. securities exchanges and has broad powers to audit, investigate and enforce compliance with its rules and regulations and impose sanctions for non-compliance. Our ability to comply with applicable laws and rules is largely dependent on our establishment and maintenance of appropriate systems and procedures, as well as our ability to attract and retain qualified personnel.

The SEC is vested with broad enforcement powers to censure, fine, issue cease-and-desist orders, prohibit us from engaging in some of our businesses or suspend or revoke the registration of our subsidiaries as national securities exchanges. In the case of actual or alleged noncompliance with regulatory requirements, NYSE Group could be subject to investigations and administrative or judicial proceedings that may result in substantial penalties, including revocation of a subsidiary's registration as a national securities exchange. Any such investigation or proceeding, whether successful or unsuccessful, would result in substantial costs and diversions of resources and might also harm our business reputation, any of which may have a material adverse effect on our business, financial condition and operating results.

In addition, there may be a conflict between the self-regulatory responsibilities of certain of our businesses and some of the market participants or customers of our subsidiaries. Any failure by us to

diligently and fairly regulate our member organizations or to otherwise fulfill our regulatory obligations could significantly harm our reputation, prompt SEC scrutiny and adversely affect our business.

***Damage to our reputation could have a material adverse effect on our businesses.***

One of our competitive strengths is our strong reputation and brand name. Our reputation could be harmed in many different ways, including by our regulatory governance or technology failures. Damage to our reputation could cause some issuers not to list their securities on our exchanges, as well as reduce the trading volume on our exchanges. This, in turn, may have a material adverse effect on our business, financial condition and operating results.

***We will face restrictions with respect to the way in which we conduct certain of our operations, and may experience certain competitive disadvantages if we do not receive SEC approval for new business initiatives or receive them in an untimely manner.***

We operate two registered national securities exchanges the NYSE and NYSE Arca, Inc. Pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we are responsible for regulating our member organizations through the adoption and enforcement of rules governing the trading activities, business conduct and financial responsibility of our member organizations and individuals associated with them. Changes to our rules are generally subject to the approval of the SEC, which publishes proposed rule changes for public comment. Changes to our certificate of incorporation or bylaws and changes to the certificate of incorporation, bylaws, operating agreement or rules of certain of our subsidiaries, to the extent that these changes could affect the activities of our exchanges, must also be approved. We may from time to time seek to engage in new business activities, some of which may require changes to our governing rules.

Any delay or denial of a requested approval could cause us to lose business opportunities. Our competitive position could be significantly weakened if our competitors are able to obtain SEC approval for new functionalities faster and with less difficulty than we are, or if approval is not required for our competitors. Competitors that are not registered exchanges are subject to less stringent regulation. In addition, as we seek to expand our product base, we could become subject to the oversight of additional regulatory bodies.

***NYSE Arca has had discussions with SEC staff regarding a potential pilot program to trade and quote options on certain ETFs in penny increments, but any proposal that NYSE Arca may make on this issue may be denied by the SEC.***

NYSE Arca has had discussions with SEC staff regarding a potential pilot program to display, rank, quote and execute option orders on certain ETFs in penny increments. Currently, options are displayed, ranked, quoted and executed in nickel and dime increments, although the underlying equity security may be displayed, ranked, quoted and executed in penny increments (or, after the implementation of Regulation NMS, sub-penny increments if the quote, order or indication of interest for the security is less than \$1.00). Any proposal that NYSE Arca may make on this issue will require approval from the SEC.

Currently, only certain option market participants have the capability to execute orders for options in penny increments; however, these orders are not executed in a manner that is transparent to all option market participants. Although these market participants are able to execute orders in penny increments, they still must quote and display their orders in nickel or dime increments. NYSE Arca's potential pilot program would provide transparent option order display and execution to all market participants. It would also seek to provide improved and enhanced pricing opportunities for all market participants, as the fair value of options are often in part dependent upon the fair price of the underlying equity security. Some

industry participants oppose such a program under the belief that it would overwhelm the capacity limits of existing option quote processing systems.

In the event that the SEC approves displaying, quoting and executing options in any increments under a nickel, we believe that we will be well positioned to adequately handle the process. Failure of the SEC to approve the ability to display, rank, quote and execute orders for options in increments under a nickel could limit to a material extent our ability to gain options trading share or realize the growth opportunities and other benefits that we anticipate.

***Regulatory developments could have a negative impact on our businesses.***

Securities exchanges have been the subject of increasing political and public scrutiny in recent years in response to a number of developments and inquiries. In November 2004, the SEC proposed corporate governance, transparency, oversight and ownership rules for registered national securities exchanges and other self-regulatory organizations ("SROs") and issued a concept release examining the efficacy of self-regulation. The concept release also solicited public comment concerning the level of market data fees, following several years of claims from some competitors and data intermediaries that market data fees and revenues are excessive.

We cannot predict whether, or in what form, any regulatory changes will take place, or their impact on our business. Changes in the rules and regulations affecting SROs could require us to change the manner in which we conduct our business or govern ourselves. They could also make it more difficult or more costly for us to conduct our existing businesses or to enter into new businesses. A determination by the SEC, for example, to link market data fees to marginal costs, to become even more involved in the market data rate-setting process, or to reduce the current levels of market data fees could have a material adverse effect on our market data revenues. Moreover, given the importance of regulation in the securities industry, it is possible that any regulatory developments could have a material adverse effect on our business, as well as the business of other participants in the securities industry. For a discussion of recent regulatory developments, see "Regulation Recent Regulatory Developments."

***We are required to allocate funds and resources to NYSE Regulation.***

We are required to allocate significant resources to NYSE Regulation. This dedication of resources may limit our ability to reduce our expense structure and to dedicate funds and human resources in other areas. Both NYSE Market and NYSE Arca, Inc. have entered into services agreements with NYSE Regulation pursuant to which they are obligated to provide funding to NYSE Regulation in exchange for regulatory services that NYSE Regulation provides to them. The obligations to fund NYSE Regulation under the agreements covering those services could negatively affect the cash available to us and our ability to invest in or pursue other opportunities that may also be beneficial to our stockholders. For a discussion of our regulatory structure and responsibilities, see "Regulation NYSE Regulation."

***Any conflicts of interest between us and NYSE Regulation may have a material adverse effect on our business.***

NYSE Regulation will regulate and monitor the activities on our securities exchanges and enforce issuer and member organization compliance with applicable law and the rules of the exchanges. In a recent rule proposal, the SEC noted that there is an inherent conflict that exists within every SRO between its regulatory functions, on the one hand, and its member organizations, market operations, listed issuers, and stockholders, on the other hand. The SEC has also expressed concern about the conflicts of interest that may exist when a for-profit entity owns an SRO. The for-profit entity's goal of maximizing stockholder value might conflict with the SRO's self-regulatory responsibilities imposed by the securities laws. For example, the for-profit entity might have an incentive to commit insufficient funds to the regulatory operations of the SRO, or use the disciplinary powers of the SRO to generate revenue for the for-profit

entity by disciplining member organizations that operate or participate in competing trading systems. In addition, the regulatory responsibilities imposed by the U.S. securities laws (such as encouraging low-cost trading and competitive markets) may conflict with our profit-oriented goals as a public company. There may be more opportunities for conflicts of interest to arise when SROs regulate listed companies. Additional conflicts of interest arise where a company (such as NYSE Group) lists its securities on the national securities exchange that it owns. The listing of our common stock on the NYSE could potentially create a conflict of interest between the NYSE's regulatory responsibility to vigorously oversee the listing and trading of securities on the NYSE, on the one hand, and our commercial and economic interest, on the other hand. The SRO's disciplinary power over NYSE Group's competitors may also raise questions.

We have implemented structural protections to minimize these potential conflicts of interest. For a discussion of some of these structural protections, see "Regulation NYSE Regulation Structure, Organization and Governance of NYSE Regulation." These structural protections, however, may not be adequate to manage (and, in any event, will not eliminate) these potential conflicts of interest. For example, certain of the independent directors of our board of directors will serve as directors on the NYSE Regulation board of directors. In the event that we fail to manage these potential conflicts of interest adequately, we could impair the effectiveness of NYSE Regulation or otherwise incur reputational damage, which could have a material adverse effect on our business, financial condition and operating results.

***Certain of our businesses rely on specialists for effecting some transactions. Any failure by specialists to perform their function effectively or to comply with their regulatory obligations may have a material adverse effect on our business.***

Specialists are an important component of the market structure within the NYSE. For example, specialists assist in providing liquidity and minimizing volatility. A deterioration in the performance of specialists, or misconduct by specialists, could damage our reputation and reduce our ability to compete with other securities exchanges for listings and order flow. The profitability of the seven specialist units currently active on the NYSE has fluctuated significantly since 2002.

The increased use of technology (and, in particular, computers) in securities executions also is changing the business models of specialists. Their failure to adapt their business models to this changing environment in general, and to the NYSE Hybrid Market<sup>SM</sup> in particular, would further undermine the differentiation, and therefore the competitive position, of NYSE Market. For a discussion of certain litigation and SEC action relating to specialists, see "Business Legal Proceedings In re NYSE Specialists Securities Litigation."

We derive significant revenues from activities related to our trading floor, including trading fees, facility and equipment fees and trading license fees. The migration of trading volume away from the trading floor and into our or others' electronic trading platforms could adversely affect these revenues.

***Market fluctuations and other risks beyond our control could significantly reduce demand for our services and harm our business.***

The volume of securities transactions and the demand for listings and our other products and services are directly affected by economic, political and market conditions in the United States and elsewhere in the world that are beyond our control, including:

broad trends in business and finance;

terrorism and war;

concerns over inflation and the level of institutional or retail confidence;

changes in government monetary policy and foreign currency exchange rates;

the availability of short-term and long-term funding and capital;

the availability of alternative investment opportunities;

changes in the level of trading activity;

changes and volatility in the prices of securities;

changes in tax policy;

the level and volatility of interest rates;

legislative and regulatory changes, including the potential for regulatory arbitrage among U.S. and non-U.S. markets if significant policy differences emerge among markets; and

unforeseen market closures or other disruptions in trading.

General economic conditions affect securities markets in a variety of ways, from determining availability of capital to influencing investor confidence. Poor economic conditions also have an impact on the process of raising capital by reducing the number or size of securities offerings or listings. The economic climate in recent years has been characterized by challenging business and economic conditions. During 2000 through early 2003, the major U.S. market indices experienced severe declines. The weak and uncertain economic climate, together with corporate governance and accounting concerns, contributed to a reduction in corporate transactions and a generally more difficult business environment. In addition, the United States and other countries in which we hope to offer our services have suffered acts of war or terrorism or other armed hostilities. These or similar acts have in the past increased or prolonged, and may in the future increase or prolong, negative economic conditions. Adverse changes in the economy or the outlook for the securities industry can have a negative impact on our revenues through declines in trading volume, new listings and demand for market data. Generally adverse economic conditions may also have a disproportionate effect on our business. Because our infrastructure and overhead will be based on assumptions of certain levels of market activity, significant declines in trading volumes, new listings or demand for market data may have a material adverse effect on our business, financial condition and operating results.

A significant portion of our revenues will depend, either directly or indirectly, on our transaction-based business, which, in turn, is dependent on our ability to attract and maintain order flow, both in absolute terms and relative to other market centers. If the amount of trading volume on the NYSE or NYSE Arca decreases, our revenue from transaction fees will decrease. There may also be a reduction in revenue from market data fees. If our share of total trading volume decreases relative to our competitors, we may be less attractive to market participants as a source of liquidity and may lose additional trading volume and associated transaction fees and market data fees as a result. In addition, declines in our share of trading volume could adversely affect the growth, viability and importance of various of our market information products, which will constitute an important portion of our revenues.

We also expect to generate a significant portion of our revenues from listing fees. Among the factors affecting companies' decision to go public and/or list their shares on U.S. markets are general economic conditions, industry-specific circumstances, capital market trends, mergers and acquisitions environment and regulatory requirements. The extent to which these and other factors cause companies to remain privately owned or decide not to list their shares in the United States may have a material adverse effect on our business, financial condition and operating results.

The financial services industry and, particularly, the securities transactions business are dynamic, uncertain and highly competitive environments. Accordingly, we expect exchange consolidation and

member organization consolidation to persist in the future. This environment has led to business failures and has encouraged the introduction of alternative trading venues with varying market structures and new business models. Well-capitalized competitors from outside the United States may seek to expand their operations in the U.S. market. In addition, the financial services industry is subject to extensive regulation, which may change dramatically in ways that affect industry market structure. If we are unable to adjust in a timely manner to structural changes within our markets, technological and financial innovation, and other competitive factors, our business will suffer.

***Insufficient systems capacity or systems failure could harm our business.***

Our business depends on the performance and reliability of the computer and communications systems supporting it. In particular, heavy use of our platforms and order routing systems during peak trading times or at times of unusual market volatility could cause our systems to operate slowly or even to fail for periods of time. Our system capacity requirements could grow significantly in the future as the result of a variety of factors, including the implementation of the NYSE Hybrid Market<sup>SM</sup>, and NYSE Arca's anticipated expansion of its options trading volume. If our systems cannot be expanded to handle increased demand, or otherwise fail to perform, we could experience disruptions in service, slower response times, delays in introducing new products and services and loss of revenues. In addition, our trading activities may be negatively affected by system failures of other trading systems, as a result of which we may be required to suspend trading activity in particular stocks or, in the case of NYSE Arca, cancel previously executed trades under certain circumstances.

Failure to maintain systems or to ensure sufficient capacity may also result in a temporary disruption of our regulatory and reporting functions. These consequences, in turn, could result in lower trading volumes, financial losses, decreased customer service and satisfaction, litigation or customer claims, or regulatory sanctions.

We have experienced systems failures in the past. It is possible that we will experience systems failures in the future, or periods of insufficient systems capacity or network bandwidth, power or telecommunications failure, acts of God or war, terrorism, human error, natural disasters, fire, power loss, sabotage, hardware or software malfunctions or defects, computer viruses, intentional acts of vandalism or similar events. Any system failure that causes an interruption in service or decreases the responsiveness of our service could impair our reputation and negatively impact our revenues. We also rely on third parties for systems support. Any interruption in these third-party services or deterioration in the performance of these services could also be disruptive to our business (and the NYSE Hybrid Market<sup>SM</sup>, in particular) and have a material adverse effect on our business, financial condition and operating results.

***Our networks and those of our third-party service providers may be vulnerable to security risks, which could result in wrongful use of our information or cause interruptions in our operations that cause us to lose trading volume and result in significant liabilities. We will also incur significant expense to protect our systems.***

We expect that the secure transmission of confidential information over public networks will be a critical element of our operations. Our networks and those of our third-party service providers may be vulnerable to unauthorized access, computer viruses and other security problems. Persons who circumvent security measures could wrongfully access and use our information or cause interruptions or malfunctions in our operations. Any of these events could cause us to lose trading volume. We will be required to expend significant further resources to protect against the threat of security breaches or to alleviate problems, including reputational harm and litigation, caused by breaches. Our security measures are costly, and may prove to be inadequate and result in system failures and delays that could cause us to lose business.

***Our revenues from SIAC could significantly decrease if SIAC loses its major customers.***

The Securities Industry Automation Corporation ("SIAC"), which is two-thirds owned by the NYSE and one-third owned by AMEX, is the principal vendor of the NYSE's data processing and software development services. In 2005, SIAC's non-NYSE revenues accounted for 17.7% of the NYSE's revenues, net of Section 31 fees. Historically, SIAC has relied on three principal customers for a majority of its revenues: (1) the NYSE, (2) AMEX and (3) the National Securities Clearing Corporation and Fixed Income Clearing Corporation. In 2005, the NYSE was the source of 58% of SIAC's revenues; AMEX was the source of 16.4% of SIAC's revenues; and the National Securities Clearing Corporation and Fixed Income Clearing Corporation were the source of 9.1% of SIAC's revenues. The National Securities Clearing Corporation and Fixed Income Clearing Corporation have entered into separate agreements with SIAC, pursuant to which the services previously provided by SIAC are being phased out. In addition, AMEX has sent a notice to SIAC indicating that it intends to materially decrease its use of SIAC's services. If AMEX materially decreases its use of SIAC's services, our revenues from SIAC will be adversely affected. To the extent that AMEX does not bear a portion of the costs associated with this decrease (including transition costs and an appropriate share of SIAC's current overhead as SIAC seeks to mitigate the overhead costs), or to the extent that we are not able to reduce our costs associated with SIAC to offset the amount of reduction in revenue from SIAC (which we may not be able to do), our profits and results of operations may be adversely affected.

***Any failure by us to protect our intellectual property rights, or allegations that we have infringed the intellectual property rights of others, could adversely affect our business.***

We own the rights to a number of trademarks, service marks, trade names, copyrights and patents used in our businesses. To protect our intellectual property rights, we rely on a combination of trademark laws, copyright laws, patent laws, trade secret protection, confidentiality agreements and other contractual arrangements with our affiliates, customers, strategic investors and others. The protective steps taken may be inadequate to deter misappropriation of our proprietary information. We may be unable to detect the unauthorized use of, or take appropriate steps to enforce, our intellectual property rights. Failure to protect our intellectual property adequately could harm our reputation and affect our ability to compete effectively. Further, defending our intellectual property rights may require significant financial and managerial resources, the expenditure of which may have a material adverse effect on our business, financial condition and operating results.

In the future we may be subject to intellectual property rights claims, which may be costly to defend, could require the payment of damages and could limit our ability to use certain technologies. Some of our competitors currently own patents and have actively been filing patent applications in recent years, some of which may relate to our trading platforms and business processes. Additionally, our competitors or other market participants may seek to do the same in the future. As a result, we have faced and, in the future, may face allegations that we have infringed or otherwise violated the intellectual property rights of third parties. Any intellectual property claims, with or without merit, could be time consuming, expensive to litigate or settle and could divert management resources and attention. Successful challenges against us could require us to modify or discontinue our use of technology where such use is found to infringe or violate the rights of others, or require us to obtain licenses from third parties at material cost. For a discussion of litigation involving our intellectual property, see "Business Legal Proceedings."

***We are subject to significant litigation risk and potential securities law liability.***

Many aspects of our business involve substantial liability risks. These risks include, among others, potential liability from disputes over terms of a trade or from claims that a system or operational failure or delay caused monetary losses to a customer, that we entered into an unauthorized transaction or that we provided materially false or misleading statements in connection with a transaction. Dissatisfied customers frequently make claims against their service providers regarding quality of trade execution, improperly

settled trades, mismanagement or even fraud. We could be exposed to substantial liability under federal and state laws and court decisions, as well as rules and regulations promulgated by the SEC. We could incur significant legal expenses defending claims, even those without merit. In addition, an adverse resolution of any future lawsuit or claim against us may have a material adverse effect on our business, financial condition and operating results. For a discussion of certain legal claims against us, see "Business Legal Proceedings."

***The uncertainty of the annual auction process for the sale of trading licenses may adversely affect our business.***

The right to trade securities on the facilities of the NYSE is sold through annual auctions, as described under "Business Information About the NYSE Trading Licenses." On January 4, 2006, the NYSE completed its first modified Dutch auction of trading licenses, as a result of which 1,274 trading licenses were sold at an annualized price of \$49,290 per license, subject to SEC approval of applicable NYSE rules which approval was obtained on February 27, 2006. The NYSE has made available a maximum of 1,366 trading licenses, and any unsold trading licenses can be purchased at a ten percent premium to the established auction price, on a pro rata basis, during the course of 2006. There could be significant uncertainty regarding the number and price of trading licenses that will be sold in a given year, which could result in revenue that fluctuates and our inability to meet our financial plans.

***Our business is difficult to evaluate because the NYSE has not historically been operated as a for-profit company and Archipelago has a limited operating history.***

Our business consists of the combined businesses of the NYSE and Archipelago, and is operated as a for-profit business (other than NYSE Regulation). Historically, the NYSE has operated as a not-for-profit entity. In addition, although Archipelago historically has been operated as a for-profit entity, its operating history is limited. As a result, the historical financial condition of the NYSE and Archipelago may not adequately predict the future financial condition of our business.

***Many of our current stockholders are also former members who have the right to trade on the NYSE and NYSE Arca and their interests may differ from those of other stockholders.***

Many of our current stockholders are both stockholders and holders of licenses or permits to trade on the NYSE and NYSE Arca. Stockholders who are also holders of trading licenses or permits may have interests that are different from, or that could conflict with, your interests. Because of their common interests, these investors may vote in the same way. If these investors vote together on a given matter, they collectively may have the ability to influence the decision, which could involve the election of our directors, the appointment of new management and the potential outcome of any matter submitted to a vote of our stockholders, including mergers, the sale of substantially all of our assets and other extraordinary events. In addition, each of the lead underwriters of this offering is also a holder of a NYSE trading license, either directly or through an affiliate.

#### **Risks Relating to an Investment in Our Common Stock**

***Our stock has a very limited trading history. Volatility in our stock price could adversely affect our stockholders.***

Our stock has been publicly traded since March 8, 2006 and the market price of our common stock may be volatile. In addition, only approximately 17.2% of our outstanding common stock is currently publicly traded, and only approximately 33.3% shares of our outstanding common stock will be publicly traded immediately after this offering. The limited public float could cause volatility in our stock price.

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In addition, broad market and industry factors may adversely affect the market price of our common stock, regardless of our actual operating and financial performance. Factors that could cause fluctuations in our stock price may include, among other things:

actual or anticipated variations in quarterly operating results;

changes in financial estimates by us or by any securities analysts who might cover our stock;

conditions or trends in our industry, including regulatory changes or changes in the securities marketplace;

changes in the market valuations of exchanges and other trading facilities in general, or other companies operating in the securities industry;

announcements by us or our competitors of significant acquisitions, strategic partnerships or divestitures;

announcements of investigations or regulatory scrutiny of our operations or lawsuits filed against us;

additions or departures of key personnel; and

sales of our common stock, including sales of our common stock by our directors and officers or our strategic investors.

***Certain underwriters for this offering or their affiliates are also selling stockholders and, therefore, have interests in this offering beyond customary underwriting discounts and commissions.***

Certain underwriters for this offering or their affiliates are participating as selling stockholders in this offering. There may be a conflict of interest between their interests as selling stockholders (*i.e.*, to maximize the value of their investment) and their respective interests as underwriters (*i.e.*, in negotiating the public offering price). As participants in this offering that are seeking to realize the value of their investment in us, these underwriters have interests beyond customary underwriting discounts and commissions.

***Our share price may decline due to the large number of shares eligible for future sale.***

Sales of substantial amounts of our common stock, or the possibility of these sales, may adversely affect the market price of our common stock. See "Shares Eligible for Future Sale." These sales may also make it more difficult for us to raise capital through the issuance of equity securities at a time and at a price that we deem appropriate.

As of May 1, 2006, there were approximately 156.0 million shares of NYSE Group common stock outstanding (which does not include 1,645,415 shares of our common stock in treasury, all of which are held by NYSE Arca, Inc., an indirect wholly owned subsidiary of NYSE Group; 1,198,301 shares underlying restricted stock units granted to persons who were officers and employees of the NYSE as of the merger; 158,019 shares underlying restricted stock units granted to former Archipelago directors, officers and employees; or 2,028,304 shares underlying options granted to former Archipelago officers and employees). In addition, approximately 8.5 million shares of our common stock have been reserved for issuance pursuant to grants to our officers and employees and certain shares of our common stock may be issued to directors, officers and employees under the NYSE Group, Inc. 2006 Stock Incentive Plan. See "Management Compensation of Directors and Executive Officers."

Of our shares outstanding, after this offering and assuming that the underwriters do not exercise their overallotment option, approximately 24,571,000 shares will continue to be subject to restrictions on transfer that will expire on March 7, 2007, approximately 37,039,000 shares will continue to be subject to restrictions on transfer that will expire on March 7, 2008, and approximately 42,635,000 shares will continue to be subject to restrictions on transfer that will expire on March 7, 2009. Our board of directors



has the right, in its discretion, to remove the transfer restrictions earlier, in whole or in part, on any of these shares of NYSE Group common stock (for example, see "Shares Eligible for Future Sale Shares Eligible for Sale by Bear Wagner and its Affiliates and Employees"), subject to the lock-up agreement entered into between NYSE Group, its executive officers and directors, on the one hand, and the underwriters, on the other hand. For a discussion of these lock-up agreements see "Underwriting Lock-Up Agreements." Removal of the transfer restrictions from all or a part of these shares for any reason may lead to significant numbers of shares of our common stock becoming available for sale, which may adversely affect the then-prevailing market price of our common stock. See "Shares Eligible for Future Sale."

***We may seek to raise additional funds, finance acquisitions or develop strategic relationships by issuing capital stock.***

We may seek to raise additional funds, finance acquisitions or develop strategic relationships by issuing equity or convertible debt securities, which would reduce the percentage ownership of our existing stockholders. Furthermore, any newly issued securities could have rights, preferences and privileges senior to those of our common stock.

***We do not expect to pay dividends on NYSE Group common stock in the immediate future.***

We do not expect to pay any dividends in the immediate future. Any determination to pay dividends in the future will be at the discretion of our board of directors and will depend upon our results of operations and financial condition, contractual restrictions, restrictions imposed by applicable law or our business and investment strategy, and other factors that our board of directors deems relevant. Accordingly, our board of directors might not implement a policy to pay periodic dividends.

***Provisions of our organizational documents and Delaware law may delay or deter a change of control of NYSE Group.***

Our organizational documents contain provisions that may have the effect of discouraging, delaying or preventing a change of control of, or unsolicited acquisition proposals for, NYSE Group that a stockholder might consider favorable. These include provisions:

vesting our board of directors with sole power to set the number of directors;

limiting the persons that may call special stockholders' meetings;

limiting stockholder action by written consent; and

requiring supermajority stockholder approval with respect to certain amendments to our certificate of incorporation and bylaws.

In addition, its organizational documents include provisions that:

restrict any person (either alone or together with its related persons) from voting or causing the voting of shares of stock representing more than 10% of our outstanding voting capital stock (including as a result of any agreement by any other persons not to vote shares of stock); and

restrict any person (either alone or together with its related persons) from beneficially owning shares of stock representing more than 20% of the outstanding shares of any class or series of our capital stock.

Furthermore, our board of directors has the authority to issue shares of preferred stock in one or more series and to fix the rights and preferences of these shares without stockholder approval. Any series of NYSE Group preferred stock is likely to be senior to the NYSE Group common stock with respect to dividends and liquidation rights. The ability of our board of directors to issue preferred stock also could



have the effect of discouraging unsolicited acquisition proposals, thus adversely affecting the market price of the common stock.

In addition, Delaware law makes it difficult for stockholders that recently have acquired a large interest in a corporation to cause the merger or acquisition of the corporation against the directors' wishes. Under Section 203 of the Delaware General Corporation Law, a Delaware corporation may not engage in any merger or other business combination with an interested stockholder for a period of three years following the date that the stockholder became an interested stockholder except in limited circumstances, including by approval of the corporation's board of directors.

***If we are unable to favorably assess the effectiveness of our internal controls over financial reporting, or if our Independent Registered Public Accounting Firm is unable to provide an unqualified attestation report on our assessment, our stock price could be adversely affected.***

Pursuant to Sections 302 and 404 of the Sarbanes-Oxley Act of 2002, in connection with our annual report on Form 10-K for the fiscal year ending December 31, 2007, our management will be required to certify to and report on, and our Independent Registered Public Accounting Firm will be required to attest to, the effectiveness of our internal controls over financial reporting as of December 31, 2007. The rules governing the standards that must be met for management to assess our internal controls over financial reporting are new and complex, and require significant documentation, testing and possible remediation. We currently are in the process of reviewing, documenting and testing our internal controls over financial reporting. The continuing effort to comply with regulatory requirements relating to internal controls will likely cause us to incur increased expenses and diversion of management's time and other internal resources. We also may encounter problems or delays in completing the implementation of any changes necessary to make a favorable assessment of our internal controls over financial reporting. In addition, in connection with the attestation process by our Independent Registered Public Accounting Firm, we may encounter problems or delays in completing the implementation of any requested improvements or receiving a favorable attestation. If we cannot favorably assess the effectiveness of our internal controls over financial reporting, or if our Independent Registered Public Accounting Firm is unable to provide an unqualified attestation report on our assessment, investor confidence and the stock price of our common stock could be adversely affected.

## FORWARD-LOOKING STATEMENTS

This prospectus contains statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements may include statements regarding the period following completion of this offering. In some cases, you can identify these statements by forward-looking words such as "may," "might," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential" or "continue," and the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to known and unknown risks, uncertainties and assumptions about us, may include projections of our future financial performance based on our growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. In particular, you should consider the numerous risks and uncertainties described under "Risk Factors."

These risks and uncertainties are not exhaustive. Other sections of this prospectus describe additional factors that could adversely impact our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible to predict all risks and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy or completeness of any of these forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. We are under no duty to update any of these forward-looking statements after the date of this prospectus to conform our prior statements to actual results or revised expectations and we do not intend to do so.

Forward-looking statements include, but are not limited to, statements about:

our business' possible or assumed future results of operations and operating cash flows;

our business' strategies and investment policies;

our business' financing plans and the availability of capital;

our business' competitive position;

potential growth opportunities available to our business;

the risks associated with potential acquisitions or alliances by us;

the recruitment and retention of our officers and employees;

our expected levels of compensation;

our business' potential operating performance, achievements, productivity improvements, efficiency and cost reduction efforts;

the likelihood of success and impact of litigation;

our protection or enforcement of our intellectual property rights;

our ability to successfully implement and operate the NYSE Hybrid Market<sup>SM</sup>;

our expectation with respect to securities markets and general economic conditions;

our ability to keep up with rapid technological change; and

the impact of future legislation and regulatory changes on our business.

We caution you not to place undue reliance on the forward-looking statements, which speak only as of the date of this prospectus.

We expressly qualify in their entirety all forward-looking statements attributable to us or any person acting on our behalf by the cautionary statements contained or referred to in this section.

**USE OF PROCEEDS**

All of the shares of common stock being offered in this offering are being sold by the selling stockholders, including certain underwriters or their affiliates and certain of our executive officers. See "Principal and Selling Stockholders" and "Underwriting." We will not receive any proceeds from this offering. All proceeds from this offering, net of underwriters' discounts and offering expenses, will be received by the selling stockholders.

**DILUTION**

All of the shares of our common stock being sold in this offering were issued and outstanding prior to this offering. As a result, this offering will not have a dilutive effect on our stockholders' holdings of our common stock.

**PRICE AND RELATED INFORMATION CONCERNING SHARES**

Our common stock is listed on the NYSE and commenced trading on March 8, 2006 under the ticker symbol "NYX." Prior to that date, there was no public market for our common stock.

As of April 17, 2006, there were approximately 1,328 holders of record and approximately 57,000 beneficial holders of our common stock. No dividends have ever been paid on our common stock. See "Dividend Policy."

On May 4, 2006, our common stock traded at a high of \$65.59 and a low of \$62.29. The following table sets forth, for the periods indicated, the high and low sale prices of our common stock, as reported on the NYSE.

Calendar Quarter	Price	
	High	Low
2006		
First Quarter <sup>(1)</sup>	\$ 90.35	\$ 63.91
Second Quarter (through May 4, 2006)	\$ 80.45	\$ 62.29

(1) First quarter figures for 2006 are given for the period from March 8, 2006 (the date on which our common stock commenced trading on the NYSE) to March 31, 2006.

**DIVIDEND POLICY**

We do not expect to pay any dividends in the immediate future. Any determination to pay dividends in the future will be at the discretion of our board of directors and will depend upon our results of operations and financial condition, contractual restrictions, restrictions imposed by applicable law, our business and investment strategy and other factors that our board of directors deems relevant. There is no assurance that our board of directors will determine to implement a policy to pay periodic dividends in the future.

**CAPITALIZATION**

The following table sets forth our consolidated capitalization as of December 31, 2005:

on an actual basis; and

as adjusted to give effect to (1) the merger of the NYSE and Archipelago, pursuant to which each NYSE member immediately prior to the merger was entitled to receive \$300,000 in cash and 80,177 shares of our common stock and each Archipelago stockholder immediately prior to the merger was entitled to receive one share of our common stock; and (2) the cash dividend of \$70,571 paid to each NYSE member prior to the merger.

This offering of our common stock will not affect our consolidated capitalization.

This table should be read together with the consolidated financial statements of the NYSE and Archipelago and the accompanying notes, and with "Management's Discussion and Analysis of Financial Condition and Results of Operations of NYSE Group and the NYSE" and "Management's Discussion and Analysis of Financial Condition and Results of Operations of Archipelago."

	<b>As of December 31, 2005</b>	
	<b>Actual</b>	<b>As adjusted for the merger and dividend</b>
		<b>(unaudited)</b>
		<b>(in millions)</b>
Cash and cash equivalents	\$	\$ 780.1
Long-term debt		
Stockholders' equity:		
Preferred stock		
Common stock		1,365.9
Total stockholders' equity		1,365.9
Total capitalization	\$	\$ 1,365.9

## SELECTED FINANCIAL DATA

NYSE Group is a Delaware corporation formed for the purpose of consummating the business combination of the NYSE and Archipelago, which was completed on March 7, 2006. The merger of the NYSE and Archipelago has been treated as a purchase business combination for accounting purposes, with the NYSE designated as the acquirer. As such, the historical financial statements of the NYSE have become the historical financial statements of NYSE Group. Set forth below are selected historical financial data for: (1) the NYSE, as the predecessor to NYSE Group; and (2) Archipelago, as predecessor to NYSE Arca and which was acquired by NYSE Group on March 7, 2006 as a result of the merger. Because the merger was not consummated on or before December 31, 2005, the following selected historical financial data reflect the NYSE and Archipelago separately.

## Selected Historical Financial Data of the NYSE (as the predecessor to NYSE Group)

The following selected consolidated financial data has been derived from the historical consolidated financial statements and related notes for the years ended December 31, 2001 through December 31, 2005. The information presented here is only a summary, and it should be read together with our consolidated financial statements set forth on pages F-5 to F-36 of this prospectus. The information set forth below is not necessarily indicative of NYSE Group's results of future operations and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations of NYSE Group and the NYSE."

	Year ended December 31,				
	2005	2004	2003	2002	2001
	(in millions)				
<b>Results of Operations</b>					
<b>Revenues</b>					
Activity assessment fees	\$ 594.6	\$ 359.8	\$ 419.7	\$ 290.4	\$ 358.1
Listing fees	342.7	329.8	320.7	299.6	297.2
Data processing fees	182.9	220.7	224.8	224.6	223.2
Market information fees	178.2	167.6	172.4	168.9	160.3
Trading fees	145.8	153.6	157.2	152.8	144.6
Regulatory fees	129.8	113.3	113.2	120.4	152.2
Facility and equipment fees	49.4	50.4	60.6	52.7	48.1
Membership fees	6.4	8.3	11.0	12.8	11.6
<b>Total revenues</b>	<b>1,629.8</b>	<b>1,403.5</b>	<b>1,479.6</b>	<b>1,322.2</b>	<b>1,395.3</b>
Section 31 fees	(594.6)	(359.8)	(419.7)	(290.4)	(358.1)
Compensation	(509.8)	(522.6)	(520.5)	(512.3)	(508.2)
Systems and related support	(124.1)	(138.6)	(146.0)	(143.6)	(151.8)
Professional services	(127.7)	(132.7)	(97.5)	(116.9)	(133.1)
Depreciation and amortization	(103.4)	(95.7)	(89.0)	(81.4)	(74.5)
Occupancy	(70.6)	(68.6)	(67.0)	(66.3)	(56.1)
General and administrative	(69.7)	(84.3)	(76.5)	(102.4)	(126.2)
Archipelago merger and related exit costs <sup>(1)</sup>	(26.1)				
Regulatory fine income	35.4	7.6	11.2	6.0	3.5
<b>Operating income (loss)</b>	<b>39.2</b>	<b>8.8</b>	<b>74.6</b>	<b>14.9</b>	<b>(9.2)</b>
Investment and other income, net	51.7	34.5	32.4	42.7	74.8

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Income before provision for income taxes and minority interest	90.9	43.3	107.0	57.6	65.6
Provision for income taxes	(48.1)	(12.1)	(45.2)	(18.7)	(22.7)
Minority interest in income of consolidated subsidiary	(2.0)	(1.0)	(1.3)	(2.3)	(3.3)
Net income	\$ 40.8	\$ 30.2	\$ 60.5	\$ 36.6	\$ 39.6

As of December 31,

2005	2004	2003	2002	2001
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(in millions)

**Balance Sheet**

Total assets	\$ 2,204.1	\$ 1,982.3	\$ 2,009.2	\$ 1,999.8	\$ 1,973.6
Current assets	\$ 1,464.2	\$ 1,264.6	\$ 1,293.9	\$ 1,227.6	\$ 1,225.9
Current liabilities	685.0	486.9	513.2	434.2	481.8
Working capital	\$ 779.2	\$ 777.7	\$ 780.7	\$ 793.4	\$ 744.1
Long term obligations <sup>(2)</sup>	\$ 684.9	\$ 694.7	\$ 736.2	\$ 877.8	\$ 823.9
Equity of members	\$ 807.8	\$ 767.0	\$ 736.9	\$ 676.4	\$ 639.8

(1) Represents \$18.5 million in legal costs, \$3.9 million in severance payments and \$3.7 million in integration costs incurred in 2005 in connection with the merger with Archipelago.

(2) Represents liabilities due after one year, including accrued employee benefits and the long term portion of deferred revenue.

**Selected Financial Data of Archipelago (as the predecessor to NYSE Arca)**

The selected financial data presented below is derived from Archipelago's consolidated financial statements, which have been audited by Ernst and Young LLP, independent registered public accountants. Such selected financial data should be read in connection with Archipelago's consolidated financial statements and related notes included in this prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations of Archipelago." Historical financial statement information may not be indicative of Archipelago's future performance.

	Year ended December 31,				
	2005 <sup>(1)</sup>	2004 <sup>(2)</sup>	2003	2002 <sup>(3)</sup>	2001
(in millions, except per share data)					
<b>Results of Operations</b>					
Revenues <sup>(4)</sup> :					
Transaction fees	\$ 425.0	\$ 434.5	\$ 380.6	\$ 346.2	\$ 172.2
Activity assessment fees <sup>(5)</sup>	48.0				
Market data fees <sup>(6)</sup>	62.0	56.4	29.0	1.7	
Listing and other fees	6.4	0.4	0.5	0.3	
	<u>541.4</u>	<u>491.3</u>	<u>410.1</u>	<u>348.2</u>	<u>172.2</u>
Equity entitlements <sup>(7)</sup>					(17.0)
<b>Total revenues</b>	<u>541.4</u>	<u>491.3</u>	<u>410.1</u>	<u>348.2</u>	<u>155.2</u>
Expenses <sup>(4)</sup> :					
Section 31 fees <sup>(5)</sup>	48.0				
Liquidity payments <sup>(8)</sup>	206.9	203.5	154.2	45.8	
Routing charges	66.7	88.7	113.8	150.5	63.9
Clearance, brokerage and other transaction expenses <sup>(9)</sup>	5.9	13.7	45.0	86.8	29.1
NYSE merger costs and related executive compensation <sup>(10)</sup>	46.1				
Other employee compensation and benefits	51.6	38.4	36.1	21.6	21.7
Depreciation and amortization	21.6	22.9	25.9	16.6	10.1
Communications	19.5	16.3	18.3	23.1	26.8
Marketing and promotion	22.2	20.1	8.1	19.0	24.5
Legal and professional	12.6	11.1	8.3	7.0	6.5
Occupancy	6.7	4.2	4.0	2.5	2.0
General and administrative	16.2	11.3	9.9	8.5	8.0
	<u>524.0</u>	<u>430.2</u>	<u>423.6</u>	<u>381.4</u>	<u>192.6</u>
<b>Total expenses</b>	<u>524.0</u>	<u>430.2</u>	<u>423.6</u>	<u>381.4</u>	<u>192.6</u>
Operating income (loss)	17.4	61.1	(13.5)	(33.2)	(37.4)
Interest and other, net	4.5	1.6	0.6	1.3	3.3
Unrealized loss on investment owned				(2.7)	(3.9)
	<u>21.9</u>	<u>62.7</u>	<u>(12.9)</u>	<u>(34.6)</u>	<u>(38.0)</u>
Income (loss) before income tax provision	21.9	62.7	(12.9)	(34.6)	(38.0)
Income tax provision <sup>(11)</sup>	9.4	5.3			
	<u>12.5</u>	<u>57.4</u>	<u>(12.9)</u>	<u>(34.6)</u>	<u>(38.0)</u>
Income (loss) from continuing operations	12.5	57.4	(12.9)	(34.6)	(38.0)
Income (loss) from discontinued operations <sup>(12)</sup>	3.8	11.5	14.7	(1.0)	
	<u>16.3</u>	<u>68.9</u>	<u>1.8</u>	<u>(35.6)</u>	<u>(38.0)</u>
Net income (loss)	16.3	68.9	1.8	(35.6)	(38.0)
Deemed dividend on convertible preferred shares <sup>(13)</sup>		(9.6)			
	<u>\$ 16.3</u>	<u>\$ 59.3</u>	<u>\$ 1.8</u>	<u>\$ (35.6)</u>	<u>\$ (38.0)</u>
<b>Net income (loss) attributable to common stockholders</b>	<u>\$ 16.3</u>	<u>\$ 59.3</u>	<u>\$ 1.8</u>	<u>\$ (35.6)</u>	<u>\$ (38.0)</u>

Year ended December 31,

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Basic earnings (loss) per share from:					
Continuing operations	\$ 0.27	\$ 1.42	\$ (0.36)	\$ (1.11)	\$ (2.35)
Discontinued operations	0.08	0.29	0.41	(0.03)	
Deemed dividend on convertible preferred shares <sup>(13)</sup>		(0.24)			
	<u>0.35</u>	<u>1.47</u>	<u>0.05</u>	<u>(1.14)</u>	<u>(2.35)</u>
Basic earnings (loss) per share <sup>(14)</sup>					
	<u>\$ 0.35</u>	<u>\$ 1.47</u>	<u>\$ 0.05</u>	<u>\$ (1.14)</u>	<u>\$ (2.35)</u>
Diluted earnings (loss) per share from:					
Continuing operations	\$ 0.26	\$ 1.34	\$ (0.35)	\$ (1.11)	\$ (2.35)
Discontinued operations	0.08	0.27	0.40	(0.03)	
Deemed dividend on convertible preferred shares <sup>(13)</sup>		(0.22)			
	<u>0.34</u>	<u>1.38</u>	<u>0.05</u>	<u>(1.14)</u>	<u>(2.35)</u>
Diluted earnings (loss) per share <sup>(14)</sup>					
	<u>\$ 0.34</u>	<u>\$ 1.38</u>	<u>\$ 0.05</u>	<u>\$ (1.14)</u>	<u>\$ (2.35)</u>
Basic weighted average shares outstanding <sup>(14)</sup>					
	46.8	40.3	36.2	31.2	16.2
Diluted weighted average shares outstanding <sup>(14)</sup>					
	47.8	42.9	37.0	31.2	16.2

As of December 31,

	2005 <sup>(1)</sup>	2004 <sup>(2)</sup>	2003	2002 <sup>(3)</sup>	2001
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(in millions, except per share data)

Balance Sheet <sup>(3)</sup>					
Cash and cash equivalents <sup>(1)(5)(15)(16)</sup>	\$ 134.4	\$ 145.2	\$ 94.4	\$ 28.2	\$ 54.8
Receivables from brokers, dealers and customers, net <sup>(5)</sup>	56.6	31.4	31.7	21.6	20.8
Receivables from related parties, net <sup>(4)</sup>	23.3	42.9	35.4	16.2	10.1
Total assets	579.8	543.9	471.3	379.6	234.4
Total stockholders' equity	422.1	460.9	303.3	302.8	195.8

- (1) In September 2005, Archipelago completed the acquisition of PCX Holdings and its subsidiaries for a total purchase price of approximately \$94.0 million consisting of a \$90.9 million cash payment to PCX Holdings stockholders and certain employees of PCX Holdings and its subsidiaries, and approximately \$3.1 million of direct costs incurred by Archipelago as part of this acquisition. The results of operations of PCX Holdings have been included in Archipelago's results of operations since October 1, 2005.
- (2) On August 11, 2004, prior to the consummation of its initial public offering, Archipelago Holdings L.L.C. converted from a Delaware limited liability company to a Delaware corporation, Archipelago Holdings, Inc.
- (3) On March 15, 2002, Archipelago completed a merger with REDIBook ECN L.L.C., a competing ECN, as a result of which Archipelago significantly increased its trading volumes in Nasdaq-listed securities.
- (4) Archipelago engages in a significant amount of business with related parties in the ordinary course of its business. For a discussion of Archipelago's related-party transactions, see Note 10 to Archipelago's consolidated financial statements included elsewhere in this prospectus.
- (5) Archipelago pays Section 31 fees to the SEC based on fee schedules determined by the SEC and, in turn, collects activity assessment fees from equity trading permit and option trading permit holders trading on ArcaEx and the Pacific Exchange, respectively. Activity assessment fees received are included in cash and cash equivalents at the time of receipt, and, as required by law, the amount due to the SEC is recorded as an accrued liability and remitted semiannually. Following the September 2005 acquisition of PCX Holdings, activity assessment fee revenue and Section 31 fee expense are presented gross in Archipelago's statement of operations. These fees have had no impact on Archipelago's consolidated statement of operations.
- (6) Following the launch of ArcaEx in March 2002, Archipelago began earning revenues from market data fees based on the level of trading activity on ArcaEx. As the operator of ArcaEx, Archipelago became eligible to participate in the sale of market data to, and the receipt of market data fees from, centralized aggregators of this information.
- (7)

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In January 2000, Archipelago implemented an equity entitlement program under which participating customers became eligible to earn "equity entitlements" based on the volume of order flow on Archipelago's trading platforms. Equity entitlements were converted into Class B shares of Archipelago Holdings L.L.C. without additional consideration. These shares were converted into shares of Archipelago common stock in the conversion of Archipelago Holdings L.L.C. into Archipelago Holdings, Inc.

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- (8) In April 2002, to enhance the liquidity of its system, Archipelago began to pay a small fee per share, referred to as "liquidity payments," to participants that post certain buy orders and sell orders on the Archipelago system when the quote is executed against by other participants purchasing and selling internally on the Archipelago system. Archipelago generally does not pay these fees for orders posted on NYSE-listed securities.
- (9) Archipelago undertook self-clearing initiatives of its routing broker and introducing broker businesses. Effective in January 2005, Archipelago Securities Inc. began to clear trades it routed to other market centers for execution. In addition, effective in July 2004, Archipelago Securities, Inc. began to clear trades effected by non-ETP broker-dealer customers accessing ArcaEx through Archipelago Trading Services. In addition, due to the lower percentage of orders routed out to other market centers, Archipelago's number of trades subject to clearing costs has decreased.
- (10) In connection with its merger with the NYSE, Archipelago incurred legal, banking, regulatory and other fees in 2005. In addition, Archipelago incurred certain executive compensation expenses as a result of the acceleration of payments to, and vesting of restricted stock units of, Archipelago officers in 2005.
- (11) As a limited liability company, all income taxes were paid by the members of Archipelago. As a corporation, Archipelago is responsible for the payment of all U.S. federal, state and local corporate income taxes.
- (12) As part of a proposed rule change filed by the Pacific Exchange with the SEC, Archipelago undertook to divest Wave Securities L.L.C., a wholly owned subsidiary of Archipelago providing agency brokerage services. The results of operations and financial position of Wave Securities are presented as discontinued operations in the consolidated financial statements. All historical periods presented have been restated to reflect such presentation. Archipelago completed the sale of Wave Securities on March 3, 2006.
- (13) In August 2004, in connection with its initial public offering, Archipelago converted 16,793,637 Class A preferred shares of Archipelago (sold to GAP Archa Holdings, L.L.C., an affiliate of General Atlantic, on November 12, 2003 for total consideration of \$50.0 million) into 4,449,268 shares of Archipelago common stock. Included in this conversion was the issuance of 717,349 shares of common stock attributable to a \$9.6 million beneficial conversion feature included in the previously issued redeemable preferred interest.
- (14) In August 2004, in connection with Archipelago's reorganization, the members of Archipelago Holdings L.L.C. received 0.222222 shares of Archipelago common stock for each membership held by the member in Archipelago Holdings L.L.C. The weighted average number of shares used in the basic and diluted earnings per share computations gives retroactive effect to this 4.5-for-1 reverse stock split.
- (15) As approved by the board of managers of Archipelago Holdings L.L.C. on July 16, 2004, Archipelago Holdings L.L.C. made a cash distribution to its members immediately prior to the conversion transaction. The cash distribution provided funds to the members to permit them to pay taxes that the members owe for their share of Archipelago's profits in 2004 as a limited liability company through the date of the conversion transaction, calculated primarily based on the highest federal and state income tax rate applicable for tax withholding purposes to an individual. The cash distribution was approximately \$24.6 million and resulted in a corresponding reduction to cash and cash equivalents. As used in this discussion, the term "members" refers to the former owners of Archipelago Holdings L.L.C.
- (16) In August 2004, Archipelago completed its initial public offering and sold 6,325,000 shares of Archipelago common stock at \$11.50 per share. Archipelago received net proceeds of \$67.6 million and incurred approximately \$6.8 million in expenses in connection with its initial public offering.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF NYSE GROUP AND THE NYSE**

**Overview**

We are a holding company that, through our subsidiaries, operates two securities exchanges: the NYSE and NYSE Arca (formerly known as the Archipelago Exchange, or ArcaEx®, and the Pacific Exchange). We are a leading provider of securities listing, trading and market data products and services. We were formed in connection with the merger of the NYSE and Archipelago, which was completed on March 7, 2006. As of that date, the NYSE and Archipelago became wholly owned subsidiaries of NYSE Group.

**NYSE/Archipelago Merger**

On April 20, 2005, the NYSE entered into a definitive merger agreement with Archipelago, pursuant to which the NYSE and Archipelago agreed to combine their businesses and become wholly owned subsidiaries of NYSE Group, a newly-created, for-profit holding company.

In the merger, each NYSE member was entitled to receive in exchange for its NYSE membership \$300,000 in cash and 80,177 shares of NYSE Group common stock. In addition, a cash dividend of \$70,571 was declared and paid to each holder of record of a NYSE membership as of March 6, 2006. In the merger, the NYSE members had the opportunity to make either a cash election to increase the cash portion (and decrease the stock portion) of their merger consideration, or a stock election to increase the stock portion (and decrease the cash portion) of their merger consideration. These elections were subject to proration. The aggregate number of shares of NYSE Group common stock issued to all of the NYSE members in the merger, together with the aggregate number of shares reserved for issuance to NYSE employees, equaled approximately 70% of the NYSE Group common stock issued and outstanding at the closing of the merger, on a diluted basis.

In the merger, (i) each share of the issued and outstanding shares of Archipelago common stock converted automatically into the right to receive one share of NYSE Group common stock; (ii) all outstanding stock options of Archipelago, whether vested or unvested, converted into options to purchase an equivalent number of shares of NYSE Group common stock; and (iii) all outstanding restricted stock units of Archipelago converted into an equal number of restricted stock units of NYSE Group common stock. The aggregate number of shares (including shares underlying stock options and restricted stock units) received by Archipelago stockholders equaled approximately 30% of the issued and outstanding shares of NYSE Group common stock at the closing of the merger, on a diluted basis.

As a result of the merger, we expect to achieve operational synergies resulting from the consolidation of capabilities and elimination of redundancies, and to achieve greater efficiencies from increased scale, market integration, more automation and a for-profit structure. We have identified cost saving opportunities in a number of areas, including hiring freezes and headcount reductions, the elimination of overlaps in technology, marketing, occupancy, and general and administrative costs, and increased efficiencies in our general business processes. For a discussion of the risks associated with realizing these operational synergies, see "Risk Factors We may fail to realize the anticipated cost savings, growth opportunities and synergies and other benefits anticipated from the combination of the NYSE and Archipelago."

**Basis of Presentation**

The merger has been treated as a purchase business combination for accounting purposes, with the NYSE designated as the acquirer. As a result, the historical results of the NYSE will become the historical results of NYSE Group. The following sections present management's discussion and analysis of financial condition and results of operations of the NYSE (as the predecessor to NYSE Group) and Archipelago.

Because the merger was not consummated on or before December 31, 2005, the historical financial statements reflect each of the NYSE and Archipelago separately.

### **Business Environment**

The business environment in which the NYSE has operated has been characterized by challenging business conditions. Ongoing regulatory developments, increasing scrutiny of execution costs, unbundling of financial services and enhancements in trading and trade processing technology have created an unprecedented level of competition in the provision of trade execution and related services. In addition, changes in market-related legislation have affected the capital raising process in the United States and abroad.

This environment has affected the NYSE's business and the components of its results of operations, and is likely to affect NYSE Group's results to varying degrees in the future. In particular, these business, economic, regulatory and competitive conditions affect:

overall trading volume on the NYSE of its listed securities;

the prices that the NYSE can charge its member organizations for trade execution and other trade-related services provided by the NYSE;

domestic and international companies' decisions to raise capital through an issuance of shares on the NYSE; and

whether companies that are listed on another market will transfer their listing to the NYSE or whether listed companies will remain listed on the NYSE.

The securities industry also has experienced a number of global, technological and regulatory developments. There has been substantial consolidation of industry participants, resulting in stronger competitors able to offer multiple products and services. In addition, following the development of new products and the convergence of different classes of securities, investors have increased their demands for these products, particularly for multi-class execution products.

The business environment in which the NYSE has operated has been characterized by the following trends:

increased global competition;

greater emphasis on faster and more cost efficient trade execution;

demand for transparency and stronger corporate growth;

growth in trade volumes; and

regulatory developments, including the adoption of Regulation NMS.

For more concerning these trends and developments, see "Industry Overview."

### **Segment Reporting**

During the periods presented, the NYSE operated under two reportable segments, NYSE Market and SIAC Services. The segments were managed and operated as two business units and organized based on services provided to customers. Upon completion of the merger, NYSE Group may operate and manage its businesses in a different manner and under different reportable segments.

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Fees derived from obtaining new listings and from existing listings on the NYSE, trade execution on the NYSE and distribution of market information to data subscribers were allocated to NYSE Market. NYSE Market also included membership fees and regulatory fees.

SIAC Services included fees from the provision of communication and data processing operations and systems development functions to the NYSE and third-party customers, which are included in data processing fees on the consolidated statements of income.

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Expenses allocated to NYSE Market and SIAC Services were the direct expenses related to running those segments.

### Operating Data

The NYSE's revenues were affected by many factors, including the number of companies listed on the NYSE (both new and continuing), corporate actions by these companies (for example, stock splits and mergers), trading activity, demand for data processing, member organization activity and demand for market information. The following table presents selected operating data for the periods presented. A description of the manner in which the NYSE calculates its trading volumes and other operating measures is set forth below.

### NYSE Business Drivers

	Year Ended December 31,		
	2005	2004	2003
<b>Company Listings:</b>			
NYSE listed issuers <sup>(1)</sup>	2,672	2,618	2,561
Number of new issuer listings <sup>(2)</sup>	192	165	109
NYSE share (%) of domestic qualified new operating company listings proceeds (IPOs) <sup>(3)</sup>	91.5%	90.0%	82.5%
NYSE share (%) of international qualified new operating company listings proceeds (IPOs) <sup>(4)</sup>	95.8%	96.6%	100.0%
<b>Trading Activity: NYSE-Listed Common and Warrants<sup>(5)</sup></b>			
Consolidated average daily volume (millions of shares) <sup>(6)</sup>	2,001.2	1,774.6	1,691.9
% change	12.8%	4.9%	
NYSE listed average daily volume (millions of shares) <sup>(6)</sup>	1,529.3	1,402.7	1,341.0
% change	9.0%	4.6%	(3.4)%
NYSE share of trading full day (%) <sup>(7)</sup>	76.4%	79.0%	79.3%
NYSE share of trading trading hours (%) <sup>(8)</sup>	78.6%	81.1%	81.5%
<b>Trading Activity: Other:<sup>(9)</sup></b>			
NYSE UTP ETF average daily volume (millions of shares) <sup>(10)</sup>	5.4	7.9	10.6
Average daily volume in crossing sessions, preferred stocks and other issues <sup>(11)</sup>	61.4	42.1	41.6
<b>Market Information:</b>			
Tape A share of trades (%) <sup>(12)</sup>	87.5%	90.6%	89.8%
Professional subscribers	413,458	411,343	402,152
<b>Regulatory Fees:</b>			
Gross FOCUS revenues (\$ billions) <sup>(13)</sup>	187.3	145.4	145.7
<b>Data Processing:</b>			
% SIAC revenue from non-NYSE customers	42.0%	45.1%	47.0%

(1) Number of listed operating companies, closed-end funds and ETFs as of period end.

(2) Includes initial public offerings and transfers of common stocks from other markets.

(3) Proceeds raised by NYSE-listed domestic IPOs/Total proceeds raised by qualified domestic IPOs. Qualified domestic IPOs represent initial public offerings of U.S. issuers that meet the NYSE's initial listing criteria.

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- (4) Proceeds raised by NYSE-listed international IPOs/Total proceeds raised by qualified international IPOs. Qualified international IPOs represent the initial capital raising event in the U.S. involving a U.S. domestic listing by a non-U.S. issuer that meets the NYSE's initial listing criteria.
- (5) Trading activity includes only trades executed in NYSE-listed common stocks and warrants, as defined by the NYSE, and excludes any trading activity in NYSE's preferred stocks, rights, structured products (including NYSE-listed ETFs) and during the NYSE's four crossing sessions (which are periods during which trading takes place after the close of regular trading sessions).
- (6) Consolidated average daily volume includes the trading volume executed across all exchanges as reported to the consolidated tape between 4:00 am to 8:00 pm EST. NYSE-listed average daily volume includes the trading volume executed on the NYSE during normal NYSE business hours (currently 9:30 am to 4:00 pm EST). The consolidated aggregate trading volume and the NYSE-listed aggregate trading volume are then divided by the appropriate number of trading days in the period.
- (7) Represents the NYSE average daily volume executed during normal NYSE business hours (currently 9:30 am to 4:00 pm EST) divided by the consolidated average daily volume executed full day (currently 4:00 am to 8:00 pm EST).

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- (8) Represents the NYSE average daily volume executed during normal NYSE business hours (currently 9:30 am to 4:00 pm EST) divided by the consolidated average daily volume executed during normal NYSE business hours.
- (9) Other trading activity includes any trades executed on the NYSE that were not included in note (5) above, including (a) trades executed on the NYSE in non-listed ETFs under NYSE's unlisted trading privileges, (b) trades executed during the NYSE's four crossing sessions, and (c) trades executed on the NYSE in preferred stocks, rights, and structured products. Unlisted trading privileges, or UTP, refer to the right of exchanges under the Exchange Act to trade securities listed on any national securities exchange or Nasdaq.
- (10) The NYSE began trading ETFs on a UTP basis on the NYSE on July 31, 2001. The NYSE currently trades over 47 ETFs on a UTP basis, including the Standard & Poor's Depository Receipts® (SPY) and the Dow Industrials DIAMONDS® (DIA).
- (11) Represents trading volumes executed on the NYSE in preferred stocks, rights, structured products (including NYSE-listed ETFs) and trading volumes executed during the NYSE's four crossing sessions.
- (12) Represents the NYSE's share of qualifying trades in NYSE-listed securities reported by the NYSE to the consolidated tape, as compared to the total number of qualifying trades in NYSE-listed securities reported to the consolidated tape by all other participating market centers. The consolidated tape refers to a collection of market data that multiple markets make available on a consolidated basis. "Tape A" refers to trades in NYSE-listed securities reported to the consolidated tape.
- (13) Gross FOCUS revenues represent revenues generated by member broker-dealers as reported on their "FOCUS" report (as required by the SEC). A member broker-dealer regulatory fee is based on the revenues reported. The NYSE records revenue on a six-month lag; the data is provided on this basis.

### **Income Statement Presentation**

Consistent with the single-step presentation of its income statement, the NYSE manages its business and analyzes its financial performance based on the nature of the services rendered to members and other customers. The NYSE maintains accounting records reflecting the collective results of its services both from a revenue and expense standpoint. The NYSE currently bases the analysis of its financial results and the management of its overall profitability on such accounting records, including for the determination of prices for its services and adequacy of its cost structure. In connection with the Archipelago merger and the shift toward a for-profit model, the NYSE began reviewing its pricing and cost structure and expects to reevaluate the presentation of its financial results.

### **Sources of Revenues**

During the periods presented, the NYSE generated revenue from the sources discussed below. NYSE Group will continue to generate revenue from these sources, except as otherwise provided below.

#### ***Activity Assessment Fees***

The NYSE pays SEC fees pursuant to Section 31 of the Exchange Act. These fees are designed to recover the costs to the government of supervision and regulation of securities markets and securities professionals. NYSE, in turn, collects activity assessment fees from member organizations clearing or settling trades on the NYSE and recognizes these amounts when invoiced. Fees received are included in cash at the time of receipt and, as required by law, the amount due to the SEC is remitted semiannually and recorded as an accrued liability until paid. NYSE recorded activity assessment fee revenue and Section 31 fees expense on its consolidated statements of income as the NYSE bears the credit risk associated with the collection of these fees. The activity assessment fees are designed so that they are equal to the Section 31 fees. As a result, neither the size of Section 31 fees nor the size of activity assessment fees has an impact on the NYSE's net income.

#### ***Listing Fees***

Listing fees are paid by companies when they initially list on the NYSE and annually thereafter. Original fees consist of two components: original listing fees and other corporate action related fees. Original listing fees, subject to a minimum and maximum amount, are based on the number of shares that the company initially lists with the NYSE. Other corporate action related fees are paid by listed companies in connection with corporate actions involving the issuance of new shares to be listed on the NYSE, such as stock splits, rights issues, sales of additional securities, and mergers and acquisitions, which are subject to a

minimum and maximum fee. Annual fees are charged based on the number of outstanding shares of the listed company at the end of the previous year. These fees are recognized on a pro-rata basis over the calendar year. Original fees are recognized on a straight-line basis over estimated service periods of 10 years. Unamortized balances are recorded as deferred revenue on the consolidated statements of financial condition.

#### ***Data Processing Fees***

Data processing fees are charged by SIAC to customers other than the NYSE (fees charged to the NYSE are eliminated in consolidation) for communication services, data processing operations and systems development functions. SIAC operates on a cost recovery model driven by its customers' demands. Under this model, any increase or decrease in SIAC's operating expenses results in a corresponding change in its revenues. In addition, SIAC earns revenues through its subsidiary, Sector, Inc., which offers an array of communications and data processing services, primarily to the broker-dealer community. The services provided by Sector include traditional point-to-point voice circuits and network management, email archiving and other books and records storage solutions, facilities management, data center hosting, disaster recovery, enterprise services, and network and data distribution services.

#### ***Market Information Fees***

NYSE collects market information fees principally for consortium-based data products and, to a lesser extent, for NYSE proprietary data products. Consortium-based data fees are determined by securities industry plans. Consortium-based data revenues that coordinated market data distribution generates (net of joint processing and administration costs) are distributed to participating markets on the basis of their respective number of trades. Last sale prices and quotes in NYSE-listed securities are disseminated through "Network A," or "Tape A," which constitutes the majority of the NYSE's revenues from consortium-based market data revenues. NYSE also receives a share of the revenues from "Network B," or "Tape B," which represents data related to trading of certain securities that are listed on other national securities exchanges. These revenues are influenced by demand for the data by professional and non-professional subscribers, as well as the NYSE's share of trades. In addition, NYSE Group receives fees for television broadcasts, vendor access and other usage fees related to per quote or per trade data. NYSE proprietary products make available market data covering activity that takes place solely on the NYSE's market, independent of activity on other markets. NYSE's own products include NYSE OpenBook®, NYSE Broker Volume®, NYSE Alerts, and various NYSE databases. Revenues generated by proprietary products are not shared with other markets.

On April 6, 2005, the SEC adopted Regulation NMS, which is a set of regulations that will, among other things, update the requirements for consolidating, distributing and displaying market information, as well as amending the joint industry plans for disseminating market information to modify the formulas for allocating plan revenues. Under the market data rule of Regulation NMS, revenue will be allocated to market centers based, among other things, on the value of the quotes for all securities. Compliance with the market data rule of Regulation NMS is scheduled to be required beginning in September 2006. For a description of Regulation NMS and the market data rule, see "Regulation Recent Regulatory Developments Regulation NMS." The formula that will be used to determine the allocation of market information revenue under Regulation NMS is highly complex, and we are therefore unable at this time to forecast how the market will react and the impact, if any, that this new allocation formula will have on our market information revenues or expenses following the implementation of Regulation NMS.

#### ***Trading Fees***

Trading fees are paid by member organizations based on their trading activity on the NYSE. Fees are assessed on a per share basis for trading in equity securities. The fees are applicable to all transactions that take place on the NYSE, and the fee amounts vary, based on the size and type of trade that is consummated. There is no fee for small electronic trades. All members and member organizations pay

trading fees except "\$2 brokers" (who, by definition, effect transactions only for other member organizations) and specialists and/or their clearing firms (who only pay fees for trading ETFs). There are two caps that apply to the trading fees (other than trading fees for ETFs) and member organizations pay the lesser of these two fee caps on a monthly basis. The first cap is a maximum fixed dollar amount of \$600,000 per month. The second is a variable cap that is equal to 2% of the net commissions that a member organization earns on the trades it executes on the trading floor. Although member organizations voted to eliminate the 2% cap in April 2005, that change has not yet been implemented. As a result of these caps, fluctuations in trading volumes, regardless of direction or magnitude, do not have a significant impact on our trading fees.

The pricing structures of the NYSE and NYSE Arca, Inc. are currently undergoing a fundamental examination as part of a broad strategic review of the NYSE Group's opportunities for revenue growth and efficiency improvement and to better capture value for the services rendered by aligning more closely transaction revenue with executed volume, product expansion and new product development. NYSE Group is currently exploring opportunities to develop new transaction pricing structures. NYSE Group intends to introduce a new NYSE transaction fee structure in 2006, although it is not possible at this time to predict the timing, scope, or potential impact of any such transaction fee changes, because these transaction fee changes are still being reviewed internally, and any proposed amendments have not yet been filed with the SEC for approval. Transaction fees that NYSE Group earns in the future could also depend on the outcome of certain regulations and rule changes, such as Regulation NMS. See "Regulation Recent Regulatory Developments Regulation NMS."

On April 6, 2005, the SEC adopted Regulation NMS, which is a set of regulations that will govern certain aspects of trading on securities market centers. Its provisions are scheduled to become operative at various points throughout 2006, with the first phase scheduled to become operative on June 29, 2006. One of the principal features of Regulation NMS is the modernization of the "trade-through" or "order protection" rule. Among other things, this rule requires market centers to establish and maintain procedures to prevent "trade-throughs," which are the executions of orders at a price inferior to the best bid or offer displayed by another market center at the time of execution. This aspect of Regulation NMS will protect and apply only to quotes available for immediate execution. The "trade through" rule implemented by Regulation NMS could increase competition between markets.

Regulation NMS will also impose a cap of \$0.003 per share on the access fees charged by market centers to members (or customers) and non-members, based on executions against the best bid or best offer displayed through consolidated quote systems. As a result, the transaction fees that we may charge for executions against our best bid and offer will be capped, which could decrease the amount of transaction fees that we earn and prevent us from increasing our revenues by charging higher prices. We are uncertain about the level of impact this could have on our financial condition and liquidity. The imposition of a cap on access fees could have an adverse effect on certain of our businesses. See "Risk Factors Risks Relating to Our Business Regulation NMS, and changes in Regulation NMS, may adversely affect our business."

### ***Regulatory Fees***

Regulatory fees are principally comprised of member regulation fees and market surveillance fees collected by NYSE. Member regulation fees are based on member organizations' Gross FOCUS Revenues, that is, revenues generated by member broker-dealers and reported on a six-month lag basis as well as on the number of branch offices of member broker-dealers, and the number of registered representatives. Market surveillance fees are charged to specialists and floor brokers to recover some of the costs of overseeing trading on the NYSE floor. Other regulatory fees include revenue from applications, registration of branch offices and specialists, as well as fees for certain licensing examinations necessary to operate in the securities industry.

***Facility and Equipment Fees***

Facility and equipment fees comprise fees received for services provided to specialists, brokers and clerks physically located on the NYSE floor that enable them to engage in the purchase and sale of securities on the trading floor. These services include booth and post space, communication, trading analysis and technology.

Historically, the NYSE charged each specialist firm for both the number of post spaces occupied on the trading floor, and for each registered specialist. However, as of January 1, 2006, the NYSE introduced a new pricing structure to replace several fees that had been previously charged by the NYSE to specialists. Under this new structure, referred to as the "Specialist Trading Privilege Fee," specialists are charged an annual fee per symbol traded on the NYSE, and this fee is determined based on the consolidated average daily dollar volume of each particular symbol traded by the specialists. The NYSE also charges floor brokers for each booth occupied on the trading floor, and rates vary depending on the location of the particular booth. Specialists and floor brokers also pay an annual fee for each of their clerks working on the trading floor. Fees are also charged to trading floor participants for a variety of services provided by the NYSE, including eBroker handheld devices, phone service, radio paging and connections to third-party market data providers.

***Membership Fees***

Historically, the NYSE generated annual membership revenues from its regular members and electronic access members. Prior to the merger with Archipelago, the NYSE's 1,366 regular members paid annual dues. In addition, each electronic access member of the NYSE paid an annual fee to the NYSE that provided such member with electronic access to the trading floor for a 12-month period. The annual electronic access member fee was equal to 90% of the 6-month average of the annual rentals payable under the bona fide leases of memberships entered into during each of the six calendar months prior to the most recently completed quarter. In addition to the annual membership fees, the NYSE generated revenues by charging a fee in conjunction with the purchase or lease of a NYSE membership.

Prior to the completion of the merger between the NYSE and Archipelago, the right to trade securities on the NYSE was restricted to members, who were also equity holders of the NYSE, as well as lessee members, physical access members, electronic access members and option trading right holders. However, upon completion of the merger between the NYSE and Archipelago, the members exchanged their trading rights and equity interests in the NYSE for the merger consideration (see "NYSE/Archipelago Merger"), and all memberships and separate options trading rights were cancelled, and any rights to trade securities on the trading facilities of the NYSE were retained by NYSE Group, and therefore separated from equity interests in NYSE Group. As a result, after completion of the merger, membership fees ceased to exist, and NYSE Group began selling annual trading licenses which provided the holder with the right to trade securities on the NYSE. On January 4, 2006, the NYSE completed a modified Dutch auction, as a result of which 1,274 trading licenses were sold at an annualized price of \$49,290 per license, subject to SEC approval of applicable NYSE rules, which approval was obtained on February 27, 2006. The NYSE has made available a maximum of 1,366 trading licenses, and any unsold trading licenses can be purchased at a 10% premium to the established auction price, on a pro rata basis, during the course of 2006. Currently, we anticipate approximately \$51 million in revenue from trading licenses for the period from March 8, 2006 to December 31, 2006. We will recognize this revenue on a straight-line basis over this period. There could be significant uncertainty regarding the number and price of trading licenses that will be sold in a given year, which could result in fluctuation in the amount of trading license fees we receive each year.

## **Components of Expenses**

Set forth below are the components of expenses for the NYSE for the periods presented. NYSE Group expects to incur these categories of expenses in the future.

### ***Section 31 Fees***

See " Activity Assessment Fees" above.

### ***Compensation***

The NYSE's compensation expense included employee salaries, incentive compensation and related benefits expense, including pension, medical, postretirement medical, and supplemental executive retirement plan ("SERP") charges. Part-time help, primarily related to security personnel at the NYSE, is also recorded in this category.

### ***Systems and Related Support***

The NYSE's systems expense included costs for development and maintenance of trading, regulatory and administrative systems as well as investments in system capacity, reliability and security, all of which the NYSE considers critical to its business.

### ***Professional Services***

The NYSE's professional services expense included consulting charges related to various technological and operational initiatives, as well as legal and audit fees. Our historical spending related to professional services consists principally of legal and consulting expenses. While we are focused on reducing costs, including professional services costs, upon integration of the NYSE Group, we cannot assure you that our professional services expenses will decline in the future. Under certain circumstances, particularly as we pursue our business strategy, we may be required to incur significant professional services costs, such as legal expenses.

### ***Depreciation and Amortization***

This item included costs from depreciating fixed assets over their estimated useful lives. It also includes depreciation of computer hardware and capitalized software.

### ***Occupancy***

This item included costs related to the NYSE's leased premises, as well as real estate taxes and maintenance of owned premises.

### ***General and Administrative***

General and administrative expenses included insurance premiums, advertising, printing and promotion expenses, travel and entertainment expenses as well as other administrative types of expenses.

## **Regulatory Fine Income**

Regulatory fine income is generated from fines levied by NYSE Regulation, which regulates and monitors the activities on our securities exchanges and enforces member organization compliance with applicable law and the rules of the SEC and the exchanges. We expect that NYSE Regulation will continue to levy fines as part of its regulatory activities as appropriate. The frequency in which fines may be levied and their amount will vary based upon the actions of participants on the NYSE and NYSE Arca. Regulatory fines are used for regulatory purposes.

**Investment and Other Income, Net**

Investment and other income consists of investment income from the NYSE's portfolio insurance reimbursements and any other income not classified in one of the above categories. Insurance reimbursements are typically from legal expenses incurred, as well as reimbursements related to September 11, 2001 events.

***Recent Accounting Pronouncements***

In December 2004, the Financial Accounting Standards Board issued SFAS No. 123(R), "Share-Based Payment," requiring that compensation costs associated with share-based payment transactions be recognized in financial statements. NYSE Group adopted SFAS 123(R) during the first quarter of 2006.

On March 8, 2006, NYSE Group granted approximately 1.2 million restricted stock units to former NYSE and SIAC officers and employees. These restricted stock units vest 50% on the grant date and 25% on each of the first and second anniversaries of the grant date.

Based on stock option and restricted stock awards outstanding as of March 31, 2006, we expect to recognize a pre-tax expense of approximately \$52.0 million in fiscal 2006 in connection with SFAS 123(R). Compensation expense is based on the market price of the shares underlying the awards on the grant date and recognized ratably over the vesting period. We estimate an expected forfeiture rate while recognizing the expense associated with these awards.

**Results of Operations*****Year Ended December 31, 2005 Versus Year Ended December 31, 2004******Overview***

The following table sets forth the NYSE's consolidated statements of income for the years ended December 31, 2005 and December 31, 2004, as well as the percentage increase or decrease for each consolidated statement of income item for the year ended December 31, 2005, as compared to such item for the year ended December 31, 2004.

	<b>Year Ended December 31,</b>		<b>Percent Increase (Decrease)</b>
	<b>2005</b>	<b>2004</b>	
	(amounts in millions)		
<b>Revenues</b>			
Activity assessment fees	\$ 594.6	\$ 359.8	65.3%
Listing fees	342.7	329.8	3.9%
Data processing fees	182.9	220.7	(17.1)%
Market information fees	178.2	167.6	6.3%
Trading fees	145.8	153.6	(5.0)%
Regulatory fees	129.8	113.3	14.5%
Facility and equipment fees	49.4	50.4	(1.9)%
Membership fees	6.4	8.3	(23.8)%
<b>Total revenues</b>	<b>1,629.8</b>	<b>1,403.5</b>	<b>16.1%</b>

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Section 31 fees	\$	(594.6)	\$	(359.8)	65.3%
Compensation		(509.8)		(522.6)	(2.5)%
Systems and related support		(124.1)		(138.6)	(10.4)%
Professional services		(127.7)		(132.7)	(3.8)%
Depreciation and amortization		(103.4)		(95.7)	8.1%
Occupancy		(70.6)		(68.6)	3.0%
General and administrative		(69.7)		(84.3)	(17.3)%
Archipelago merger and related exit costs		(26.1)			
Regulatory fine income		35.4		7.6	365.8%
		<b>—————</b>		<b>—————</b>	
Operating income		39.2		8.8	345.5%
Investment and other income, net		51.7		34.5	50.1%
		<b>—————</b>		<b>—————</b>	
Income before provision for income taxes and minority interest		90.9		43.3	109.9%
Provision for income taxes		(48.1)		(12.1)	296.6%
Minority interest in income of consolidated subsidiary		(2.0)		(1.0)	98.8%
		<b>—————</b>		<b>—————</b>	
<b>Net income</b>	<b>\$</b>	<b>40.8</b>	<b>\$</b>	<b>30.2</b>	<b>35.1%</b>
		<b>—————</b>		<b>—————</b>	

The NYSE's operations for the year ended December 31, 2005 resulted in net income of \$40.8 million compared to net income of \$30.2 million for the year ended December 31, 2004. The NYSE's improved operating results were driven by a \$226.3 million, or 16.1%, increase in revenues, a \$27.8 million increase in Regulatory fine income, partially offset by a \$223.7 million increase in expenses as compared to the year ended December 31, 2004.

For the year ended December 31, 2005, total revenues were \$1,629.8 million. Revenues, excluding activity assessment fees, were \$1,035.2 million compared with \$1,043.7 million for the year ended December 31, 2004. The decrease of \$8.5 million was driven primarily by reduced data processing fees offset by growth in many of our key businesses.

For the year ended December 31, 2005, total expenses, excluding Section 31 fees, were \$1,031.4 million, compared with \$1,042.5 million for the year ended December 31, 2004. Expenses, excluding Section 31 fees and Archipelago merger and related exit costs, declined \$37.2 million, or 3.6%, primarily due to ongoing cost reduction initiatives.

**Revenues NYSE Market**

*Overview.* The following table sets forth the revenues attributable to NYSE Market for the year ended December 31, 2005 and 2004, as well as the percentage increase or decrease for each consolidated

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statements of income item for the year ended December 31, 2005, as compared to such item for the year ended December 31, 2004.

	Year Ended December 31,		Percent Increase (Decrease)
	2005	2004	
(amounts in millions)			
<b>Revenues:</b>			
Activity assessment fees	\$ 594.6	\$ 359.8	65.3%
Listing fees	342.7	329.8	3.9%
Market information fees	178.2	167.6	6.3%
Trading fees	145.8	153.6	(5.0)%
Regulatory fees	129.8	113.3	14.5%
Facility and equipment fees	49.4	50.4	(1.9)%
Membership fees	6.4	8.3	(23.8)%
<b>Total revenues</b>	<b>\$ 1,446.9</b>	<b>\$ 1,182.8</b>	<b>22.3%</b>

*Listing Fees.* The following table sets forth the revenues from listing fees calculated in accordance with U.S. generally accepted accounting principles ("as reported") and as would be reported on a basis without giving effect to U.S. generally accepted accounting principles ("billed basis"). The NYSE believes that the presentation of billed basis revenues, as they relate to original fees, is a good indicator of current listing fee activity as billed basis information excludes the effects of recognizing revenues related to original fees over 10 years.

	Year Ended December 31,				Percent Increase (Decrease)	
	2005		2004		As Reported	Billed Basis
	As Reported	Billed Basis	As Reported	Billed Basis		
(amounts in millions)						
Annual fees	\$ 252.2	\$ 252.2	\$ 241.3	\$ 241.3	4.5%	4.5%
Original fees	90.5	83.9	88.5	79.6	2.3%	5.4%
	<b>\$ 342.7</b>	<b>\$ 336.1</b>	<b>\$ 329.8</b>	<b>\$ 320.9</b>	<b>3.9%</b>	<b>4.8%</b>

For the year ended December 31, 2005 compared to the year ended December 31, 2004, listing fees increased \$12.9 million, or 3.9%, on an as reported basis.

Listing fees are primarily derived from annual listing fees and original fees. Original listing fees are deferred and amortized over the estimated service period of 10 years. The difference between the as reported revenues and the billed basis revenues is due to the amortization of listing fees in accordance with U.S. generally accepted accounting principles.

Annual listing fees totaled \$252.2 million on both an as reported and billed basis for the year ended December 31, 2005 compared with \$241.3 million on both an as reported and billed basis for the year ended December 31, 2004, an increase of 4.5%. This is due to the increase in aggregate shares billed at the beginning of the year, from 355 billion to 387 billion, as well as new listings of shares during the year, which generate annual fees for the period of the year listed. Annual listing fees are recognized on a pro-rata basis over the calendar year.

For the year ended December 31, 2005, original fees totaled \$90.5 million on an as reported basis. On a billed basis, original fees totaled \$83.9 million in 2005 compared with \$79.6 million in 2004, a 5.4% increase. Original listings of operating companies, closed-end funds and ETFs increased year over year from 165 to 192 which drove the increase in original fees billed.

**Market Information Fees.** For the year ended December 31, 2005, compared to the year ended December 31, 2004, market information fees increased \$10.6 million, or 6.3%. The number of non-professional users increased by 13.4% year over year. The demand for NYSE Open Book®, one of the NYSE's proprietary data products, continued to increase, as the number of subscribers was 17.5% higher than the same period in the prior year causing NYSE Open Book® revenue to increase by 24.7% to \$21.2 million. The NYSE's non-recurring revenue of \$5.8 million is comprised of (i) charges for customers who had previously not reported the appropriate number of professional devices in use (ii) an allowance for doubtful accounts reduction. In the normal course of business, the NYSE audits its customers and the number of devices they report (on which we generate our billing) and adjusts its records based on the audit results, if necessary. This can lead to both increases and decreases in current billings. Additionally, the NYSE's allowance for doubtful accounts was reduced after a review of its policy for reserving market data revenues, and based on current levels of recoveries and collections, which have improved over the past year. Somewhat offsetting the increase in market information fees was NYSE's share of Tape A trades decreasing period over period, from 90.6% to 87.5%.

**Trading Fees.** For the year ended December 31, 2005, compared to the year ended December 31, 2004, trading fees fell \$7.8 million, or 5.0%. Although NYSE listed average daily volume was up 9.0%, current pricing structures relating to dollar caps inhibited the NYSE's ability to generate revenue growth. Partially offsetting this decline in revenue was an increase in revenue derived from ETF transactions. These revenues increased 136.3% as compared to 2004 as the trading activity increased from 236 million shares during 2004 to 926 million shares for 2005.

**Regulatory Fees.** For the year ended December 31, 2005, compared to the year ended December 31, 2004, regulatory fees increased \$16.5 million, or 14.5%. Member regulation fees drove the increase for the year due to higher reported gross FOCUS revenues (\$187.3 billion in 2005 as compared to \$145.4 billion in 2004).

**Facility and Equipment Fees.** For the year ended December 31, 2005, facility and equipment fees were relatively flat as compared to December 31, 2004. Both the type and level of services provided to the floor were generally unchanged.

**Membership Fees.** For the year ended December 31, 2005, compared to the year ended December 31, 2004, annual membership fees from NYSE Market fell \$1.9 million, or 23.8%. The decrease was due to fewer electronic access member renewals period over period and electronic access member prices.

**Revenues SIAC Services**

**Overview.** The following table sets forth the revenues attributable to SIAC Services for the years ended December 31, 2005 and December 31, 2004, as well as the percentage increase or decrease for each consolidated statement of income item for the year ended December 31, 2005, as compared to such item for the year ended December 31, 2004.

	Year Ended December 31,		Percent Increase (Decrease)
	2005	2004	
	(amounts in millions)		
<b>Revenues:</b>			
Data processing fees non-NYSE	\$ 182.9	\$ 220.7	(17.1)%
Data processing fees NYSE	252.8	266.1	(5.0)%
	<hr/>	<hr/>	
Total revenues	\$ 435.7	\$ 486.8	(10.5)%
	<hr/>	<hr/>	

**Data Processing Fees Non-NYSE.** For the year ended December 31, 2005, compared to the year ended December 31, 2004, data processing fees decreased \$37.8 million, or 17.1%, to \$182.9 million, due

to decreases in services provided to SIAC's major non-NYSE customers and lower revenues from the communication services of Sector, Inc., SIAC's subsidiary.

*Data Processing Fees NYSE.* For the year ended December 31, 2005, compared to the year ended December 31, 2004, data processing fees decreased \$13.3 million, or 5.0%, to \$252.8 million. These fees decreased due to structural cost effectiveness efforts and continued transfer of certain lease obligations for data processing equipment from SIAC to the NYSE.

**Expenses NYSE Market**

*Overview.* The following table sets forth the expenses attributable to NYSE Market for the years ended December 31, 2005 and 2004, as well as the percentage increase or decrease for each statement of income item for the year ended December 31, 2005, as compared to such item for the year ended December 31, 2004.

	Year Ended December 31,		Percent Increase (Decrease)
	2005	2004	
(amounts in millions)			
<b>Expenses:</b>			
Section 31 fees	\$ 594.6	\$ 359.8	65.3%
Compensation	293.7	279.4	5.1%
Systems	41.4	37.8	9.6%
SIAC Support <sup>(1)</sup>	240.2	255.8	(6.1)%
Professional services	81.8	80.4	1.7%
Depreciation and amortization	65.8	60.1	9.5%
Occupancy	40.0	38.3	4.4%
General and administrative	57.1	69.6	(18.0)%
Archipelago merger and related exit costs	26.1		
<b>Total expenses</b>	<b>\$ 1,440.7</b>	<b>\$ 1,181.2</b>	<b>21.9%</b>

(1) NYSE Market's SIAC Support expense does not equal SIAC Services' revenues from Data Processing Fees NYSE as certain fees billed to the NYSE by SIAC relate to software developed for the NYSE's internal use, and as such have been capitalized.

NYSE Market Compensation:

	Year Ended December 31,		Percent Increase (Decrease)
	2005	2004	
(amounts in millions)			
Salaries and bonus	\$ 202.6	\$ 179.0	13.2%
Benefits and other	91.1	100.4	(9.3)%
	<b>\$ 293.7</b>	<b>\$ 279.4</b>	<b>5.1%</b>

*Compensation.* For the year ended December 31, 2005, compared to the year ended December 31, 2004, compensation increased by \$14.3 million, or 5.1%. Average headcount increased to 1,596 employees during 2005 from 1,551 in 2004 due principally to staff increases in

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NYSE Regulation. In addition, average salaries increased 4.9% and additional incentive awards were provided to NYSE Market employees during this period. Offsetting this increase was the impact of certain changes made to the NYSE Market employee benefit plans announced during 2005.

*Systems and SIAC Support.* For the year ended December 31, 2005, compared to year ended December 31, 2004, system costs increased \$3.6 million, or 9.6%, as a result of additional operating leases during 2005. SIAC support decreased by 6.1% to \$240.2 million due to efforts to achieve structural cost effectiveness, which reduced SIAC data processing operations and systems development costs, continued transfer of certain lease obligations for data processing equipment from SIAC to the NYSE, and reduced headcount.

*Professional Services.* For the year ended December 31, 2005, compared to the year ended December 31, 2004, professional services increased \$1.4 million or 1.7%. Legal fees represented \$24.0 million or 29.3% of total professional services, down from \$28.2 million or 35.1% of total professional services for the year ended December 31, 2004. Offsetting this decline were increases in consulting fees period over period due to various initiatives undertaken across the organization, including improving corporate and regulatory systems.

*Depreciation and Amortization.* For the year ended December 31, 2005, compared to the year ended December 31, 2004, depreciation and amortization increased \$5.7 million, or 9.5% reflecting the full year impact of accelerated useful lives implemented during 2004. Capital expenditures for 2005 were consistent as compared to 2004 with continued investments in technology and infrastructure.

*Occupancy.* For the year ended December 31, 2005, compared to the year ended December 31, 2004, occupancy increased \$1.7 million or 4.4% due to increased operating expenses.

*General and Administrative.* For the year ended December 31, 2005, compared to the year ended December 31, 2004, general and administrative expenses decreased \$12.5 million, or 18.0%. Cost savings initiatives at the NYSE in 2005 led the reductions, consisting of decreased advertising, travel and entertainment expenses and decreased contributions to various organizations.

*Archipelago Merger and Related Exit Costs.* For the year ended December 31, 2005, the NYSE incurred \$26.1 million in expenses related to the merger with Archipelago for which there was no comparison in 2004. These costs included \$18.5 million in legal costs, \$3.9 million in severance payments and \$3.7 million in integration costs.

**Regulatory Fine Income.** For the year ended December 31, 2005, compared to the year ended December 31, 2004, regulatory fines increased from \$7.6 million to \$35.4 million including fines totaling \$29.0 million to two member organizations. Regulatory fines result from disciplinary actions taken by NYSE Regulation in its oversight of member organizations and accordingly may vary significantly from period to period.

#### *Expenses SIAC Services*

*Overview.* The following table sets forth the expenses attributable to SIAC Services for the years ended December 31, 2005 and December 31, 2004, as well as the percentage increase or decrease for each

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consolidated statement of income item for the year ended December 31, 2005, as compared to such item for the year ended December 31, 2004.

	Year Ended December 31,		Percent Increase (Decrease)
	2005	2004	
	(amounts in millions)		
<b>Expenses:</b>			
Compensation	\$ 224.2	\$ 248.5	(9.8)%
Systems	82.7	100.8	(18.0)%
Professional services	50.2	57.3	(12.4)%
Depreciation and amortization	37.7	35.6	5.9%
Occupancy	30.6	30.3	1.0%
General and administrative	12.6	14.7	(14.3)%
	\$ 438.0	\$ 487.2	(10.1)%

SIAC Services Compensation:

	Year Ended December 31,		Percent Increase (Decrease)
	2005	2004	
	(amounts in millions)		
Salaries and bonus	\$ 164.3	\$ 180.7	(9.1)%
Benefits and other	59.9	67.8	(11.7)%
	\$ 224.2	\$ 248.5	(9.8)%

*Compensation.* For the year ended December 31, 2005, compared to the year ended December 31, 2004, compensation decreased \$24.3 million, or 9.8%, to \$224.2 million due to a decrease in average headcount from 1,599 employees to 1,367. In 2004, additional expenses were incurred due to staff reductions, which were partially offset by changes made to certain benefit plans.

*Systems.* For the year ended December 31, 2005, compared to the year ended December 31, 2004, systems costs decreased \$18.1 million, or 18.0%, to \$82.7 million, primarily due to cost containment initiatives and the transfer of certain computer equipment leases to NYSE Market.

*Professional Services.* For the year ended December 31, 2005, compared to the year ended December 31, 2004, professional services decreased \$7.1 million, or 12.4%, to \$50.2 million. Lower average contract staff, from 262 to 213, and decreased temporary support for trading operations, contributed to the reduction.

*Depreciation and Amortization.* For the year ended December 31, 2005, compared to the year ended December 31, 2004, depreciation and amortization expense rose \$2.1 million, or 5.9% year over year, to \$37.7 million. This increase was due to the full year impact of accelerated useful lives, which began in December 2004 following the review of certain depreciation policies, and the continued capital expenditures in technology and infrastructure.

*Occupancy.* For the year ended December 31, 2005, compared to the year ended December 31, 2004, occupancy costs were relatively flat year over year, reflecting an increase of \$0.3 million, or 1.0%, to \$30.6 million.

*General and Administrative.* For the year ended December 31, 2005, compared to the year ended December 31, 2004, general and administrative expenses decreased by \$2.1 million, or 14.3%, to \$12.6 million. This decrease was primarily due to a loss on disposal of assets during 2004 associated with the decommissioning of services provided to SIAC's major customers, which did not occur in 2005.



**NYSE Market Investment and Other Income, net**

	Year ended December 31,		Percent Increase
	2005	2004	
Investment and other income	\$ 40.8	\$ 29.2	39.7%

(amounts in millions)

*Investment and Other Income, net.* For the year ended December 31, 2005, compared to the year ended December 31, 2004, investment and other income increased \$11.6 million to \$40.8 million. Increases were driven primarily by higher investment income of \$16.6 million due to the effect of the portfolio reallocation initiated in December 2004 to higher yielding and more tax-efficient securities, a more favorable interest rate environment for our investments over the same period in the prior year, and realized gains of certain investments. This increase was offset by a reduction of \$5.2 million in insurance settlements received during 2005 as compared to 2004. Insurance proceeds received of \$4.4 million in 2005 were the result of claims made for legal expenses incurred in prior years.

**SIAC Services Investment and Other Income, net**

	Year ended December 31,		Percent Increase
	2005	2004	
Investment and other income	\$ 10.8	\$ 5.2	107.7%

(amounts in millions)

*Investment and Other Income, net.* For the year ended December 31, 2005, compared to the year ended December 31, 2004, investment and other income increased \$5.6 million, or 107.7%, to \$10.8 million, primarily due to a \$5.5 million insurance settlement for Sector's business claims from the events of September 11, 2001.

**Income Taxes**

The NYSE's consolidated effective tax rates for the years ended December 31, 2005 and December 31, 2004 were 53.0% and 28.0%, respectively. The NYSE's 2004 effective tax rate was approximately 7% less than its standard effective tax rate, due to non-taxable insurance proceeds received during the year, which decreased the effective tax rate by 4.8%, as well as tax credits received during the year, which reduced the effective tax rate by 5.7%. These credits were related to investment tax credits not previously taken and totaled \$3.7 million, which had an impact on net income in 2004 of approximately \$2.4 million. To the extent there are tax credits identified in the future which have not been previously taken, they will potentially reduce the provision for income taxes and increase net income. The NYSE's 2005 effective tax rate was significantly higher than its standard rate due to non-deductible merger-related expenses for litigation, which accounted for 7.1% of the rate increase and a write-down of a deferred tax asset, which accounted for 9.9% of the rate increase. This write-down was recorded following the determination by management that the deferred tax asset related to tax depreciation would not be realized. Offsetting these rate increases in 2005 was a decrease of approximately 4% related to non-taxable municipal interest income.

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The following table sets forth the provision for income taxes, and the overall effective tax rate for the NYSE, on a consolidated basis, as well as for its two reportable segments NYSE Market and SIAC Services for the years ended December 31, 2005 and December 31, 2004.

	Year Ended December 31,			
	2005		2004	
	Provision for Income Taxes	Overall Effective Tax Rate	Provision for Income Taxes	Overall Effective Tax Rate
	(amounts in millions)		(amounts in millions)	
NYSE on a consolidated basis	\$ 48.1	53.0%	\$ 12.1	28.0%
NYSE Market	45.5	55.2%	10.3	26.8%
SIAC Services	2.6	30.4%	1.8	37.5%

### Year Ended December 31, 2004 Versus Year Ended December 31, 2003

The following table sets forth the NYSE's consolidated statements of income for the years ended December 31, 2004 and December 31, 2003, as well as the percentage increase or decrease for each consolidated statement of income item for the year ended December 31, 2004, as compared to such item for the year ended December 31, 2003.

	Year Ended December 31,		Percent Increase (Decrease)
	2004	2003	
	(amounts in millions)		
<b>Revenues</b>			
Activity assessment fees	\$ 359.8	\$ 419.7	(14.3)%
Listing fees	329.8	320.7	2.8%
Data processing fees	220.7	224.8	(1.8)%
Market information fees	167.6	172.4	(2.8)%
Trading fees	153.6	157.2	(2.3)%
Regulatory fees	113.3	113.2	0.1%
Facility and equipment fees	50.4	60.6	(16.8)%
Membership fees	8.3	11.0	(24.5)%
<b>Total revenues</b>	<b>1,403.5</b>	<b>1,479.6</b>	<b>(5.2)%</b>
Section 31 fees	(359.8)	(419.7)	(14.3)%
Compensation	(522.6)	(520.5)	(0.4)%
Systems and related support	(138.6)	(146.0)	(5.0)%
Professional services	(132.7)	(97.5)	36.1%
Depreciation and amortization	(95.7)	(89.0)	7.5%
Occupancy	(68.6)	(67.0)	2.4%
General and administrative	(84.3)	(76.5)	10.2%
Regulatory fine income	7.6	11.2	(32.1)%
<b>Operating income</b>	<b>8.8</b>	<b>74.6</b>	<b>(88.2)</b>
Investment and other income	34.5	32.4	6.5%
<b>Income before provision for income taxes and minority interest</b>	<b>43.3</b>	<b>107.0</b>	<b>(59.5)%</b>
Provision for income taxes	(12.1)	(45.2)	(73.2)%
Minority interest in income of consolidated subsidiary	(1.0)	(1.3)	(23.1)%
<b>Net income</b>	<b>\$ 30.2</b>	<b>\$ 60.5</b>	<b>(50.1)%</b>



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The NYSE's operations for the year ended December 31, 2004 resulted in net income of \$30.2 million, compared to net income of \$60.5 million for the year ended December 31, 2003. The decrease in the NYSE's net income was driven primarily by a \$16.1 million, or 1.5%, decrease in revenues, excluding activity assessment fees, a \$46.0 million, or 4.6%, increase in expenses, excluding Section 31 fees, and a \$3.6 million decrease in Regulatory fine income for the year ended December 31, 2004, compared to the year ended December 31, 2003.

For the year ended December 31, 2004, total revenues were \$1,403.5 million. Revenues, excluding activity assessment fees, for 2004, were \$1,043.7 million compared to \$1,059.8 million for the year ended December 31, 2003. An increase in listing fees of \$9.1 million, or 2.8%, partially offset large percentage declines in facility and equipment, regulatory fine income and membership fees and more modest percentage declines in data processing, market information and trading fees.

For the year ended December 31, 2004, total expenses, excluding Section 31 fees, were \$1,042.5 million, compared to \$996.5 million for the year ended December 31, 2003. Expenses, excluding Section 31 fees, increased by \$46.0 million, or 4.6%, primarily as a result of a \$35.2 million, or 36.1%, increase in professional services expense due primarily to higher legal and consulting expense, as well as higher general and administrative expense due to additional advertising in 2004 and greater depreciation expense due to shortened estimates of certain asset lives.

### *Revenues NYSE Market*

*Overview.* The following table sets forth the revenues attributable to NYSE Market for the years ended December 31, 2004 and December 31, 2003, as well as the percentage increase or decrease for each consolidated statement of income item for the year ended December 31, 2004, as compared to such item for the year ended December 31, 2003.

#### **NYSE Market**

	Year Ended December 31,		Percent Increase (Decrease)
	2004	2003	
(amounts in millions)			
<b>Revenues:</b>			
Activity assessment fees	\$ 359.8	\$ 419.7	(14.3)%
Listing fees	329.8	320.7	2.8%
Market information fees	167.6	172.4	(2.8)%
Trading fees	153.6	157.2	(2.3)%
Regulatory fees	113.3	113.2	0.1%
Facility and equipment fees	50.4	60.6	(16.8)%
Membership fees	8.3	11.0	(24.5)%
Total revenues	\$ 1,182.8	\$ 1,254.8	(5.7)%

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*Listing Fees.* The following table sets forth the revenues from listing fees as reported and on a billed basis:

	Year Ended December 31,				Percent Increase (Decrease)	
	2004		2003		As Reported	Billed Basis
	As Reported	Billed Basis	As Reported	Billed Basis		
	(amounts in millions)					
Annual fees	\$ 241.3	\$ 241.3	\$ 232.2	\$ 232.2	3.9%	3.9%
Original fees	88.5	79.6	88.5	62.4		27.6%
	\$ 329.8	\$ 320.9	\$ 320.7	\$ 294.6	2.8%	8.9%

For the year ended December 31, 2004, compared to the year ended December 31, 2003, listing fees increased \$9.1 million, or 2.8%, on an as reported basis.

Listing fees are primarily derived from annual listing fees and original fees. Original fees are deferred and amortized over the estimated service period of 10 years. The difference between the as reported revenues and the billed basis revenues were due to the amortization of listing fees in accordance with U.S. generally accepted accounting principles.

Annual listing fees totaled \$241.3 million for the year ended December 31, 2004 on both an as reported and billed basis, an increase of 3.9% over the year ended December 31, 2003. This increase was primarily due to additional listings during the year, for which annual fees were billed for the remaining portion of the year. Annual listing fees are recognized on a pro-rata basis over the calendar year.

Original fees totaled \$88.5 million on an as reported basis. On a billed basis, original fees totaled \$79.6 million for the year ended December 31, 2004, compared with \$62.4 million for the year ended December 31, 2003, a 27.6% increase. Increases in original listings from 109 to 165 period over period, including higher merger and acquisition activity and increased stock splits, which drove higher revenues.

*Market Information Fees.* For the year ended December 31, 2004, compared to the year ended December 31, 2003, market information fees declined \$4.8 million, or 2.8%. Market information fees for Tape A products declined due to a lower average number of monthly professional subscribers, resulting in a decrease of \$6.2 million in professional device revenue. The remaining decline was attributed to Tape B, due to a decrease in the NYSE's share of the trades. The non-professional/usage segment was flat and there was a decrease in the access fees. These decreases were offset by a 35% increase in NYSE Proprietary Products revenue and an increase in NYSE's share of Tape A trades. NYSE OpenBook® subscriptions increased 20% year-on-year.

*Trading Fees.* For the year ended December 31, 2004, compared to the year ended December 31, 2003, trading fees fell \$3.6 million, or 2.3%. Although average daily volume was up 4.6% in 2004, current pricing structures, including dollar caps and the 2% commission cap, inhibited the NYSE's ability to generate revenue growth despite higher trading activity.

*Regulatory Fees.* For the year ended December 31, 2004, regulatory fees were \$113.3 million, with no significant change over that in the year ended December 31, 2003. Member regulation fees are driven by gross FOCUS revenue, which was flat year over year at \$145 billion.

*Facility and Equipment Fees.* For the year ended December 31, 2004, compared to the year ended December 31, 2003, facility and equipment fees decreased \$10.2 million, or 16.8%, to \$50.4 million. The decrease resulted from the NYSE's decision to suspend the floor technology fee in July 2003, due to the prevailing poor economic environment for floor participants. This fee, instituted in 2003, was intended to recover the cost of providing services from those receiving value for the services.

*Membership Fees.* For the year ended December 31, 2004, compared to the year ended December 31, 2003, annual membership fees fell \$2.7 million, or 24.5%, to \$8.3 million. The drop was due to fewer electronic access membership renewals (29 in 2004 compared to 33 in 2003) and lower electronic access

membership prices, reflecting lower lease prices on the floor. Transfer and other charges remained flat through the year.

### **Revenues SIAC Services**

*Overview.* The following table sets forth the revenues attributable to SIAC Services for the years ended December 31, 2004 and December 31, 2003, as well as the percentage increase or decrease for each consolidated statement of income item for the year ended December 31, 2004, as compared to such item for the year ended December 31, 2003.

#### **SIAC Services**

	<b>Year Ended December 31,</b>		<b>Percent Increase (Decrease)</b>
	<b>2004</b>	<b>2003</b>	
	(amounts in millions)		
<b>Revenues:</b>			
Data processing fees non-NYSE	\$ 220.7	\$ 224.8	(1.8)%
Data processing fees NYSE	266.1	253.0	5.2%
	<b>486.8</b>	<b>477.8</b>	
Total revenues	\$ 486.8	\$ 477.8	1.9%

*Data Processing Fees Non-NYSE.* For the year ended December 31, 2004, data processing fees were \$220.7 million, \$4.1 million, or 1.8%, lower than that in the year ended December 31, 2003. Lower revenues were driven by a decrease in data processing fees of major customers and lower revenues from Sector's communications services. These decreases were offset partially by increased decommissioning charges for a major customer, which is supplying itself services previously provided by SIAC, and communications revenues from the SFTI communications network.

*Data Processing Fees NYSE.* For the year ended December 31, 2004, compared to that in the year ended December 31, 2003, data processing fees increased \$13.1 million, or 5.2%, to \$266.1 million, primarily due to increased requests for service from the NYSE related to additional initiatives for trading systems, billings to NYSE for its share of costs related to SIAC's workforce reduction, physical security enhancements and depreciation relating to a change in the estimated useful life of assets, resulting in generally shorter depreciation schedules and higher depreciation expenses.

### **Expenses NYSE Market**

*Overview.* The following table sets forth the expenses attributable to NYSE Market for the year ended December 31, 2004 and December 31, 2003, as well as the percentage increase or decrease for each

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consolidated statement of income item for the year ended December 31, 2004, as compared to such item for the year ended December 31, 2003.

	Year Ended December 31,		Percent Increase (Decrease)
	2004	2003	
(amounts in millions)			
<b>Expenses:</b>			
Section 31 fees	\$ 359.8	\$ 419.7	(14.3)%
Compensation	279.4	280.1	(0.3)%
Systems	37.8	34.4	9.9%
SIAC support <sup>(1)</sup>	255.8	245.0	4.4%
Professional services	80.4	45.9	75.2%
Depreciation and amortization	60.1	58.3	3.1%
Occupancy	38.3	38.0	0.8%
General and administrative	69.6	66.0	5.5%
	<hr/>	<hr/>	
Total expenses	\$ 1,181.2	\$ 1,187.4	(0.5)%

(1) NYSE Market's SIAC support expense does not equal SIAC Services' revenues from data processing fees from NYSE due to certain fees billed to the NYSE by SIAC relate to software developed for the NYSE's internal use and as such have been capitalized.

**NYSE Market Compensation**

	Year Ended December 31,		Percent Increase (Decrease)
	2004	2003	
(amounts in millions)			
Salaries and Bonus	\$ 179.0	\$ 163.7	9.3%
Benefits and Other	100.4	116.4	(13.8)%
	<hr/>	<hr/>	
Total compensation	\$ 279.4	\$ 280.1	(0.3)%

*Compensation.* For the year ended December 31, 2004, compared to 2003, compensation was down \$0.7 million. Average headcount grew to 1,551 employees from 1,526, due principally to increased staffing in NYSE Regulation and other customer oriented areas. Reflecting competitive market forces, especially for regulatory personnel, the average salary across the NYSE increased 2.1% in 2004. These increases, as well as higher medical benefit and bonus expense, were offset by a change in the NYSE's Supplemental Executive Retirement Program, which reduced the cost of these benefits, and the nonrecurring nature of the one-time deferred compensation accrual for the former chairman and chief executive officer in 2003.

*Systems and SIAC Support.* For the year ended December 31, 2004, compared to 2003, systems costs increased \$3.4 million or 9.9%. Maintenance contracts, vendor services and additional operating lease expenses contributed to the increase. SIAC support increased \$10.8 million or 4.4%, due to an increase for funding of key initiatives related to trading floor technology, the NYSE's share of costs for SIAC's workforce reduction and physical security enhancements.

*Professional Services.* For the year ended December 31, 2004, compared to 2003, professional services expense rose \$34.5 million, or 75.2%. This change was driven by higher legal and consulting expense, higher investment management fees and other related expenditures, including corporate governance and business development. Legal fees, net of insurance reimbursements in the current year, totaled \$28.2 million in 2004 compared with \$12.5 million in 2003. Legal fees in 2004, representing 35.1% of professional services for NYSE Market, were incurred principally in connection with the specialist investigation, litigation related to the former chairman and chief executive officer of the NYSE, and

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patent infringement case. Consulting fees increased due to the numerous initiatives undertaken across the organization.

*Depreciation and Amortization.* For the year ended December 31, 2004, compared to 2003, depreciation and amortization expense rose \$1.8 million, or 3.1%, as NYSE capital expenditures nearly doubled to \$82.3 million from \$43.3 million. The NYSE saw an increase in expenditures across all areas, including investments in infrastructure and trading floor technology. In addition, through 2004, the NYSE completed a review of its depreciation policies to better reflect useful life of the assets. This review resulted in additional expense of \$1.7 million and will lead to higher anticipated depreciation expense in future years, reflecting generally shorter depreciation lives.

*Occupancy.* For the year ended December 31, 2004, compared to 2003, occupancy costs rose due to higher operating and electricity costs, a \$0.3 million, or 0.8%, increase.

*General and Administrative.* For the year ended December 31, 2004, compared to 2003, general and administrative expense rose \$3.6 million, or 5.5%, to \$69.6 million. Non-advertising general and administrative expense was essentially flat, while advertising increased.

### Regulatory Fine Income

For the year ended December 31, 2004, compared to the year ended December 31, 2003, regulatory fines collected decreased from \$11.2 million to \$7.6 million during the year. Regulatory fines result from disciplinary actions taken by NYSE Regulation in its oversight of our member organizations.

### Expenses SIAC Services

*Overview.* The following table sets forth the expenses attributable to SIAC Services for the years ended December 31, 2004 and December 31, 2003, as well as the percentage increase or decrease for each consolidated statement of income item for the year ended December 31, 2004, as compared to such item for the year ended December 31, 2003.

### SIAC Services

	Year Ended December 31,		Percent Increase (Decrease)
	2004	2003	
	(amounts in millions)		
<b>Expenses:</b>			
Compensation	\$ 248.5	\$ 245.1	1.4%
Systems	100.8	111.6	(9.7)%
Professional services	57.3	54.9	4.4%
Depreciation and amortization	35.6	30.7	16.0%
Occupancy	30.3	29.0	4.5%
General and administrative	14.7	10.5	40.0%
	<b>487.2</b>	<b>481.8</b>	
Total expenses	\$ 487.2	\$ 481.8	1.1%

### SIAC Services Compensation

	Year Ended December 31,		Percent Increase (Decrease)
	2004	2003	
	(amounts in millions)		
Salaries and Bonus	\$ 180.7	\$ 186.9	(3.3)%

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	Year Ended December 31,		
	07.8	58.2	
Benefits and Other			16.5%
Total compensation	\$ 248.5	\$ 245.1	1.4%

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**Compensation.** For the year ended December 31, 2004, compared to 2003, compensation increased \$3.4 million, or 1.4%, to \$248.5 million. Increased expenses were primarily due to decommissioning charges for a major customer, which in 2004, internalized the services previously provided by SIAC, as well as benefit expenses associated with workforce reduction. Average headcount (average of the month-end headcount during the period) dropped from 1,724 in 2003 to 1,599 in 2004, but did not impact the full year 2004 due to timing of the reductions.

**Systems.** For the year ended December 31, 2004, compared to 2003, systems costs decreased \$10.8 million, or 9.7%, to \$100.8 million, primarily due to Sector's cost containment initiatives and reductions of communications expenses.

**Professional Services.** For the year ended December 31, 2004, compared to 2003, professional services increased \$2.4 million, or 4.4%, to \$57.3 million. Average contract staff headcount increased slightly to 262 in 2004 from 251 in 2003 as new projects contributed to the need for additional services. Transition costs related to the decommissioning of services from a major customer also contributed to the increase.

**Depreciation and Amortization.** For the year ended December 31, 2004, compared to 2003, depreciation and amortization increased \$4.9 million, or 16.0%, to \$35.6 million. A review of depreciation policies in an effort to better reflect estimates of certain assets' lives occurred in 2004, which resulted in additional expense of \$5.9 million in 2004 and will lead to higher anticipated depreciation expense in future years, reflecting generally shorter depreciation schedules. Capital expenditures in 2004 of \$7.5 million also contributed to the increase.

**Occupancy.** For the year ended December 31, 2004, compared to 2003, occupancy costs increased \$1.3 million, or 4.5%, to \$30.3 million due primarily to rent for additional offsite space.

**General and Administrative.** For the year ended December 31, 2004, compared to 2003, general and administrative expense rose \$4.2 million, or 40.0%, to \$14.7 million, owing primarily to expenses related to the transition of services to a major customer, in 2004 internalized services previously provided to it by SIAC.

### **NYSE Market Investment and Other Income, net**

	Year ended December 31,		
	2004	2003	Percent Increase
	(amounts in millions)		
Investment and other income	\$ 29.2	\$ 22.1	32.1%

**Investment and Other Income, net.** For the year ended December 31, 2004, compared to the year ended December 31, 2003, investment and other income increased \$7.1 million, or 32.1%. Declines in investment income were offset by reimbursements and recoveries from various sources throughout the year. Investment income fell 27% due to lower yields and greater volatility in the fixed income markets. Management undertook a complete review of the investment portfolio in 2004, including an analysis of risk, product diversification, all-in cost of management, and tax efficiency. Based on this review, the portfolio was reallocated in December 2004 to higher yielding and more tax-efficient securities. Offsetting the investment income declines were various settlement payments totaling \$11.2 million that the NYSE received through the year. The key components were \$3.2 million of insurance proceeds as a result of claims made for legal expenses incurred in prior years, and \$6.4 million of recoveries related to business interruption and losses from the events of September 11, 2001.

*SIAC Services Investment and Other Income, net*

	Year ended December 31,		Percent (Decrease)
	2004	2003	
	(amounts in millions)		

Investment and other income	\$ 5.2	\$ 10.3	(49.5)%
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*Investment and Other Income, net.* For the year ended December 31, 2004, compared to the year ended December 31, 2003, investment and other income decreased \$5.1 million, or 49.5%, to \$5.2 million, primarily as a result of net realized gains associated with SIAC's investment portfolio. During 2003, management undertook a complete review of the investment portfolio, asset allocations and fund manager performance. Based upon this review, the portfolio was rebalanced and reallocated. Sales of securities and improved stock market performance resulted in an increase in net realized gains during 2003.

***Income Taxes***

The overall effective tax rate for the years ended December 31, 2004 and December 31, 2003 was 28.0% and 42.3%, respectively. A decrease in net inc