



Chairman for a New Day

MARSHALL CARTER DISCUSSES WHAT'S AHEAD FOR THE EXCHANGE

Shortly after being named chairman of the board of the New York Stock Exchange, Marshall Carter sat down with *nyse magazine* to discuss his new role and what's ahead for the Exchange, investors, issuers and the global capital markets. Having spent 25 years in finance, Carter, 65, brings to the job tremendous corporate leadership experience. As chairman and CEO of the State Street Bank and Trust Co. and its holding company **STATE STREET CORP.** (STT) from 1992 to 2001, he led the company through a significant strategic change at a time when information technology was remaking the way Wall Street does business. Before joining State Street, Carter had been with Chase Manhattan Bank for 15 years. He has also served on the boards of the American Bankers Association, CEDEL, Euroclear and National Securities Clearing Corp., and from 1988 to 1995 he co-chaired the U.S. Working Group of Thirty, which developed recommendations for revamping world securities clearance and settlement processes.

A West Point Military Academy graduate and U.S. Marine Corps officer for 14 years, Carter was awarded the Navy Cross and Purple Heart during more than two years of service in Vietnam. His background in public service also includes leadership roles at the State Department and the U.S. Agency for International Development from 1975 to 1976. Carter also chaired the Massachusetts Governor's Special Advisory Task Force on Massport following the events of Sept. 11, 2001.

Most recently, Carter has been an NYSE director since December 2003 and has served as chairman of the NYSE Regulatory Oversight Committee. He is a lecturer in leadership and management at MIT's Sloan School of Management and at Harvard's John F. Kennedy School of Government, where from 2001 to 2005 he was a fellow at the Center for Public Leadership. He is currently chairman of the Boston Medical Center Board of Trustees.

With a reputation for integrity and forthrightness, Carter says it is an honor to serve as NYSE chairman and that he embraces the "chance to give back to the industry."

ON THE ROLE OF THE NYSE BOARD... The NYSE board is independent of the broker-dealers and listed companies we regulate. It has a fiduciary duty to the Exchange's owners — currently its 1,366 members. But the role of the board, any board, is to focus on the company's strategic direction and to help the CEO with major customers and management challenges. A unique part of that responsibility at the Exchange is juggling the needs of various stakeholder groups — NYSE members, the investing public, institutions and listed companies — and dealing with external constituencies such as the SEC, Congress and other regulators at the state and federal levels. In fact, I was in Washington last fall calling on the SEC and explaining the Exchange's position on various issues.

ON THE ARCHIPELAGO MERGER*... At the first meeting of the new board in December 2003, [former NYSE Chairman] John Reed said that one of our most important tasks was to find an evolutionary pathway to the future. The board then looked at a series of five or six strategic pathways, everything from staying only in the U.S. cash market to growing our own derivatives and options capability. We determined that if our strategic direction was to be a multiasset market, then the Archipelago deal was a strategic leap forward, allowing us to enter the electronic world quickly with a low-cost platform and to begin trading ETFs at a greater degree than we do now, plus fixed-income securities, options and derivatives.

We also gain a significant position in the OTC equity market and the ability to develop a second brand in the listings business. We add entrepreneurial management talent. Most important, we become a for-profit, public company better able to compete globally.

ON THE EXCHANGE'S OPPORTUNITIES... In the long term, the opportunity lies in our ability to transform ourselves from a cash-equities product marketplace to a multiasset marketplace with options, derivatives, futures and more. The challenge is whether we can morph ourselves

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into a real global competitor. The board believes we can do that. In the short term, the NYSE has to prove that we can manage and lead these two very different companies. The real issue for the board is helping John Thain manage this implementation and bring them together.

ON SELF-REGULATION... Self-regulation works. We've certainly demonstrated that. Can it be improved? Yes, by continuing the shift from a "dotting the i's and crossing the t's" approach to more of a risk-management style of protecting investors. We clearly have to ensure that people obey all the rules and regulations, but we also have to think about the threats and risks that are less evident right now. That's why NYSE Regulation is looking well into the future at potential risks.

We have a vision for a not-for-profit regulatory subsidiary that is at arm's length from the for-profit side. It would have a separate, independent board made up of NYSE Group independent board members and additional nonaffiliated, independent board members. NYSE Regulation would sign a publicly available, transparent contract with the Exchange to do the market surveillance work.

ON NYSE SPECIALISTS, FLOOR BROKERS AND THE NYSE HYBRID MARKETSM... The specialist has a vital role in continuing to make orderly markets, particularly in less liquid stocks. The NYSE Hybrid MarketSM — which combines electronic and auction trading — will allow specialists to move very quickly. Even in an electronic world, the roles of the specialist and the floor brokers are still necessary and provide value to customers. The NYSE's auction model, as well as the price discovery and price improvement it provides to investors, is at the core of the NYSE's value proposition.

ON THE ROLE OF TECHNOLOGY ON WALL STREET... Technology used to be an adjunct a few decades ago. If you remember, the market used to close Wednesday afternoon to catch up on paperwork. Technology is very much the basis for our business now, as opposed to only supporting it. We couldn't have average 1.5 billion-share days — and record trading days exceeding 3 billion shares — without our

business being based on technology. The Exchange has done a great job deploying technology and is actually quite automated. That will continue, especially as we go to the hybrid market. Ultimately, it's all about how we best apply technology to best serve our customers.

ON BOARD DIRECTORSHIPS... Serving on a publicly traded company's board requires significantly more attention to detail than it did in the past, and certainly more time. I was on Honeywell's board but did not stand for re-election this year because I didn't want any perception of conflict. I was on State Street's board when I was the CEO, and I limited myself to one other corporate board membership.



THE NYSE CHAIRMAN MUST JUGGLE THE NEEDS OF VARIOUS STAKEHOLDER GROUPS.

ON MANAGEMENT... The challenge of being an effective consensus manager is in knowing when to stop taking consensus. Many people want to keep everybody happy and don't stop taking consensus to make a decision. It takes self-confidence to say, "We've got enough consensus; I know the pros and cons. Now it's my duty to make a decision."

ON THE BENEFITS OF MILITARY EXPERIENCE... Being in the military, especially in combat, helps you focus on what's important. You gain good skills in prioritizing tasks, and you learn a lot about leadership and responsibility at a young age. I was 26 during my first tour in Vietnam, commanding an infantry of 225 Marines whose average age was 19. It also teaches you strong administrative

skills, how to make do under adverse conditions and a lot about ethics. The penalty for poor ethics is much higher than in any other occupation, since lives are lost because of leadership mistakes.

ON LEADERSHIP... I like the Ronald Reagan quote: "There's no limit to what a man can do or where he can go if he doesn't mind who gets the credit." The NYSE has a powerful brand and public trust, and we have to make sure that we present to the market and to investors the world's best multiasset liquidity pool and marketplace. I'm not sure that has room for a lot of individual credit, as opposed to the team that will get us there. □

*Please see important legal information relating to the NYSE-Archipelago merger, which should be read in conjunction with this article, on page 9 under the heading Legal Information.