

NYSE Group, Inc.
Form 10-Q
November 13, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2006

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER: 001-32829

NYSE GROUP, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

20-2786071

(I.R.S. Employer
Identification No.)

11 Wall Street

New York, New York 10005

(Address, including zip code, of
Registrant's principal executive offices)

(212) 656-3000

(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large Accelerated Filer Accelerated Filer Non-accelerated Filer

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of November 1, 2006, the registrant had approximately 156.2 million shares of common stock, \$0.01 par value per share, outstanding.

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CERTAIN TERMS

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

- “NYSE Group,” “we,” “us” and “our” refers to NYSE Group, Inc., a Delaware corporation, and its subsidiaries;
 - “NYSE” refers to (1) prior to the completion of the March 7, 2006 merger between the New York Stock Exchange, Inc. and Archipelago, New York Stock Exchange, Inc., a New York Type A not-for-profit corporation and a registered U.S. national securities exchange, and (2) after the completion of the merger, New York Stock Exchange LLC, a New York limited liability company and a registered U.S. national securities exchange, and its subsidiaries, NYSE Market, Inc., a Delaware corporation (“NYSE Market”), and NYSE Regulation, Inc., a New York not-for-profit corporation (“NYSE Regulation”);
 - “Archipelago” refers to 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 NYSE Arca, L.L.C., a Delaware limited liability company (formerly known as Archipelago Exchange, L.L.C.), NYSE Arca, Inc., a Delaware corporation, 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 U.S. national securities exchange (formerly known as the Pacific Exchange, Inc.);
 - “Euronext” refers to Euronext N.V., a company organized under the laws of the Netherlands or, as the context requires, any company succeeding Euronext N.V. upon the implementation of the post-closing reorganization contemplated under the combination agreement, in each case, including its subsidiaries;
 - “NYSE Euronext” refers to NYSE Euronext, Inc., a newly formed Delaware Corporation that will be renamed “NYSE Euronext” upon completion of the combination, and its subsidiaries;
 - “combination” refers to the proposed combination of NYSE Group and Euronext and certain related transactions which upon completion would combine the businesses of NYSE Group and Euronext under NYSE Euronext; and
 - “combination agreement” refers to the Combination Agreement, dated as of June 1, 2006, by and among NYSE Group, Euronext, NYSE Euronext, and Jefferson Merger Sub, Inc., a Delaware corporation and a newly formed, wholly owned subsidiary of NYSE Euronext.
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FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q 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. In some cases, you can identify these statements by forward-looking words such as “may,” “might,” “will,” “should,” “expect,” “plan,” “anticipate,” “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” in our Annual Report on Form 10-K for the year ended December 31, 2005 and our quarterly report on Form 10-Q for the quarter ended June 30, 2006.

These risks and uncertainties are not exhaustive. Other sections of this report 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 report to conform our prior statements to actual results or revised expectations and we do not intend to do so.

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

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.

PART I - FINANCIAL INFORMATION**Item 1. Financial Statements**

NYSE GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(In thousands, except per share data)

	September 30, 2006 (Unaudited)	December 31, 2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 255,604	\$ 43,492
Investment securities, at fair value	522,046	980,591
Securities purchased under agreements to resell	64,600	127,888
Accounts receivable, net	284,133	184,185
Deferred income taxes	89,847	91,919
Other assets	43,224	36,142
Total current assets	1,259,454	1,464,217
Property and equipment, net	393,000	343,534
Goodwill	535,790	-
Other intangible assets, net	582,984	-
Deferred income taxes	344,009	290,145
Other assets	104,925	106,249
Total assets	\$ 3,220,162	\$ 2,204,145
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 344,793	\$ 322,263
Section 31 fees payable	64,600	232,146
Deferred revenue	174,320	105,313
Deferred income taxes	50,751	25,238
Total current liabilities	634,464	684,960
Accrued employee benefits	332,638	323,373
Deferred revenue	320,971	329,197
Deferred income taxes	267,440	9,289
Other liabilities	23,395	23,037
Total liabilities	1,578,908	1,369,856
Minority interest	38,092	35,164
Commitments and contingencies		
Stockholders' equity		
Members' equity	-	807,781
Common stock, \$0.01 par value, 400,000 shares authorized; 157,787 shares issued; 156,142 shares outstanding	1,578	-

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Common stock held in treasury, at cost: 1,645 shares	(65,569)	-
Additional paid-in capital	1,542,057	-
Retained earnings	130,847	-
Accumulated other comprehensive loss	(5,751)	(8,656)
Total stockholders' equity	1,603,162	799,125
Total liabilities and stockholders' equity	\$ 3,220,162	\$ 2,204,145

The accompanying notes are an integral part of these condensed consolidated financial statements.

NYSE GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
Revenues				
Activity assessment	\$ 163,408	\$ 198,660	\$ 492,383	\$ 433,373
Transaction	179,979	32,633	454,139	108,392
Listing	89,019	85,428	266,255	256,888
Market data	57,510	42,989	166,115	133,429
Data processing	27,697	44,098	108,969	136,764
Regulatory	50,136	34,437	135,300	96,671
Licensing, facility and other	35,188	14,158	94,252	42,197
Total revenues	602,937	452,403	1,717,413	1,207,714
Section 31 fees	(163,408)	(198,660)	(492,383)	(433,373)
Merger expenses and related exit costs	(7,701)	-	(21,038)	-
Compensation	(130,211)	(124,831)	(436,840)	(381,845)
Liquidity payments	(66,173)	-	(159,964)	-
Routing and clearing	(20,084)	-	(49,687)	-
Systems and communications	(30,382)	(28,951)	(90,966)	(92,746)
Professional services	(28,333)	(29,275)	(85,527)	(90,326)
Depreciation and amortization	(35,120)	(25,903)	(99,360)	(78,522)
Occupancy	(22,872)	(17,649)	(62,936)	(51,588)
Marketing and other	(23,922)	(14,497)	(70,246)	(46,255)
Regulatory fine income	10,680	10,896	33,841	32,872
Operating income	85,411	23,533	182,307	65,931
Investment and other income, net	29,433	13,366	63,271	36,558
Gain on sale of equity investment	-	-	20,925	-
Income before income tax provision and minority interest	114,844	36,899	266,503	102,489
Income tax provision	(46,252)	(14,064)	(104,517)	(40,288)
Minority interest in income of consolidated subsidiary	(627)	(835)	(2,500)	(1,195)
Net income	\$ 67,965	\$ 22,000	\$ 159,486	\$ 61,006
Basic earnings per share	\$ 0.43	\$ 0.19	\$ 1.09	\$ 0.53
Diluted earnings per share	\$ 0.43	\$ 0.19	\$ 1.08	\$ 0.53
Basic weighted average shares outstanding	156,481	115,699(a)	146,645	115,699(a)
Diluted weighted average shares outstanding	157,460	115,699(a)	147,742	115,699(a)

(a) Adjusted to reflect the merger between the NYSE and Archipelago, which was completed March 7, 2006, giving retroactive effect to the issuance of shares to former NYSE members. See Note 1 to the condensed consolidated financial statements.

The accompanying notes are an integral part of these condensed consolidated financial statements.

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NYSE GROUP, INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN
STOCKHOLDERS' EQUITY FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006
(In thousands)
(Unaudited)

	Common Stock				Accumulated Other Comprehensive			
	Members' Equity	Shares	Par Value	Treasury Stock	Additional Paid-In Capital	Retained Earnings	Income (Loss)	Total
Balance as of December 31, 2005	\$ 807,781	-	\$ -	-	-	-	\$ (8,656)	\$ 799,125
Net income for the period from January 1 to March 7, 2006	28,639	-	-	-	-	-	1,275	29,914
Members' distribution	(409,800)	-	-	-	-	-	-	(409,800)
Members' dividend	(96,400)	-	-	-	-	-	-	(96,400)
Exchange of NYSE membership interest	(330,220)	109,522	1,095	-	329,125	-	-	-
Merger with Archipelago	-	47,625	476	(65,569)	1,150,206	-	-	1,085,113
Employee stock transactions	-	640	7	-	62,726	-	-	62,733
Net income for the period from March 8 to September 30, 2006	-	-	-	-	-	130,847	1,630	132,477
Balance as of September 30, 2006	\$ -	157,787	\$ 1,578	\$ (65,569)	\$ 1,542,057	\$ 130,847	\$ (5,751)	\$ 1,603,162

The accompanying notes are integral part of these condensed consolidated financial statements.

NYSE GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(Unaudited)

Nine months
ended September 30,
2006 2005

Cash flows from operating activities:

Net income	\$ 159,486	\$ 61,006
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Adjustments to reconcile net income to net cash provided by operating activities:

Depreciation and amortization	99,360	78,522
Minority interest	2,928	1,405
Deferred income taxes	6,887	(9,952)
Provision for losses on accounts receivable	2,596	(879)
Stock based compensation	46,135	-
Gain on sale of equity investment	(20,925)	-
Other non-cash items	1,792	8,642

Change in operating assets and liabilities:

Accounts receivable, net	(22,218)	(61,686)
Other assets	(20,894)	(3,867)
Accounts payable, accrued expenses and Section 31 fees	(303,635)	(51,568)
Deferred revenue	57,180	58,903
Accrued employee benefits	9,265	10,886
Net cash provided by operating activities	17,957	91,412

Cash flows from investing activities:

Cash acquired in Archipelago merger	218,201	-
Other sales (purchases) of equity investments and businesses	14,616	(10)
Sales of investment securities	9,853,747	5,633,418
Purchases of investment securities	(9,392,296)	(5,626,273)
Net sales of securities purchased under agreements to resell	63,288	11,778
Purchases of property and equipment	(68,391)	(75,759)
Net cash provided by (used in) investing activities	689,165	(56,846)

Cash flows from financing activities:

Distribution to former Members	(409,800)	-
Dividend to former Members	(96,400)	-
Employee stock transactions	16,723	-
Principal payment of capital lease obligations	(5,533)	(4,013)
Net cash used in financing activities	(495,010)	(4,013)
Net increase in cash and cash equivalents for the period	212,112	30,553
Cash and cash equivalents at beginning of period	43,492	15,456
Cash and cash equivalents at end of period	\$ 255,604	\$ 46,009

Supplemental disclosures:

Cash paid for income taxes	\$ 85,915	\$ 32,497
Cash paid for interest	\$ 1,798	\$ 3,788

Non-cash investing and financing activities:

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Exchange of NYSE membership interest	\$	330,220	-
Merger with Archipelago	\$	1,085,113	-

The accompanying notes are an integral part of these condensed consolidated financial statements.

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NYSE GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - Organization and Description of Business

NYSE Group is a holding company that, through its subsidiaries, operates two securities exchanges: the NYSE and NYSE Arca, Inc. NYSE Group is a leading provider of securities listing, trading and market data products and services. NYSE Group was formed in connection with the merger of the NYSE and Archipelago, which was completed on March 7, 2006. NYSE Group common stock is listed on the NYSE under the symbol "NYX."

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.

NYSE Arca operates the first open, all-electronic stock exchange in the United States and has one of the leading market positions in trading exchange-traded funds ("ETFs") and exchange-listed securities. NYSE Arca is also an exchange for trading equity options.

As of September 30, 2006, the NYSE owned two-thirds of the Securities Industry Automation Corporation ("SIAC") and reported SIAC's financial results on a consolidated basis. SIAC is an important industry resource providing critical automation and communications services to the NYSE, the American Stock Exchange LLC ("AMEX") and other organizations to support order processing, trading and the reporting of market information, among other functions. SIAC also provides system support for certain national market system functions and for important regulatory and administrative activities. In addition, SIAC provides telecommunication and managed services through its wholly owned subsidiary, Sector, Inc. ("Sector"), to subscribers primarily in the securities industry.

NYSE Regulation provides regulatory services (including member firm regulation, market surveillance, enforcement, listed company compliance, and arbitration), to the NYSE and to NYSE Arca.

Note 2 - Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of NYSE Group and all wholly-owned subsidiaries, as well as of SIAC. The results of operations of Archipelago have been included in NYSE Group's results of operations since March 8, 2006.

The accompanying condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States and reflect all adjustments, consisting of only normal recurring adjustments, that are, in the opinion of management, necessary for a fair statement of the results for the period. All material intercompany accounts and transactions have been eliminated in consolidation. Certain information and footnote disclosures normally included in financial statements, which are normally required under accounting principles generally accepted in the United States, have been condensed or omitted; however management believes that the disclosures are adequate to make the information presented not misleading.

The preparation of these condensed consolidated financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results

could be materially different from these estimates. Certain prior period amounts have been reclassified to conform to the current period's presentation.

The condensed consolidated financial statements are unaudited and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2005, included in the NYSE Group Annual Report on Form 10-K filed with the SEC on March 31, 2006. Operating results for the three and nine months ended September 30, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006.

Note 3 - Business Combinations

Archipelago Holdings, Inc.

On March 7, 2006, Archipelago and the NYSE combined their businesses and became wholly-owned subsidiaries of NYSE Group, a newly created, for profit and publicly traded holding company. Through the merger, NYSE Group intends to continue to grow market position in trading volume and enhance the trading technology of both the NYSE and NYSE Arca. Together, the NYSE and NYSE Arca provide a full-service market that offers customers a choice of products and appeals to all types of investors.

On March 7, 2006, each of the 1,366 members of the NYSE was entitled to receive \$300,000 in cash and 80,177 shares of NYSE Group common stock in exchange for its NYSE membership. In addition, a cash dividend of \$70,571 was declared and paid to each of the 1,366 members. Each NYSE member 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. 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 NYSE Group common stock issued and outstanding, or approximately 109.5 million shares.

On March 7, 2006: (i) each share of the issued and outstanding shares of Archipelago's common stock was 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 were 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, or approximately 46.0 million shares.

Under the purchase method of accounting, the total merger consideration, which was determined based on the fair market value of Archipelago common stock beginning two days before and ending after April 20, 2005 (the date the merger was agreed to and announced), was \$1,085.1 million. The results of operations of Archipelago have been included in the NYSE Group's results of operations since March 8, 2006.

The following is a summary of the purchase price in the Archipelago merger (in thousands):

Purchase price	\$ 1,085,113
Acquisition costs	25,422
Total purchase price	\$ 1,110,535

The purchase price was allocated to the assets acquired and liabilities assumed based on the estimated fair value of Archipelago net assets as of the merger date as follows (in thousands):

Historical cost of net assets acquired	\$ 458,290
Elimination of Archipelago's historical goodwill and intangibles	(240,095)
Adjustment to fair value of property and equipment	17,000
Deferred tax impact of purchase accounting adjustments	(233,531)
Fair value of identifiable intangible assets	584,500
Other	(5,919)
Goodwill	530,290
Total purchase price	\$ 1,110,535

The allocation of the purchase price to Archipelago assets and liabilities are only preliminary allocations based on estimates of fair values and will change when estimates are finalized. Therefore, the information above is subject to change pending the final allocation of purchase price. NYSE Group does not expect any of the goodwill to be deductible for tax purposes.

During 2005, NYSE Group adopted a plan to eliminate positions. As a result of this decision, NYSE Group recorded a \$3.9 million charge consisting of severance and related costs during 2005. For the nine months ended September 30, 2006, NYSE Group recorded a \$6.1 million charge due to 80 additional positions being eliminated as a result of our continued integration efforts and cost containment initiatives. These positions were primarily included within trading floor operations and miscellaneous administrative areas. The following is a summary of the severance charges and utilization for the nine months ended September 30, 2006 and the remaining accrual at September 30, 2006 (in thousands):

Balance at December 31, 2005	\$ 3,804
Additional severance	6,150
Amount paid in 2006	(5,871)
Balance at September 30, 2006	\$ 4,083

These costs associated with the additional severance for the nine months ended September 30, 2006 are included in merger expenses and related exit costs in the condensed consolidated statements of income. Based on current severance dates and the accrued severance at September 30, 2006, NYSE Group expects to pay these amounts through June 30, 2007.

On November 8, 2006, NYSE Group announced a workforce reduction of more than 500 positions, including approximately 400 employees and 120 full-time consultants. As a result of this workforce reduction, NYSE Group expects to recognize a restructuring charge in the fourth quarter of 2006 of approximately \$28.0 million consisting primarily of severance payments and curtailment losses.

PCX Holdings, Inc. and Wave Securities, LLC.

On September 26, 2005, Archipelago completed its acquisition of PCX Holdings ("PCX"), which is now known as NYSE Arca, Inc., for a total purchase price of approximately \$94.0 million consisting of a \$90.9 million cash payment to PCX stockholders and certain employees of PCX, and approximately \$3.1 million of direct acquisition costs incurred by Archipelago. As part of the acquisition of PCX, Archipelago undertook to divest Wave Securities LLC ("Wave Securities"), a previously wholly-owned subsidiary of Archipelago. On March 3, 2006, Archipelago completed the sale of Wave Securities.

Pro Forma Results

The following table provides pro forma results of operations as if (i) the acquisition of PCX by Archipelago, (ii) the disposition of Wave Securities by Archipelago and (iii) the merger between Archipelago and the NYSE had been completed at the beginning of the earliest period presented (in thousands, except per share data):

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	Three months ended		Nine months ended	
	September 30,		September 30,	
	2006	2005	2006	2005
Revenues	\$ 602,937	\$ 624,795	\$ 1,861,397	\$ 1,727,054
Net income	68,254	29,605	195,118	84,814
Basic earnings per share	\$ 0.44	\$ 0.18	\$ 1.24	\$ 0.53
Diluted earnings per share	\$ 0.43	\$ 0.18	\$ 1.23	\$ 0.52

Pro forma results do not include any anticipated cost savings or other effects of the planned integration of the NYSE and Archipelago's businesses.

Other Transactions

On July 17, 2006, NYSE Group acquired MatchPoint Trading, Inc. ("MatchPoint"), a financial services technology company specializing in call market trading and technologies. MatchPoint has developed a proprietary electronic equity crossing system that matches aggregated orders at predetermined and distinct times, at prices that are derived from the primary market for securities (NYSE, AMEX and Nasdaq), enabling MatchPoint technology to operate multiple matches each with a unique benchmark pricing model. MatchPoint can also process internal crosses for single participants and seamlessly enables residuals to participate in scheduled crossing sessions.

On September 18, 2006, NYSE Group announced that it had acquired an equity stake in Marco Polo Network Inc. ("Marco Polo"). Through its local exchange and brokerage relationships, Marco Polo offers intra-market connectivity and routing to brokers and exchanges in more than 40 emerging markets. Together, these markets provide investors with access to more than 90% of the MSCI emerging markets index.

Note 4 - Merger with Euronext N.V.

On May 22, 2006, NYSE Group proposed a business combination with Euronext which if successful will create NYSE Euronext, a global marketplace with an expected combined market capitalization of approximately \$21 billion. Euronext is a cross-border exchange providing international services for regulated cash markets and derivative markets in Belgium, France, the United Kingdom, the Netherlands and Portugal. Both parties signed a definitive combination agreement on June 1, 2006. The combination is expected to close during the first quarter of 2007 and is subject to regulatory approval and the approval of NYSE Group and Euronext shareholders.

Pursuant to the combination agreement, NYSE Group and Euronext intend to combine their businesses under NYSE Euronext, a Delaware corporation formed for the purpose of this transaction. Euronext's business will be brought under NYSE Euronext through an exchange offer and a post closing reorganization, and NYSE Group's business will be brought under NYSE Euronext through a merger.

In the exchange offer, Euronext shareholders will have the right to exchange each of their Euronext shares for €21.32 in cash and 0.98 of a share of NYSE Euronext common stock. Instead of receiving this standard offer consideration, Euronext shareholders will have the opportunity to make either a cash election to receive all cash for their Euronext shares, or a stock election to receive all stock for their Euronext shares, subject to proration to ensure that the total amount of cash paid, and the total number of shares of NYSE Euronext common stock issued, in the exchange offer to the Euronext shareholders, as a whole, are equal to the total amount of cash and number of shares that would have been paid and issued if all Euronext shareholders received the standard offer consideration.

Immediately after the successful completion of the exchange offer, a wholly owned subsidiary of NYSE Euronext will merge with NYSE Group, and, as a result, the surviving corporation will become a wholly owned subsidiary of NYSE Euronext, and each share of NYSE Group common stock will be converted into the right to receive one share of NYSE Euronext common stock.

As soon as possible after the successful completion of the exchange offer and the combination, NYSE Euronext intends to effectuate a post-closing reorganization of Euronext and its subsidiaries that is intended to result in Euronext becoming a wholly owned subsidiary of NYSE Euronext. In the post-closing reorganization, Euronext shareholders who did not exchange their Euronext shares in the exchange offer will generally receive the same consideration that they would have received had they tendered their Euronext shares in the exchange offer and not made either the cash election or the stock election: that is €21.32 in cash and 0.98 of a share of NYSE Euronext common stock per Euronext share.

Note 5 - Segment Information

Subsequent to the merger between the NYSE and Archipelago, NYSE Group operates under three reportable segments: Market, SIAC Services and Regulation. NYSE Group's segments are managed and operated as three business units and organized based on services provided to customers.

Market represents primarily the fees earned from: (i) obtaining new listings and servicing existing listings on the NYSE and NYSE Arca, Inc.; (ii) providing access to trade execution; (iii) distributing market information to data subscribers and (iv) issuing trading licenses (previously membership fees).

SIAC Services provides communication and data processing operations and systems development functions to the NYSE and third party customers.

Regulation provides regulatory services (including member firm regulation, market surveillance, enforcement, listed company compliance, and arbitration), performed by NYSE Regulation, to the NYSE and to NYSE Arca. Regulatory fees are paid by member organizations and are primarily assessed based upon their Gross FOCUS revenues. In addition, Regulation collects regulatory fines that are applied to members and member organizations.

Summarized financial data concerning the NYSE Group's reportable segments is as follows (in thousands):

Three months ended September 30,		SIAC		Regulation	Corporate		Consolidated
2006	Market	Services			Items and		
					Eliminations		
Revenues	\$ 553,509	\$ 79,192	\$ 79,491	\$ (109,255)	\$ 602,937		
Operating income (loss)	74,241	(12,386)	23,556	-	85,411		
2005							
Revenues	\$ 402,008	\$ 105,628	\$ 62,674	\$ (117,907)	\$ 452,403		
Operating income	12,467	625	10,441	-	23,533		

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Nine months ended September 30,	Market	SIAC Services	Regulation	Corporate Items and Eliminations	Consolidated
2006					
Revenues	\$ 1,572,601	\$ 272,247	\$ 231,996	\$ (359,431)	\$ 1,717,413
Operating income (loss)	155,497	(23,138)	49,948	-	182,307
2005					
Revenues	\$ 1,062,063	\$ 326,181	\$ 180,963	\$ (361,493)	\$ 1,207,714
Operating income (loss)	39,917	(700)	26,714	-	