

NYSE responds to uproar over free IR services

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Contrary to the complaints of some service providers, NYSE says it's open to new vendor partners

With hardly any structural differences anymore, and with their share of trading over the last decade bleeding away to other venues, exchanges around the world began to compete for listings by offering additional products and services to listed companies. Sometimes the exchanges acted alone in providing these extra services, whether paid-for or free. Other times they partnered up with IR service providers.

The NYSE is currently in the hot seat over a listing rules provision it submitted to the SEC last month. The exchange outlined a scheme to provide free IR services to issuers, including its own market intelligence, as well as services from Thomson Reuters and Ipreo, such as IR website hosting, press release distribution, shareholder ID and surveillance. A new issuer with over \$400 mn in market cap would get a package adding up to nearly \$100,000 a year in value, while existing large issuers would be entitled to a package worth around \$60,000.

Competitors to Thomson and Ipreo like MZ North America, PrecisionIR, SNL Financial and Q4 Web Systems have sent comments to the SEC opposing the NYSE partner system, saying it will stifle competition and innovation, drive small service providers out of business and stymie startups.

In an interview with IR magazine, Jean-Marc Levy, senior vice president and head of global issuer services at NYSE Euronext, counters that companies aren't obligated to use the exchange's services. And besides, the NYSE is open to new partners, and it doesn't endorse – or exclude – any particular vendors.

Plenty of other exchanges already give away services. In 2006, the Toronto Stock Exchange partnered with Thomson on TSX Connect, a free market intelligence platform. The following year NASDAQ began providing core IR services for free and selling others. Most recently, the Australian Securities Exchange (ASX) launched ASX IR Intelligence with Orient Capital in March this year. There are dozens more examples of free services from exchanges around the globe.

The NYSE, for its part, launched its Market Access Center (MAC) in October 2008, giving all of its companies access to market intelligence experts. This was around the same time as it partnered with Ipreo and Thomson.

Levy, who came to NYSE Euronext two months ago from TheMarkets.com, says 25 to 30 different services are now available to NYSE companies, from about a dozen outside partners, such as Liquidnet, FactSet Research Systems and Corporate Executive Board as well as Ipreo and Thomson.

Package deal

Enzo Villani, president of MZ North America, is one of the more outspoken critics of the NYSE's proposal. In February his company bought Ilios, whose IR Navigator competes with similar targeting platforms from Thomson and Ipreo.

He complains of 'unintended consequences' arising from the competition between exchanges. 'As opposed to NASDAQ selling products, the NYSE is packaging products and giving them away in multi-year deals to get new IPOs or listing switches,' he says. 'There's real pricing pressure for some key products and services, and that pushes innovation out of the industry. We can't afford to compete.'

Villani warns that by bringing more business to two big vendors the NYSE is 'going to take some of these small companies out.'

As an alternative, he suggests a 'voucher program' so NYSE companies could spend their subsidy on products and services from any vendor, or at least from a broader range of vendors.

Villani points out that the NYSE's merger partner, Deutsche Börse, has a different model, with vendors paying €10,000 a year to be part of the exchange's Listing Partners network, and he wonders how that could influence the NYSE's plans in the future.

Levy says the rule filing was in response to a request from the SEC but it also fits in with the NYSE's general commitment to transparency. He takes exception to the term 'bundling' because the NYSE does not charge any issuer for the services in question. Unlike NASDAQ, whose corporate services are a profit center, the NYSE's are value added. 'As part of our relationship with issuers, we're always seeking ways to provide them with additional value. Frankly, introductions to vendors and services have always been part of that value,' Levy says.

He also steers the focus away from the dollar amounts detailed in the NYSE's SEC filing, explaining that the exchange simply put together services that are most relevant to companies in various tiers.

Open to all IR service providers

Echoing the filing, Levy rebuts the notion that the NYSE is squashing innovation or being unfair to other IR service providers. 'We're completely agnostic in terms of who the vendors are,' he says. 'That doesn't mean we offer the services of just anyone; we have a process for evaluating vendors and services. We'll only enter into relationships to offer high quality products and services, but we're not endorsing any vendors or excluding any from the mix.'

It's an 'open community' strategy, and Levy insists the NYSE has made no exclusive commitment to any one vendor. If an issuer wanted to suggest another service provider, for instance, he says, 'We would put them through the same process as any prospective vendor.'

The NYSE seems unabashed by the furor it has elicited and admits to no plans to amend its SEC filing. Levy says any of the companies that submitted comments opposing its scheme could approach the NYSE to become a partner.