



# Securities Industry FACT BOOK 2002



Securities Industry Association

# 2002

## Securities Industry

# FACT BOOK

*Editors*  
Grace Toto  
George Monahan

*Produced by*  
SIA Research Department

Copyright © 2002 by the Securities Industry Association  
120 Broadway  
New York, NY 10271-0080  
(212) 608-1500  
info@sia.com, www.sia.com

Price: CD-ROM version (PDF and Excel formats): \$150  
(CD purchasers only may obtain limited edition of bound copy for  
an additional \$65 for SIA members; \$125 for non-members)



Securities Industry Association



# Table of Contents

<b>Introduction .....</b>	<b>5</b>
<b>Capital Markets .....</b>	<b>9</b>
U.S. Corporate Underwritings and Private Placements — Value & Number of Issues .....	12
U.S. Private Placements — Value & Number of Issues .....	13
Medium Term Note Programs .....	14
Corporate Capital Raised in the U.S. ....	15
U.S. Municipal Bond Underwritings — Value .....	16
U.S. Municipal Bond Underwritings — Number of Issues .....	17
Initial Public Offerings by State of Issuer .....	18
Secondary Common Stock Underwritings by State of Issuer .....	19
Municipal Bond Underwritings by State of Issuer .....	20
Net Issuance of Government and Corporate Securities in the U.S. ....	21
Equity and Debt Outstanding .....	22
Mergers & Acquisitions .....	23
Domestic Corporate Underwritings — Value .....	24
Domestic Corporate Underwritings — Number of Issues .....	25
<b>Securities Industry .....</b>	<b>27</b>
Definitions of Broker-Dealer Categories .....	30
NYSE Group's Share of Total Industry Financial Measures .....	31
NASD Member Firms and Registered Representatives .....	32
Securities Industry Employment by Firm Category .....	33
Securities Industry Employment — Producers vs. Others .....	33
Security and Commodity Brokers and Services Personnel .....	34
Securities Industry Profitability .....	35
Pre-Tax Profit Margins .....	36
Pre-Tax Return on Equity .....	38
Profitability of Securities Firms vs. Commercial Banks .....	39
Securities Industry Concentration .....	40
Securities Industry Total and Equity Capital .....	41
New York Stock Exchange Member Firms' Income Statement .....	42
Definitions for Major Income Statement Reporting Lines .....	44
<b>Market Activity .....</b>	<b>45</b>
Stock Market Capitalization (NYSE, Amex, Nasdaq) .....	48
Listed Companies (NYSE, Amex, Nasdaq) .....	48
Margin Credit at Broker-Dealers .....	49
Turnover Rate on NYSE .....	49
U.S. Equity Markets Share & Dollar Volume (NYSE, Nasdaq, Amex, Regionals) .....	50
Stock Market Performance Indices .....	54
Dow Jones Industrial Average — High, Low, Close .....	56

Compound Annual Rates of Return .....	57
Mutual Fund Net New Cash Flow and Assets .....	58
Futures Contracts Traded on U.S. Exchanges .....	60
Options Contracts Traded on U.S. Exchanges .....	61
U.S. Exchange-Traded Derivatives .....	62
<b>Investor Participation .....</b>	<b>63</b>
Holdings of Equities Outstanding — Households vs. Institutions .....	66
Individual Shareownership .....	67
Household Sector's Liquid Financial Assets .....	68
Holdings of Equities Outstanding by Investor Type .....	70
Net Acquisitions of Corporate Equities .....	72
<b>Global Markets .....</b>	<b>73</b>
International Security Offerings — Value & Number of Issues .....	76
International Security Offerings by U.S. Issuers — Value & Number of Issues .....	77
International Transactions in Securities .....	78
Foreign Holdings of U.S. Securities/U.S. Holdings of Foreign Securities .....	80
International Stock Market Indices .....	81
Foreign Exchange Rates .....	81
American Depositary Receipts (ADRs) .....	82
Global Derivatives Market .....	83
Global Equity Markets Capitalization .....	84
Global Equity Markets Value of Shares Traded .....	86
Gross Transactions in U.S. Equities by Foreign Investors .....	88
Net Purchases of U.S. Equities by Foreign Investors .....	89
Gross Transactions in Foreign Stocks by U.S. Investors .....	90
Net Purchases of Foreign Stocks by U.S. Investors .....	91
<b>Savings &amp; Investment .....</b>	<b>93</b>
Federal Receipts, Outlays, Deficit, and Debt .....	96
Economic Indicators (GDP, Unemployment Rate, Savings Rate, CPI) .....	97
Household Savings Rates of Major Nations .....	98
Individual Retirement Accounts (IRAs) .....	99
Total 401(k) Assets .....	100
U.S. Retirement Assets .....	101
Private Pension Funds (Defined Benefit and Defined Contribution) .....	102
Distribution of IRA Assets by Financial Institution .....	106
Interest Rates and Bond Yields .....	107
<b>Research Publications .....</b>	<b>109</b>
Research Publications Order Form .....	115



## Introduction

The U.S. securities industry and U.S. securities markets performed remarkably well during 2001 considering how difficult the operating environment became across the course of the year. The industry weathered the challenges of a recession, a major market correction and the terrorist attacks on September 11th and their aftermath. These challenges were added to the ongoing impact of profound structural changes, which are transforming the industry. These changes are driven by a rapid pace of adoption of and adaptation to new information and communications technology, the consolidation of the financial services industry, an ongoing overhaul of the supervisory and regulatory framework, including the move to decimal pricing and the dramatic increase in disclosure and transparency, long term shifts in the demographic profile of the investor base and the impact of the forces of globalization.

After a record decade, performance of both the markets and the industry, in virtually every aspect, peaked in 1Q 2000, and was followed by sequential quarterly declines, until the end of 2001, as Wall Street's longest bull market and the United States' longest economic expansion came to an end. However, the industry managed to remain profitable in 2001, despite a significant fall in revenues. The relief provided by the dramatic reduction in interest rates and broad-based cost cutting efforts helped the industry trim expenses almost in line with the fall in revenues. As 3Q 2001 came to an end, the industry appears to have witnessed the bottom of the cyclical downturn and restored growth in revenues during the final quarter of that year and the first quarter of 2002.

The U.S. stock markets suffered their first back-to-back annual losses since the 1970's. Not since 1973-74 for the S&P 500 and the Nasdaq Composite, and 1977-78 for the Dow Jones Industrial Average, have broad market indexes closed lower in consecutive years. The trough, a three-year low, occurred on September 21, when markets plunged in the week following the terrorist attacks. However, markets posted double-digit gains in 4Q 2001 to narrow full-year losses. The Dow Jones Industrial Average of blue-chip stocks closed 2001 at 10,0021.5, down 765.4 points, or 7.1% for the year, while the more broadly based S&P 500 Index fell by 13.0% and ended the year at 1148.08.

The combined market capitalization of the NYSE, Nasdaq and AMEX stood at \$14.72 trillion at end-2001, 8.5% below the end-2000 total, which itself was 8.8% below the level at year-end-1999.

## Economic Overview

In 2001, average annual real GDP increased 1.2%, the worst yearly performance since a 0.5% decline in 1991 and down from 4.1% growth in 2000. In late November, the National Bureau of Economic Research (NBER), the quasi-official arbiter, declared that the U.S. economy had entered a recession in March 2001, ending a string of four consecutive years of growth above 4% and the longest economic expansion in U.S. history, exactly ten years after it began.

While overall economic growth, which had been slowing since 2Q 2000, continued to decelerate in the first half of 2001, it remained positive, led by personal consumption and government spending. Diminishing strength in these sectors offset negative contributions to growth from inventory reductions, exports and from business fixed investment. The trough of this recession, which has been led by the business sector, appears to have occurred in late September 2001. During 3Q 2001, real GDP fell 1.3% (at seasonally adjusted annual rates or s.a.a.r.) from the preceding quarter, as the impact of the terrorist attacks on September 11 contributed to turning an economic slowdown into an outright recession, albeit apparently short-lived.

Unlike most previous recessions, this downturn has been led by the business sector, as manufacturing output, which peaked in September 2000, fell steadily thereafter through the end of 2001. The seeds of this recession were sown by concerns which rose during 1999 over the torrid pace of growth, tightening labor markets, continued increases in already high levels of private non-corporate debt, a large and deepening deficit in the current account of the balance of payments, and rapidly rising valuations in a relatively narrow group of volatile stocks. The Federal Reserve continued the gradual tightening of monetary policy begun in 1999 in response to these concerns, and during the second half of

2000, and predictably, with the appropriate lags, the economy slowed dramatically. Real GDP growth fell to less than 2% in the last half of 2000 and 1.3% in 1Q 2001, before the growth of economic activity came to a virtual halt in 2Q 2001 as real GDP expanded a meager 0.3% s.a.a.r.

The downturn proved short-lived. Growth, albeit subdued, unexpectedly resumed in 4Q 2001 as real GDP rose 1.7%, compared to the preceding period, but stood only 0.5% higher than in the same quarter a year earlier. These numbers show growth in 4Q 2001 led by a sharp spike in purchases of consumer durable goods (mostly computers and motor vehicle sales spurred by concessionary financing) and in government spending (at all levels), which was largely offset by very large inventory reductions and a continued decline in business fixed investment. Private inventories plunged \$119.3 billion, subtracting 2.2 percentage points from total real GDP growth during 4Q 2001.

The end-year inflation rate stood at 1.6%, down considerably from the 3.4% rate recorded in 2000 or the 2.7% rate set in 1999. This moderate rate observed at end-2001 matched the 1.6% recorded in 1998, its lowest annual reading since 1986. However, the CPI, excluding food and energy, the so-called core rate, rose 2.7% for the 12 months ending December 2001, compared with rates of 2.4%, 1.9% and 2.6% registered in 1998, 1999 and 2000, respectively. Much of the difference in these two measures can be attributed to declines in energy prices. Crude oil prices, which had reached a 12-year low in December 1998, doubled by year-end-1999 to levels not seen since the Gulf War and remained high during 2000, before falling back during 2001. Over the course of 2001, productivity rose 1.6%. While this gain is more modest than the 2.4% average productivity growth over the last six years, it is still better than the 1.4% average between 1975 and 1995 and distinctly better than all previous postwar recessions, when productivity fell.

With broad measures of inflation easing and growth slowing markedly, the Federal Reserve began a very aggressive easing of monetary policy as 2001 opened. Beginning on January 3, the FOMC cut interest rates a record eleven times across the course of 2001, reducing them to a 40 year low. The target Federal Funds rate was lowered in successive 1/2 point and

1/4 point cuts from 6.5% p.a., where it had stood since May 19, 2000 to 1.75% by December 11, 2001. The effective Fed Funds rate fell from 5.41% p.a. at end-2000 to just 1.52% p.a. at end-2001. However, with benign inflation results, softening labor markets (as unemployment rose from a very low 4.0% at year-end-2000 to 4.8% at year-end-2001) and an unexpected gain in GDP in 4Q 2001, the Fed elected to end its monetary easing at its late-January 2002 meeting. This should signal the end of this recent rate-cutting cycle and a move to a neutral stance until the substantial monetary and fiscal stimulus already provided produces signs that a recovery is visibly underway.

Meanwhile, fiscal policy stimulus increased during 2001, as it did in the two previous years. Real federal expenditures rose 3.5% and a still more expansionary stance is in place for the 2002 fiscal year. Total federal outlays are expected to rise from 18.4% of GDP in the last fiscal year to 19.8% of GDP in FY2002. Meanwhile, tax cuts and the impact of the recession will cut revenues from 19.6% of GDP to 18.8% of GDP in the current fiscal year. As a result, the federal budget is expected to fall back into deficit after three consecutive years of surpluses. The surplus reached \$236.4 billion in 2000, after surpluses of \$124.6 billion and \$69.2 billion, respectively, in the two previous fiscal years. During the current fiscal year, the deficit is expected to reach \$106.2 billion. This represents a swing equivalent to 2.3% of GDP, i.e. from a surplus equal to 1.3% of GDP to a deficit expected to surpass 1.0% of GDP during FY2002.

Past surpluses had encouraged the government to begin retiring marketable debt for the first time since the 1960s. This, in turn, had a profound impact on U.S. fixed-income markets in the past two years, as expectations of this move helped first flatten and later invert the long end of the Treasury yield curve, and the market moved to federal agency securities as alternative benchmarks. Across the course of 2001, as prospects for further debt reduction faded and as the Fed completed its easing cycle, this inversion was erased and a more normal, positively sloped yield curve prevailed. However, this shift did not occur smoothly, but rather with occasional, sharp sudden shifts in yields. For example, the yield on the current benchmark 10-year Treasury bond, rose from 4.18% p.a. to 5.08% p.a. in the space of just 12 days in

November, surprising many market participants, but producing no significant dislocations.

## Legislative and Regulatory Developments

Profound structural changes continue to transform U.S. equity markets and the firms operating in them. After decades of trying, financial restructuring legislation was finally enacted at year-end-1999, and throughout 2001, the industry and regulators worked to carry out the complex provisions of this law. The President signed the Gramm-Leach-Bliley Act into law on November 12, 1999, in an historic move that allows securities firms, banks, and insurance companies to affiliate as a single entity. Financial holding companies and their subsidiaries can now engage in a broad range of financial activities and other businesses incidental or complementary to these activities. During 2001, the industry gained new tools to strengthen its anti-money laundering efforts by working with Congress and the Administration to pass the U.S.A. Patriot Act of 2001. Among the provisions of this Act are standards of verification of new account holders, new requirements for all financial institutions including filing of suspicious activity reports by firms, and more authority for the Treasury to take action.

Regulatory efforts in 2001 addressed a wide range of issues, including, but not limited to: moving to T+1 settlement; demutualization of exchanges; extended trading hours; decimal pricing; transparency; and market fragmentation. The industry achieved a seamless transition to the use of decimal prices after more than 200 years of computing stock prices in fractions. Substantial progress was made towards achieving straight through processing and towards compressing the settlement time from three days to one day. This will result in more efficient utilization of capital while minimizing operational and credit risks. The T+1 implementation plan began to tackle institutional trade matching, electronic funds transfer, the elimination of certificates, electronic information storage and access, and global linkages. However, pressing concerns for business continuity planning from regulators following September 11<sup>th</sup> combined with limited budgets during the industry's current weak operating environment, may force the industry to devote limited IT resources to this issue and postpone for some time full implementation of T+1. The industry also formulated a strategy to address the plans of the

NASD to convert to public ownership, and separate the self-regulatory arm, the NASDR, from the Nasdaq stock market. Nasdaq took these steps so that it can respond to increasing competition, particularly from ECNs, but conversion to for-profit structures raises important regulatory challenges. These included a proposal to establish an Alternative Display Facility (ADF) for the OTC market to provide ECNs with the ability to comply with the SEC Order Handling Rules and Regulation ATS. These and other issues relating to changes in market structure will continue to alter the landscape for both firms and investors in the years ahead.

## Market Performance

Perhaps the industry's most remarkable achievement in 2001 was the rapid reopening of securities markets after the terrorists' attacks on September 11<sup>th</sup>. Almost immediately, the securities industry launched contingency plans and worked closely with federal, state and local officials, utilities, suppliers and vendors, to assure worker safety, assess the damage, and implement disaster recovery procedures. The quick restoration of vital industry links to power, telecommunications and internal information systems was an extraordinary achievement and a testament both to the efforts of individuals and institutions involved and to the value of these contingency plans, system and data redundancies and innovative technologies. After the equity markets reopened on Monday, September 17<sup>th</sup>, the exchanges and firms handled record trading volumes (the most active day, September 17, and the most active week, September 17-21) while also handling the market's sharpest price drop in decades.

In 2001, share volumes on the NYSE and the Nasdaq hit records for the eleventh consecutive year. In 2000 and 2001, the NYSE traded over one billion shares a day on average. In 1975, before the advent of the current information technology revolution, the NYSE handled an average daily volume of 18.6 million shares, or only 1.5% of the amount it does today. On the Nasdaq, daily share volume is 345 times that of 1975's 5.5 million level.

One reason for the astonishing growth of the secondary markets has been the industry's tremendous investment in state-of-the-art technology. Securities firms have spent in excess of \$10 billion annually



in each of the previous five years on communications and information technology (CIT), an amount that is estimated to have topped \$25 billion in 2000, before declining last year, as the industry engaged in cost-cutting exercises and prices for CIT products and services fell markedly. The revolution in CIT and changes in the supervisory and regulatory environment have helped produce dramatic and ongoing reductions in the cost of trading and equally dramatic increases in the speed with which trades are executed. This, along with demographic shifts in the investor base, has led to increased participation in equity markets and it is now estimated that more than half of all U.S. households now own shares.

Not only has there been continued growth in the volume of trades, there have also been changes in the way trading takes place. The number of online trading firms had risen from zero to 200 between 1995 and 1999 and then became a nearly ubiquitous industry service intermingled with other services at most brokerage firms. Despite the fact that the number of online accounts and assets contained in those accounts differ from source to source, it is generally agreed that they doubled in 1999 and nearly doubled again in early 2000, before account growth turned negative along with the direction of major market indexes late in that year. Although half of the online business was due to conversion of traditional customers, the balance of the growth was from new accounts. In 1998, for example, 27% of all retail equity trades were carried out online. In 1999, that number grew to 43%, before surpassing 50% in 2000. Today, the distinction of an "online account" has less significance as most securities firms now offer both online and traditional order execution services.

The rapid growth of Nasdaq during the late 1990's was in part due to this surge in online trading. The revolution created by internet-based e-commerce and new order handling rules introduced by the SEC in 1997 (the limit order display rule and the market-maker quote rule) helped facilitate this growth and allowed alternative trading systems (ATS) to capture

public order flow going to Nasdaq. These ATS included both 11 electronic communication networks (ECN), which utilize price discovery, and eight non ECN-ATS, which do not. By year-end-2000, ECNs accounted for 38% of the dollar volume and nearly one-third of the share volume in Nasdaq trading. Eliminating ECN volume that may be double-counted due to orders "routed out" to other market participants, it has been estimated that ECNs accounted for 32.5% of Nasdaq liquidity in 2001, up from 25.0% in 2000 and 21.3% in 1999. The elimination of Rule 390, which prohibits firms' off-exchange trading of most NYSE-listed companies, will likely also open this market to ECNs which still accounted for only a small fraction of NYSE volume, estimated at 6.1% in 2001, up from 5.0% in 2000.

During 1Q 2000, as in 1999, broad market indices posted new highs almost daily on record volume, which pushed valuations in some sectors of the market to clearly unsustainable levels. In the following months a number of factors drove equity markets lower. Short-term interest rates rose in the first half of the year as the Federal Reserve completed its gradual tightening of monetary policy. As the economy slowed in response, so did earnings growth before turning negative, particularly for those 'new economy' companies that had been the biggest beneficiaries of past equity price gains, the so-called TMT sector: telecommunications, media and technology. In addition, over the last few years, greater availability of credit, relaxed lending standards and reduced borrowing inhibitions were fuelled by overly optimistic assumptions about future profits and an uninterrupted economic expansion. Over investment reduced the return on capital, which, along with the slowing economy, eroded confidence, earnings and earnings expectations and asset prices began to decline. As the year progressed, the market correction became less concentrated, and a 'rolling, rotational' bear market began to emerge, before the correction became broadly based in 1Q 2001 and continues today.

# **CAPITAL MARKETS**

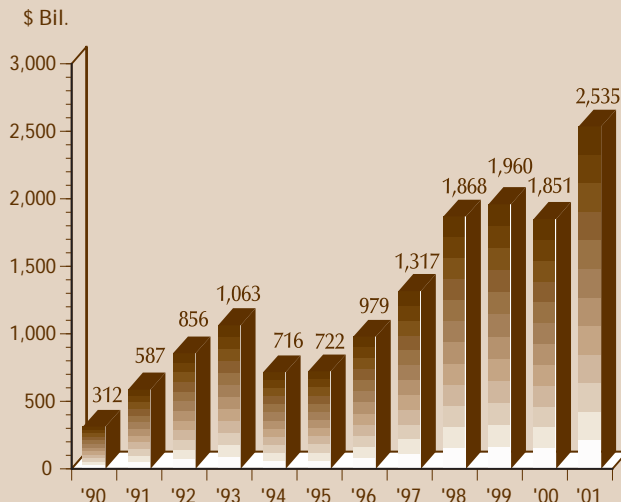


## Capital Markets

Despite all of the negative results in the financial markets for 2001, capital raising was not one of them as dollar volumes rose to record heights. Total corporate underwriting in the U.S. reached a record \$2.54 trillion last year driven by robust fixed income issuance, an amazing 37% increase over the \$1.85 trillion raised in 2000. All underwriting amounts, provided by Thomson Financial Securities Data ([www.tfibcm.com](http://www.tfibcm.com)), are for proceeds totals for only the U.S. domestic public market and excludes the following: overseas tranches, 144A private placements (legally not an underwriting and shown in private placement totals), rights issues, instruments with maturities of less than one year or deals puttable/callable within one year of issuance.

On top of the record volume raised publicly, an additional record \$581 billion was raised through private placements, particularly Rule 144A deals. This was a 20% increase over the previous record volume of private placements, \$483 billion, set in 2000. Last year's combined volume of public and private placements of stocks and bonds totaled a record \$3.12 trillion, one-third higher than the \$2.33 trillion raised the previous year. The ratio of the value of public underwriting to private placements has remained about 80% public 20% private for the past five years despite the popularity of Rule 144A deals which are mainly done of syndicate desks and sometimes reported as if they were a public underwriting. Since 1980, the ratio has been as high as 87/13 (1992) and as low as 60/40 (1989).

### TOTAL CORPORATE UNDERWRITING



As always, bond issuance totally dominates both the dollar volume and number of deals for corporate underwriting. Of last year's \$2.54 trillion underwritten, \$2.37 trillion, or 93%, was corporate bonds including asset backed and convertible bonds. In terms of deals, the 14,449 underwritten bonds accounted for 95% of the 15,215 total new issues, both record levels. Straight corporate bond issuance was, as always, the largest of the fixed income category accounting for \$1.51 trillion with \$833 asset-backed sales and \$22 billion of convertible bonds underwritten, all records.

Equity issuance fell last year entirely due to a major drop-off in the sale of initial public offerings (IPOs) as well as a sizeable reduction in the volume of common stock follow-on syndications. Total IPO issuance fell from a record \$76.1 billion in 2000 to \$40.8 billion in 2001, a drop of \$35.3 billion, or 46%. "True IPOs," which excludes issuance of closed-end funds, fell from a record \$75.8 billion in 2000 to \$36.0 billion last year, a \$39.8 billion, or 53% decrease. Both of these declines were larger than the \$34.8 billion decline in total equity, including both IPO and follow-on common stock deals as well as straight and convertible preferred stock sales. Preferred stock (straight and convertible) issuance in 2001 leaped 168% to a record \$41.3 billion on 2.5 times as many deals than in 2001.

The technology bust killed IPO issuance in tech-heavy states such as California, with its Silicon Valley, Massachusetts, with its Route 128 computer belt, and even Washington, home of Microsoft. California IPOs fell 84% from a record \$13.3 billion underwritten in 2000, the most of any state that year, to just \$2.1 billion in 2001. The number of California IPOs also fell 82% in 2001 to just 24 vs. the 136 underwritten the previous year. Massachusetts had a meager \$0.16 billion in IPOs last year, down 98% from the \$6.4 billion underwritten one year earlier. The number of Massachusetts' IPOs fell 91%, from 33 in 2000 to just 3 last year. Washington saw less than \$0.1 billion in IPOs last year, a 99% drop from the \$10.5 billion of IPOs underwritten the previous year when it ranked second only to California.

The same held true for follow-on deals of companies which were already public. Follow-on common stock underwriting for California companies fell to \$7 billion last year from \$30 billion the previous year.

Massachusetts follow-ons dropped by one-third from \$6.6 billion to \$4.6 billion while in Washington State, these fell to just \$0.7 billion from \$3.9 billion in 2000.

Adding in the additional \$290 billion in domestic-only medium-term note (MTN) programs completed in the U.S. last year, gives a record \$3.4 trillion in corporate capital raised in the U.S. markets last year. This compares to about \$2.6 trillion raised in each of the preceding three years.

Globally, MTN programs fell 8% to just under \$1 trillion, but was still third to the \$1.1 trillion and \$1.0 trillion raised in 1999 and 2000, respectively. The drop off was from non-US companies which saw their volume slip 21% in 2001 to just \$502 million while U.S. companies increased their global MTN issuance 12% to \$430 billion. U.S. companies also increased their MTN issuance 31% within U.S. borders.

The number of publicly underwritten deals last year was also a record, 15,215, up 18% from the 12,941 stock and bond deals done in 2000. On top of this publicly raised record, an additional 2,868 private placements were completed. Although private placement volume was a record, the number of deals was down for the third consecutive year – the average size deal has nearly doubled in the past two years to over \$200 million (again, 144As are counted in the legal status as private placements). Combining both these private placements with publicly underwritten deals gives us a record 18,083 deals completed in 2001, a 10% increase over the 16,481 deals placed or underwritten in the previous year. The ratio of the number of publicly underwritten deals to private placements has risen to a record 84% public last year, up from a nadir of 37% underwritten and 63% privately placed 13 years earlier, 1988.

Municipal bond underwriting, after sliding from \$280 billion in 1998 to \$219 billion in 1999 and then to just \$194 billion in 2000, surged 46% last year to \$284 billion. The drop off in the three previous years was mainly due to improved state and local budgets from the domestic economic expansion. The rebound in municipal bond sales last year was due both to a deterioration in state and local budgets, after successive years of surpluses, and also the enormous opportunity to refund higher coupon debt with historically low coupon rates.

Of the \$102 billion of general obligation bond sales which go to state and local general coffers for public use (to be paid back through general funds, i.e. taxes/

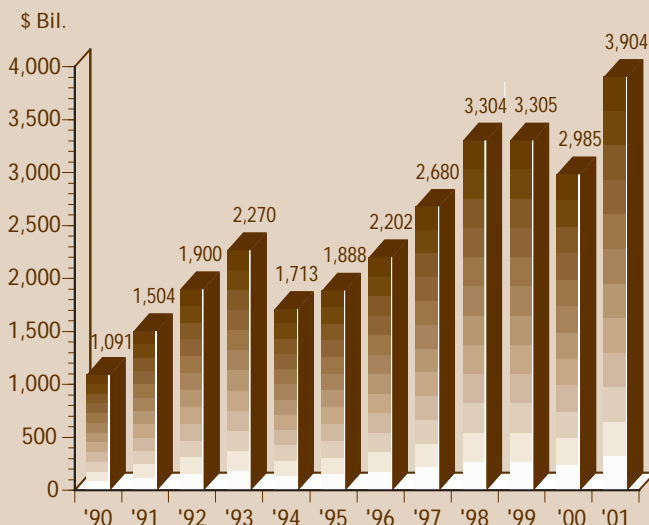
fees), nearly half, 45%, came from competitive bids with the balance from negotiated deals. Conversely, for the deal specific projects, i.e. bridges and tunnel construction, toll roads, etc., where the projects' revenues themselves will eventually pay down the debt (not from the tax base), only 10% of the \$102 billion in municipal revenue bonds underwritten in 2001 was the result of competitive bidding with the balance raised from negotiated deals.

The perennial big issuance states maintained their dominance in municipal bond underwriting. California was again ranked first last year with a record \$32 billion in bond sales. Texas rose from third to second place with \$25 billion in municipal underwriting in 2001 while New York fell from second to third with \$23 billion syndicated last year.

Combining underwriting, private placements, MTNs, and munis with the small portion of U.S. government borrowing handled directly through Wall Street, the securities industry once again raised a record of nearly \$4 trillion in capital for both business and government within the U.S. capital markets in 2001. This doesn't even include overseas capital raising by the U.S. securities industry (see "Global Markets" chapter later in this book/CD).

Although new issuance was up, particularly for bonds, mergers and acquisitions were decidedly down last year. The dollar value and number of completed M&A deals fell by one-third from 2000 to 2001 while the value of announced M&A deals fell by more than half last year.

### CAPITAL RAISED FOR U.S. BUSINESS & GOVERNMENT





## Value of U.S. Corporate Underwritings and Private Placements

(\$ Billions)

	Total	Under- written	%	Private	%
1985	217.7	138.0	63	79.7	37
1986	404.3	284.8	70	119.5	30
1987	406.7	272.3	67	134.4	33
1988	465.1	274.5	59	190.6	41
1989	505.5	305.5	60	200.0	40
1990	443.4	312.3	70	131.1	30
1991	705.5	587.4	83	118.1	17
1992	983.4	855.7	87	127.7	13
1993	1,256.3	1,063.4	85	192.9	15
1994	857.4	716.4	84	141.0	16
1995	856.7	722.4	84	134.3	16
1996	1,182.3	979.0	83	203.4	17
1997	1,684.0	1,317.3	78	366.7	22
1998	2,334.6	1,868.3	80	466.3	20
1999	2,406.3	1,959.8	81	446.5	19
2000	2,334.2	1,851.0	79	483.2	21
2001	3,116.3	2,535.1	81	581.2	19

## Number of U.S. Corporate Underwritings and Private Placements

(Number of Issues)

	Total	Under- written	%	Private	%
1985	4,118	1,933	47	2,185	53
1986	5,621	3,116	55	2,505	45
1987	5,140	2,547	50	2,593	50
1988	5,365	2,010	37	3,355	63
1989	4,880	1,953	40	2,927	60
1990	4,270	1,800	42	2,470	58
1991	6,442	3,522	55	2,920	45
1992	7,892	4,667	59	3,225	41
1993	10,700	6,443	60	4,257	40
1994	8,723	5,584	64	3,139	36
1995	8,721	6,397	73	2,324	27
1996	11,418	8,686	76	2,732	24
1997	15,649	12,054	77	3,595	23
1998	17,603	13,522	77	4,081	23
1999	17,670	13,923	79	3,747	21
2000	16,481	12,941	79	3,540	21
2001	18,083	15,215	84	2,868	16

Source: Thomson Financial Securities Data (<http://www.tfibcm.com>)

## Value of U.S. Private Placements

(\$ Billions)

	Total	Debt	%	Equity	%
1985	79.7	70.4	88	9.3	12
1986	119.5	107.1	90	12.4	10
1987	134.4	119.9	89	14.5	11
1988	190.6	172.7	91	17.9	9
1989	200.0	168.5	84	31.5	16
1990	131.1	113.6	87	17.5	13
1991	118.1	107.3	91	10.8	9
1992	127.7	112.8	88	14.9	12
1993	192.9	174.2	90	18.7	10
1994	141.0	117.1	83	23.9	17
1995	134.3	112.8	84	21.5	16
1996	203.4	159.0	78	44.4	22
1997	366.7	286.3	78	80.4	22
1998	466.3	376.9	81	89.5	19
1999	446.5	368.8	83	77.7	17
2000	483.2	358.7	74	124.4	26
2001	581.2	509.4	88	71.8	12

## Number of U.S. Private Placements

(Number of Issues)

	Total	Debt	%	Equity	%
1985	2,185	1,810	83	375	17
1986	2,505	2,280	91	225	9
1987	2,593	2,397	92	196	8
1988	3,355	3,081	92	274	8
1989	2,927	2,619	89	308	11
1990	2,470	2,267	92	203	8
1991	2,920	2,643	91	277	9
1992	3,225	2,934	91	291	9
1993	4,257	3,933	92	324	8
1994	3,139	2,751	88	388	12
1995	2,324	2,009	86	315	14
1996	2,732	2,230	82	502	18
1997	3,595	2,925	81	670	19
1998	4,081	3,555	87	526	13
1999	3,747	3,285	88	462	12
2000	3,540	2,879	81	661	19
2001	2,868	2,067	72	801	28

Source: Thomson Financial Securities Data

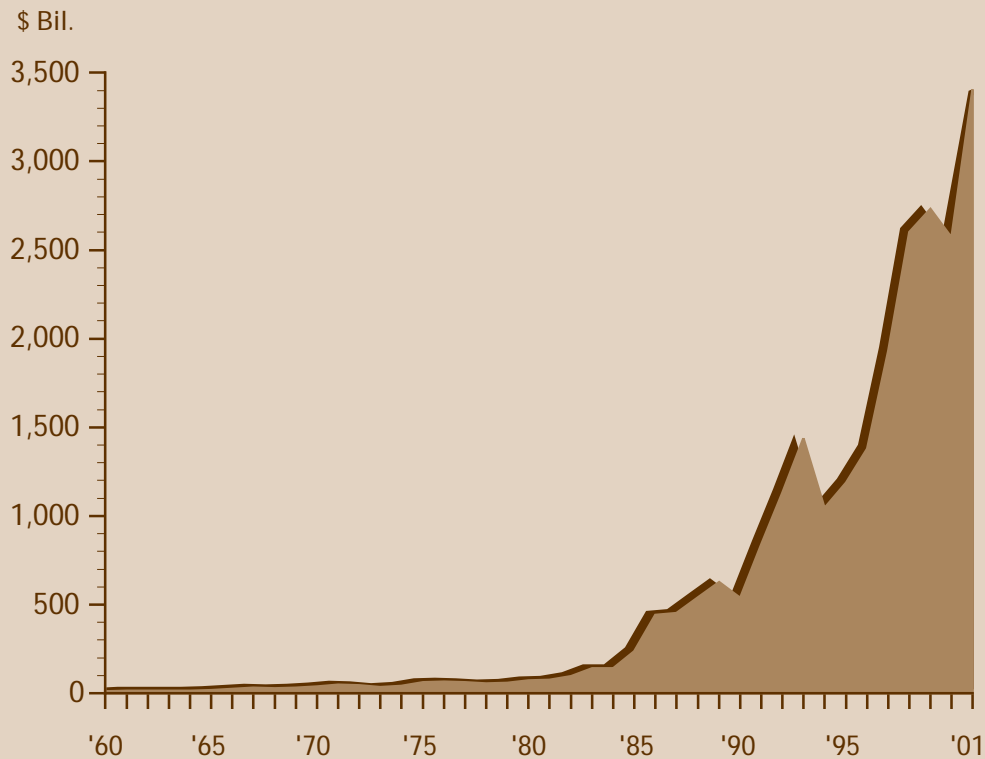
## Medium-Term Note Programs

(\$ Billions)

	MTNs Worldwide	US Issuers Worldwide	MTNs Domestic	US Issuers Domestic
1980	0.2	0.2	0.2	0.2
1981	0.8	0.8	0.8	0.8
1982	7.2	7.2	7.2	7.2
1983	6.5	6.5	6.5	6.5
1984	12.9	12.9	12.9	12.9
1985	18.0	17.8	18.0	17.8
1986	40.2	37.3	37.5	36.8
1987	54.0	47.6	45.4	41.9
1988	92.2	80.1	74.6	69.6
1989	136.6	125.6	120.1	115.3
1990	122.7	102.6	92.6	86.0
1991	205.7	153.3	133.9	124.1
1992	281.9	192.1	145.3	138.7
1993	430.3	272.6	180.8	167.4
1994	549.2	315.1	185.6	177.2
1995	663.2	429.7	330.3	325.2
1996	616.3	303.6	198.3	187.0
1997	654.9	338.0	245.8	226.8
1998	901.7	393.6	265.5	244.6
1999	1,073.3	475.5	326.0	299.2
2000	1,020.8	384.5	235.8	215.5
2001	937.1	429.5	290.4	281.3

*Source: Thomson Financial Securities Data*

## Corporate Capital Raised in the U.S.



## Corporate Capital Raised in the U.S.

(\$ Billions)

1960	\$11	1981	\$74
1961	13	1982	97
1962	12	1983	140
1963	14	1984	141
1964	14	1985	236
1965	19	1986	442
1966	23	1987	452
1967	29	1988	540
1968	27	1989	626
1969	30	1990	536
1970	38	1991	839
1971	48	1992	1,129
1972	46	1993	1,437
1973	35	1994	1,043
1974	42	1995	1,187
1975	60	1996	1,381
1976	64	1997	1,930
1977	62	1998	2,600
1978	55	1999	2,732
1979	59	2000	2,570
1980	73	2001	3,407

Source: Thomson Financial Securities Data



## Value of U.S. Long-Term Municipal Bond Underwritings\*

(\$ Billions)

	Compet. Rev. Bonds	Nego. Rev. Bonds	Total Rev. Bonds	Compet. G.O.s	Nego. G.O.s	Total G.O.s	Total Muni. Bonds
1980	5.8	23.8	29.6	10.4	1.3	11.7	41.3
1981	4.1	25.8	29.9	9.5	1.2	10.7	40.6
1982	5.4	48.0	53.4	14.2	2.9	17.1	70.5
1983	6.2	54.5	60.7	11.4	4.8	16.2	76.9
1984	5.9	69.5	75.4	12.6	7.1	19.7	95.1
1985	10.2	150.8	161.0	17.6	22.8	40.4	201.4
1986	10.0	92.6	102.6	23.1	22.6	45.7	148.3
1987	7.1	64.4	71.5	16.3	14.2	30.5	102.0
1988	7.6	78.1	85.7	19.2	12.7	31.9	117.6
1989	9.2	75.8	85.0	20.7	17.2	37.9	122.9
1990	7.6	78.4	86.0	22.7	17.5	40.2	126.2
1991	11.0	102.1	113.1	29.8	28.1	57.9	171.0
1992	12.5	139.0	151.6	32.5	49.0	81.5	233.1
1993	20.0	175.6	195.6	35.6	56.7	92.3	287.9
1994	15.0	89.2	104.2	34.5	23.2	57.7	161.9
1995	13.5	81.7	95.2	27.6	32.2	59.8	155.0
1996	15.6	100.1	115.7	31.3	33.2	64.5	180.2
1997	12.3	130.2	142.6	35.5	36.5	72.0	214.6
1998	21.4	165.6	187.0	43.7	49.0	92.8	279.8
1999	14.3	134.9	149.2	38.5	31.3	69.8	219.0
2000	13.6	116.2	129.7	35.0	29.3	64.3	194.0
2001	17.6	164.2	181.8	45.5	56.3	101.8	283.5

\* Excludes taxable bonds and maturities under 13 months; prior to 1986, excludes issues of under \$5 million

Source: Thomson Financial Securities Data

## Number of U.S. Long-Term Municipal Bond Underwritings

(Number of Issues)

	Compet. Rev. Bonds	Nego. Rev. Bonds	Total Rev. Bonds	Compet. G.O.s	Nego. G.O.s	Total G.O.s	Total Muni. Bonds
1980	201	761	962	410	41	451	1,413
1981	143	945	1,088	356	42	398	1,486
1982	216	1,456	1,672	640	72	712	2,384
1983	232	1,594	1,826	490	150	640	2,466
1984	261	1,806	2,067	557	232	789	2,856
1985	362	3,871	4,233	747	626	1,373	5,606
1986	749	2,764	3,513	2,854	1,058	3,912	7,425
1987	665	2,588	3,253	2,434	1,141	3,575	6,828
1988	738	3,233	3,971	2,746	1,258	4,004	7,975
1989	771	3,825	4,596	2,793	1,519	4,312	8,908
1990	710	3,431	4,141	2,801	1,568	4,369	8,510
1991	834	4,140	4,974	3,225	2,369	5,594	10,568
1992	1,004	5,228	6,232	3,146	3,013	6,159	12,391
1993	1,045	5,588	6,633	3,499	3,531	7,030	13,663
1994	831	4,577	5,408	3,171	2,187	5,358	10,766
1995	742	4,132	4,874	2,812	2,145	4,957	9,831
1996	861	4,411	5,272	3,239	2,299	5,538	10,810
1997	832	4,958	5,790	3,299	2,487	5,786	11,576
1998	1,114	6,036	7,150	3,853	3,398	7,251	14,401
1999	849	5,493	6,342	3,402	2,512	5,914	12,256
2000	774	4,536	5,310	3,225	1,924	5,149	10,459
2001	903	5,510	6,413	3,797	3,025	6,822	13,235

Source: Thomson Financial Securities Data

## Initial Public Offerings by State of Issuer

Home of Issuer	\$ Millions		# of Issues	
	2001	2000	2001	2000
Alabama	0.0	0	0	0
Alaska	0.0	0	0	0
Arizona	10.4	672.9	1	5
Arkansas	0.0	0.0	0	0
California	2,123.9	13,252.1	24	136
Colorado	0.0	1,313.7	0	13
Connecticut	878.4	824.5	1	6
D. of Columbia	484.7	91.8	2	2
Delaware	0.0	0.0	0	0
Florida	138.8	666.0	1	12
Georgia	164.2	2,179.9	1	12
Hawaii	0.0	0.0	0	0
Idaho	0.0	0.0	0	0
Illinois	176.8	1,333.1	1	11
Indiana	1,987.2	0.0	1	0
Iowa	1,808.4	0.0	1	0
Kansas	0.0	121.6	0	1
Kentucky	0.0	156.4	0	1
Louisiana	70.4	258.8	1	3
Maine	0.0	77.6	0	1
Maryland	0.0	1,749.2	0	9
Massachusetts	157.8	6,354.8	3	33
Michigan	0.0	192.6	0	2
Minnesota	185.2	962.4	1	8
Mississippi	0.0	0.0	0	0
Missouri	473.0	1,507.0	3	2
Montana	0.0	0.0	0	0
Nebraska	0.0	77.3	0	1
Nevada	0.0	11.7	0	1
New Hampshire	120.0	43.6	1	1
New Jersey	6,647.6	548.5	5	8
New Mexico	0.0	0.0	0	0
New York	8,825.3	4,327.2	9	16
North Carolina	150.0	302.0	1	5
North Dakota	0.0	0.0	0	0
Ohio	0.0	86.3	0	1
Oklahoma	259.8	446.9	3	2
Oregon	12.0	151.2	1	3
Pennsylvania	930.6	783.9	3	12
Rhode Island	0.0	0.0	0	0
South Carolina	0.0	7.2	0	1
South Dakota	0.0	0.0	0	0
Tennessee	107.8	361.8	1	4
Texas	3,174.8	1,871.6	8	17
Utah	0.0	132.4	0	2
Vermont	0.0	0.0	0	0
Virginia	2,410.5	1,040.1	2	7
Washington	85.0	10,463.1	3	12
West Virginia	0.0	0.0	0	0
Wisconsin	104.9	57.8	2	1
Wyoming	0.0	0.0	0	0

*Source: Thomson Financial Securities Data; excludes closed-end funds and IPOs by foreign issuers*

## Secondary Common Stock Underwritings by State of Issuer

Home of Issuer	\$ Millions		# of Issues	
	2001	2000	2001	2000
Alabama	60.0	0.0	1	0
Alaska	0.0	0.0	0	0
Arizona	1,118.5	273.3	5	3
Arkansas	0.0	0.0	0	0
California	6,956.4	29,739.9	59	110
Colorado	1,565.5	3,486.9	8	10
Connecticut	1,432.5	2,611.1	14	13
D. of Columbia	1,402.9	562.7	9	6
Delaware	1,115.7	1,467.5	5	2
Florida	1,214.2	2,211.6	12	8
Georgia	1,397.3	1,524.0	5	5
Hawaii	54.4	0.0	1	0
Idaho	0.0	0.0	0	0
Illinois	2,157.7	889.1	14	9
Indiana	131.0	210.2	1	1
Iowa	0.0	0.0	0	0
Kansas	36.0	68.6	1	1
Kentucky	147.3	0.0	1	0
Louisiana	987.6	485.5	5	3
Maine	0.0	824.7	0	1
Maryland	3,193.5	4,425.5	14	12
Massachusetts	4,626.0	6,550.9	20	35
Michigan	49.4	236.2	2	1
Minnesota	1,404.5	835.1	11	8
Mississippi	50.0	72.2	1	1
Missouri	7,360.9	569.2	12	2
Montana	0.0	0.0	0	0
Nebraska	0.0	85.4	0	1
Nevada	477.8	393.5	2	2
New Hampshire	98.8	0.0	1	0
New Jersey	1,262.4	3,035.3	11	15
New Mexico	156.1	0.0	2	0
New York	10,855.8	12,606.2	53	25
North Carolina	2,434.4	1,496.8	5	6
North Dakota	0.0	0.0	0	0
Ohio	543.2	242.8	7	3
Oklahoma	1,357.6	605.9	3	4
Oregon	66.0	263.5	1	3
Pennsylvania	3,554.4	1,702.0	21	11
Rhode Island	0.0	0.0	0	0
South Carolina	0.0	233.6	0	1
South Dakota	240.6	0.0	2	0
Tennessee	2,701.0	929.5	8	6
Texas	7,062.6	9,325.2	40	35
Utah	0.0	285.3	0	2
Vermont	0.0	0.0	0	0
Virginia	2,469.3	6,104.6	14	12
Washington	673.0	3,857.6	5	9
West Virginia	0.0	0.0	0	0
Wisconsin	328.7	209.3	2	2
Wyoming	0.0	0.0	0	0

Source: Thomson Financial Securities Data; excludes initial public offerings and foreign issuers



## Municipal Bond Underwritings by State of Issuer

State of Issuer	\$ Millions		# of Issues	
	2001	2000	2001	2000
Alabama	2,931.3	1,987.9	177	173
Alaska	1,159.4	1,009.4	26	31
Arizona	4,883.7	2,374.5	187	138
Arkansas	1,614.5	1,068.9	224	168
California	31,745.7	22,849.4	996	791
Colorado	6,051.4	4,491.2	263	219
Connecticut	5,427.5	3,347.3	158	120
D. of Columbia	1,835.2	767.5	29	20
Delaware	564.7	1,059.8	20	19
Florida	14,123.3	10,082.4	387	344
Georgia	5,172.4	5,133.7	184	184
Hawaii	1,699.4	1,093.4	14	19
Idaho	729.7	571.5	61	46
Illinois	14,068.9	9,061.9	737	619
Indiana	5,085.3	3,053.4	345	257
Iowa	2,803.6	1,713.4	398	410
Kansas	2,336.9	1,829.0	298	254
Kentucky	3,886.2	2,885.6	212	167
Louisiana	2,973.7	1,979.8	144	125
Maine	802.6	803.2	47	41
Maryland	3,278.1	2,022.9	96	70
Massachusetts	9,419.6	9,069.7	256	216
Michigan	9,777.2	5,250.6	521	506
Minnesota	5,066.4	4,401.9	676	569
Mississippi	1,692.8	1,410.8	125	102
Missouri	6,520.6	3,067.4	386	277
Montana	385.1	473.7	65	52
Nebraska	1,446.1	1,438.0	308	226
Nevada	2,772.7	2,322.8	76	81
New Hampshire	1,538.6	635.7	48	28
New Jersey	9,649.5	8,424.0	397	216
New Mexico	1,832.3	1,118.9	113	99
New York	22,506.4	18,859.3	693	613
North Carolina	5,310.1	3,737.2	179	136
North Dakota	328.4	526.1	69	66
Ohio	9,270.6	5,185.7	443	347
Oklahoma	1,612.0	1,662.6	229	233
Oregon	3,037.0	2,259.9	174	150
Pennsylvania	13,090.4	6,375.3	721	377
Rhode Island	1,174.3	706.6	50	38
South Carolina	4,828.4	2,418.5	131	108
South Dakota	493.7	410.5	58	35
Tennessee	4,547.7	3,623.6	188	127
Texas	24,599.7	14,572.0	1040	828
Utah	2,053.7	983.8	116	80
Vermont	444.0	548.9	15	19
Virginia	5,882.2	3,386.3	172	116
Washington	8,923.0	3,590.1	337	196
West Virginia	404.9	680.7	22	20
Wisconsin	5,286.3	3,451.6	667	453
Wyoming	344.4	257.8	35	25

Source: Thomson Financial Securities Data

## Net Issuance of Government and Corporate Securities in the U.S.

(New Issues Less Retirements in \$ Billions)

	Corporate Equities	Corporate Bonds	Total U.S. Government Securities	Municipal Bonds
1965	0.0	6.5	3.8	7.2
1966	2.4	12.5	9.2	6.2
1967	2.9	16.8	13.1	7.2
1968	2.5	14.6	16.4	8.4
1969	6.5	14.0	6.7	11.4
1970	6.3	23.2	21.9	12.0
1971	15.7	24.5	30.9	16.2
1972	14.2	20.6	23.5	14.2
1973	13.7	15.5	26.9	16.0
1974	5.2	29.0	32.0	15.3
1975	7.8	42.5	95.1	15.0
1976	12.6	38.3	83.9	20.9
1977	5.0	40.2	79.5	29.7
1978	3.0	31.7	89.3	51.3
1979	-4.4	24.6	83.2	39.3
1980	14.5	36.4	121.0	35.3
1981	-10.4	36.9	131.1	44.2
1982	7.6	52.1	225.9	64.4
1983	26.7	46.5	253.0	67.1
1984	-72.6	88.2	272.3	75.5
1985	-71.4	143.4	325.2	208.2
1986	-69.8	222.5	395.5	59.9
1987	-64.0	164.7	311.9	91.6
1988	-106.6	162.2	275.9	59.3
1989	-102.6	119.5	295.8	52.9
1990	-45.7	123.4	414.4	49.3
1991	72.3	180.7	424.0	87.8
1992	99.6	172.9	459.8	30.5
1993	133.4	281.2	421.4	74.8
1994	12.8	157.3	448.0	-35.9
1995	-0.2	344.1	348.6	-48.2
1996	-4.7	361.3	376.3	2.6
1997	-79.9	430.8	236.0	71.4
1998	-165.8	563.7	418.3	96.8
1999	-34.6	465.0	520.7	68.2
2000	-41.7	402.2	137.6	35.3
2001	83.9	636.0	623.8	117.6

Source: Federal Reserve Flow of Funds Accounts (<http://www.federalreserve.gov/releases/Z1/>;  
Table F.4 Credit Market Borrowing by Instrument)

## Equity and Debt Outstanding

(\$ Billions)

	Corporate Equities	Corporate Bonds	Total U.S. Government Securities	Municipal Bonds
1965	734.9	123.1	274.4	100.4
1966	660.4	135.7	283.6	106.6
1967	835.1	152.5	296.7	113.8
1968	996.1	167.1	313.0	122.1
1969	849.9	181.1	319.7	133.5
1970	841.4	204.3	341.6	145.5
1971	987.5	228.8	372.5	161.7
1972	1,219.5	249.4	396.0	175.8
1973	948.8	264.9	422.9	192.7
1974	636.8	293.9	455.0	208.0
1975	845.7	336.4	550.1	223.0
1976	1,041.6	374.7	634.0	243.9
1977	928.7	414.9	713.5	273.6
1978	977.5	446.6	802.8	324.9
1979	1,160.2	471.1	887.3	364.2
1980	1,494.9	507.6	1,008.3	399.4
1981	1,382.0	543.7	1,139.5	443.7
1982	1,562.5	595.8	1,365.4	508.0
1983	1,856.0	642.5	1,618.3	575.1
1984	1,789.2	739.7	1,890.3	650.6
1985	2,270.4	883.1	2,215.5	859.5
1986	2,682.2	1,105.6	2,610.4	920.4
1987	2,710.3	1,270.4	2,922.4	1,010.4
1988	3,076.3	1,432.5	3,198.3	1,082.3
1989	3,819.7	1,580.6	3,494.1	1,135.2
1990	3,542.6	1,705.7	3,911.7	1,184.4
1991	4,863.3	1,886.4	4,335.7	1,272.2
1992	5,430.9	2,065.6	4,795.5	1,302.8
1993	6,296.9	2,346.8	5,216.9	1,377.5
1994	6,318.2	2,504.0	5,664.9	1,341.7
1995	8,474.8	2,848.1	6,013.6	1,293.5
1996	10,281.6	3,209.4	6,389.9	1,296.0
1997	13,301.7	3,607.2	6,625.9	1,367.5
1998	15,577.3	4,170.8	7,044.2	1,464.3
1999	19,581.2	4,635.8	7,564.9	1,532.5
2000	17,566.4	5,050.0	7,702.5	1,567.8
2001	15,200.7	5,686.0	8,323.6	1,685.4

Source: Federal Reserve Flow of Funds Accounts (<http://www.federalreserve.gov/releases/Z1/>;  
Table L.4 Credit Market Borrowing by Instrument)

## U.S. Mergers and Acquisitions

	Announced		Completed	
	Value (\$ Bils.)	# of Deals	Value (\$ Bils.)	# of Deals
1980	23.6	106	2.2	14
1981	156.4	1,196	73.5	833
1982	78.2	2,088	62.5	1,561
1983	121.1	3,209	66.0	2,327
1984	243.9	3,407	143.0	2,527
1985	311.1	2,313	147.5	1,691
1986	349.8	3,404	231.5	2,430
1987	349.0	3,291	195.8	2,387
1988	563.9	4,172	281.3	2,840
1989	436.9	5,653	270.8	3,599
1990	233.6	5,709	175.5	4,178
1991	155.0	5,234	124.5	3,603
1992	161.7	5,328	111.8	3,842
1993	279.3	6,040	166.7	4,250
1994	376.3	6,946	269.1	5,042
1995	612.9	8,307	382.6	6,124
1996	730.5	9,359	592.0	6,913
1997	1,030.6	10,754	718.0	8,103
1998	1,735.3	11,992	1,314.3	9,330
1999	1,563.4	11,045	1,313.7	9,105
2000	1,741.2	11,080	1,767.9	9,095
2001	825.7	7,533	1,161.5	6,140

Source: Thomson Financial Securities Data



## Value of U.S. Corporate Underwritings (\$ Billions)

	Straight Corp. Debt	Conv. Debt	Asset Backed Debt	Total Debt	High Yield Debt	Pref. Stock	Common Stock	Total Equity	All IPOs	"True" IPOs	Closed End IPOs	Total U/W
1975				37.0		3.0	6.8	9.8	0.2	0.2		46.8
1976				32.0		2.3	8.1	10.4	0.3	0.3		42.4
1977				27.6		2.5	6.6	9.1	0.3	0.3		36.7
1978				23.4		1.7	6.1	7.8	0.2	0.2		31.2
1979				28.9		2.0	5.7	7.7	0.6	0.6		36.6
1980	36.7	4.4	0.5	41.6	1.4	3.2	12.8	16.0	1.4	1.4		57.6
1981	35.1	4.7	0.5	40.3	1.2	1.7	13.9	15.6	3.1	3.1		55.9
1982	39.5	3.2	1.1	43.8	2.5	5.4	14.0	19.4	1.3	1.3		63.2
1983	37.4	6.1	8.4	51.9	7.4	8.5	37.0	45.5	12.5	12.5		97.4
1984	53.2	4.1	12.1	69.4	14.0	4.0	9.2	13.2	3.9	3.8	0.1	82.6
1985	76.4	7.5	20.8	104.7	14.2	8.6	24.7	33.3	8.5	8.4	0.1	138.0
1986	149.8	10.1	67.8	227.7	31.9	13.9	43.2	57.1	22.3	18.1	4.2	284.8
1987	117.8	9.9	91.7	219.4	28.1	11.4	41.5	52.9	24.0	14.3	9.7	272.3
1988	120.3	3.1	113.8	237.2	27.7	7.6	29.7	37.3	23.6	5.7	17.9	274.5
1989	134.1	5.5	135.3	274.9	25.3	7.7	22.9	30.6	13.7	6.1	7.6	305.5
1990	107.7	4.7	176.1	288.4	1.4	4.7	19.2	23.9	10.1	4.5	5.6	312.3
1991	203.6	7.8	300.0	511.5	10.0	19.9	56.0	75.9	25.1	16.4	8.7	587.4
1992	319.8	7.1	427.0	753.8	37.8	29.3	72.5	101.8	39.6	24.1	15.5	855.7
1993	448.4	9.3	474.8	932.5	55.2	28.4	102.4	130.8	57.4	41.3	16.1	1,063.4
1994	381.2	4.8	253.5	639.5	33.3	15.5	61.4	76.9	33.7	28.3	5.4	716.4
1995	466.0	6.9	152.4	625.3	28.9	15.1	82.0	97.1	30.2	30.0	0.2	722.4
1996	564.8	9.3	252.9	827.0	37.2	36.5	115.5	151.9	50.0	49.9	0.1	979.0
1997	769.8	8.5	385.6	1,163.9	31.4	33.3	120.2	153.4	44.2	43.2	1.0	1,317.3
1998	1,142.5	6.3	566.8	1,715.6	42.9	37.8	115.0	152.7	43.7	36.6	7.2	1,868.3
1999	1,264.8	16.1	487.1	1,768.0	36.6	27.5	164.3	191.7	66.8	64.3	2.6	1,959.8
2000	1,236.2	17.0	393.4	1,646.6	25.2	15.4	189.1	204.5	76.1	75.8	0.3	1,851.0
2001	1,511.2	21.6	832.5	2,365.4	30.6	41.3	128.4	169.7	40.8	36.0	4.8	2,535.1

Note: High-yield debt is a subset of straight corporate debt; initial public offerings (IPOs) is a subset of common stock  
Source: 1975-79 Investment Dealers' Digest; 1980-2001 Thomson Financial Securities Data (excludes best-efforts deals)

## Number of U.S. Corporate Underwritings

(Number of Issues)

	Straight Corp. Debt	Conv. Debt	Asset Backed Debt	Total Debt	High Yield Debt	Prof. Stock	Common Stock	Total Equity	All IPOs	"True" IPOs	Closed End IPOs	Total U/W
1975				526		86	232	318	25	25		844
1976				454		67	279	346	45	45		800
1977				448		57	214	271	49	49		719
1978				364		43	283	326	64	64		690
1979				341		52	335	387	144	144		728
1980	418	98	8	524	45	74	528	602	149	149		1,126
1981	380	92	12	484	34	43	725	768	348	348		1,252
1982	500	67	36	603	53	97	440	537	122	122		1,140
1983	429	113	66	608	95	136	1,426	1,562	686	686		2,170
1984	460	66	117	643	131	74	572	646	357	355	2	1,289
1985	692	139	219	1,050	175	131	752	883	355	353	2	1,933
1986	1,104	207	391	1,702	226a	186	1,228	1,414	727	700	27	3,116
1987	876	148	501	1,525	190	159	863	1,022	552	518	34	2,547
1988	742	36	682	1,460	160	125	425	550	288	225	63	2,010
1989	775	63	533	1,371	130	108	474	582	248	204	44	1,953
1990	700	33	577	1,310	10	88	402	490	214	173	41	1,800
1991	1,593	49	860	2,502	47	152	868	1,020	403	367	36	3,522
1992	2,111	64	1,123	3,298	235	282	1,087	1,369	604	517	87	4,667
1993	3,206	89	1,286	4,581	340	373	1,489	1,862	818	707	111	6,443
1994	3,333	36	1,048	4,417	190	114	1,053	1,167	645	608	37	5,584
1995	4,349	35	716	5,100	159	122	1,175	1,297	583	580	3	6,397
1996	5,721	60	1,111	6,892	199	177	1,617	1,794	873	871	2	8,686
1997	8,798	47	1,590	10,435	142	254	1,365	1,619	636	629	7	12,054
1998	10,120	37	2,165	12,322	138	229	971	1,200	397	374	23	13,522
1999	10,732	52	1,938	12,722	111	173	1,028	1,201	573	544	29	13,923
2000	10,216	37	1,727	11,980	55	77	884	961	455	453	2	12,941
2001	11,945	46	2,458	14,449	82	193	573	766	122	95	27	15,215

Note: High-yield debt is a subset of straight corporate debt; initial public offerings (IPOs) is a subset of common stock  
Source: 1975-79 Investment Dealers' Digest; 1980-2001 Thomson Financial Securities Data (excludes best-efforts deals)



# SECURITIES INDUSTRY



## Securities Industry

Last year there were 7,029 broker-dealers registered with the SEC. That's just 74% of the record 9,515 securities firms registered in 1987, mainly due to massive consolidations and liquidations following the 1987 stock market crash and continued consolidation from mergers, particularly foreign and bank-owned financial service firm purchases of broker-dealers, the past few years. This particularly accelerated following the passage of the Gramm-Leach-Bliley Act, which allows full integration of banking/securities/insurance. There were 261 broker-dealers doing a public business that were members of the New York Stock Exchange by year-end 2001 (the NYSE group). Although that is less than 4% of the number of all U.S. broker-dealers, these 261 firms accounted for 81% of the assets of all 7,029 broker-dealers and 70% of their total revenue and capital.

Obviously, the securities industry is highly concentrated as shown by the NYSE group's share of total broker-dealer financial parameters. But even within this select group of Exchange members there is further concentration. The 10 largest NYSE member firms, as measured by capital, garnered 59% of the NYSE group's \$195 billion of broker-dealer gross revenue, up sharply from 48% in 1998, the year prior to Gramm-Leach-Bliley's final passage, and 56% of their total capital of \$149 billion last year. The top 25 firms accounted for 79% of both the gross revenue and capital of the NYSE group in 2001.

The following data is based upon the NYSE group because of data availability and because it also more clearly reflects the core business of U.S. brokerage activity. This group, unless otherwise noted, will be referred to as the "U.S. securities industry" in this section.

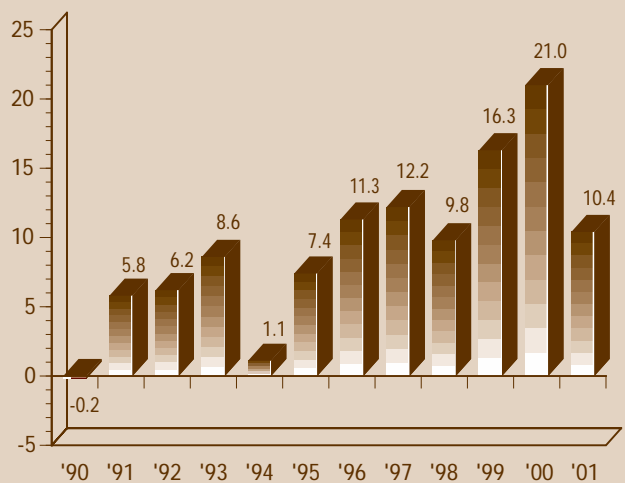
The U.S. securities industry performed remarkably well considering the difficult operating environment it confronted in 2001. The industry weathered the challenges of recession, a major market correction and the terrorist attacks on September 11 and their aftermath. This further added to the ongoing impact of an industry undergoing profound structural changes driven by a rapid pace of technological adoption and adaptation, the consolidation of the financial services industry and significant changes in the supervisory and regulatory environment, such as the shift to decimal pricing and the dramatic increase in disclosure and transparency.

The industry managed to remain profitable, despite a significant fall in revenues, a drop of \$50.4

billion, or 20.5%, from the record level of \$245.2 billion seen in 2000. The relief provided by the dramatic reduction in interest rates and broad-based cost cutting efforts helped the industry trim expenses 17.7%, almost in line with the fall in revenues. Nevertheless, the industry still managed to post its fifth best year ever in terms of pre-tax profits, \$10.4 billion in 2001, although this was half the record level of \$21.0 billion posted the previous year, 2000.

### U.S. BROKER DEALER PRE-TAX PROFITS

Percent



The industry remained profitable during the market correction as total expenses fell in line with revenue declines. Compensation and interest expenses account for three-quarters of total expenses. Total compensation fell 12% last year reflecting reduced headcount and sharply lower variable compensation (principally bonuses, off an estimated 50% from 2000's record levels), and a 26% decline in interest expense, which reflects the Federal Reserve's aggressive monetary easing (a record 11 cuts in one year to a 40-year low) and some reduced leverage by the securities industry.

Pre-tax profit margins on net revenue fell from 2000's 15.6% to 9.2% in 2001, the lowest level in seven years (since 1994's much poorer 2.4% showing). Pre-tax margins on gross revenue also fell from 2000's 8.6% to 5.3% last year, again the lowest showing since 1994's margin of 1.6%. Today, because of the huge impact of gross interest revenue and expenses on the industry's income statement, the best measure of revenue for the securities industry is net, not gross, just as it is in the banking industry. Also, the widely watched pre-tax return on equity measure was slashed by more than

half from 2000's 26.5% to 12.2% last year which, again, was the lowest level in seven years.

Discounters, which perennially have the highest pre-tax ROE of any firm category, because of their lower equity requirements from their absence from capital-intensive business lines such as investment banking and trading, posted the lowest ROE of any category in 2001 with a mere 2.5%. This was down 95% from 2000's 48.6% ROE (and the lowest level in 17 years) caused mainly from a retrenchment of the retail investor and the dearth of online traders, who disappeared as fast as they arrived during the late bull market. ROEs fell across the board for all *Securities Industry DataBank* firm categories with National Full Line firms posting 11.5% vs. 32.9% in 2000, Regionals down to 9.5% from 24.9% in 2000 and New York City-based regionals at 4.1% vs. 10.7% the previous year. While down, Large Investment banks' ROE of 20.9% was not off much from 2000's 24.6% and was the best showing of any *DataBank* firm category.

The U.S. domestic securities industry reached an all-time peak of 776,400 employees in February 2001 (U.S. Department of Labor, Bureau of Labor Statistics), before retreating just 10 months later to 743,500 securities positions by year-end 2001 (an additional 8,000 layoffs were recorded through April 2002). The decline nationwide between February and December 2001 was 32,900 domestic securities industry positions, or a drop of 4.2%, and by April 2002 the drop increased to 40,900 or 5.2%. The current bear market was the main culprit for the position cuts, but job reductions were accelerated by the World Trade Center (WTC) terrorist attacks. Half of the nationwide securities industry job losses, or 20,000, occurred in New York City alone since September 2001.

While obviously dramatic in scope, securities industry job losses so far during this bear cycle are still less than the job cuts suffered a decade ago during the 1988-1990 bear cycle in aggregate terms, even though the industry was much smaller at that time. From the December 1987 contemporary peak of 456,300 domestic securities industry employees nationwide to the then contemporary trough of 414,600 employees in February 1991 (from the after effects of the October 1987 stock market crash), the industry suffered job losses totaling 41,700, or 9.1%, nearly double the current percentage decline in securities industry employment.

Of the broker-dealer employment of 346,221 for the NYSE group, 45% are producers, (mainly brokers but also investment bankers and traders), up from 44% of the 365,381 NYSE group's 2000 employment. The

balance are support staff, technical professionals as well as non-income producing management.

There are no official aggregates for the global financial operations of all the 7,029 U.S. securities firms. However, we estimate that the worldwide holding company revenue of U.S. securities firms fell 23% from a record \$499 billion in 2000 to \$383 billion last year. This includes the global revenue of domestically-owned securities firms (for bank-owned firms, it includes just the securities entity's revenue) and for foreign-owned broker-dealers, it includes just their U.S. broker-dealers' revenue.

### U.S. SECURITIES INDUSTRY GLOBAL REVENUE



Using the same parameters, we estimate that the U.S. securities industry's global pre-tax profits were cut in half from a record \$58 billion in 2000 to \$28.2 billion last year.

### U.S. SECURITIES INDUSTRY GLOBAL PROFITS



## Broker-Dealer Categories

### Total Firms

A proxy for the “total” securities industry. Consists of all New York Stock Exchange member broker-dealers doing a public business. Although small in number (4% of all SEC-registered broker-dealers and 5% of all NASD member firms), this group accounts for approximately 60% to 80% of revenues, capital, assets and other financial parameters of all broker-dealers in the U.S. Several broker-dealer subsidiaries of financial holding companies may appear in different firm categories, based on each broker-dealer's main business line.

### National Full Line

The largest full service broker-dealers (also known as “wirehouses”) with an extensive national (and international) branch network system. The NFLs, all self-clearing, account for the vast majority of all retail brokerage services, revenues and employees in the U.S. The NFLs provide a broad array of virtually every financial service and product to both households and institutions. All but one are headquartered in New York City. The NFLs' investment banking businesses are comparable to that of the large investment banking firms.

### Regionals

The largest (non-NFL and non-NYC) full service broker-dealers, usually self-clearing with regional branch network systems (i.e. Midwest, Northeast) providing a wide array of financial services and products to both retail and institutional clients (similar to NFLs but on a much smaller regional

scale). This group does not reflect all firms outside New York.

### Large Investment Banking

The largest U.S. investment banks (besides NFLs), all headquartered in New York City, self-clearing, with a limited branch network system (money center cities) and a predominantly institutional client base.

### New York City-Based

New York City headquartered broker-dealers which conduct a broad array of financial services including brokerage, investment banking, trading, money management, etc. This group, mostly self-clearing and many with branch network systems, includes most U.S. broker-dealer subsidiaries of U.S. and foreign banks and securities organizations. NYCs provide both retail and institutional services but have become a much more institutionally-oriented group in recent years. This group does not reflect all New York firms; other types of New York firms, i.e. NFLs, LIBs, Discounters, etc., are categorized by their predominant business characteristic.

### Discounters

NYSE member broker-dealers which hold themselves out as, and are *primarily engaged in*, the discount brokerage business. Commissions, mainly retail, are the primary revenue source. Includes both self-clearing and introducing discounters. Does not include multi-business broker-dealers which offer discount commissions as just another business line.



## NYSE Group's Share of Total Industry\*

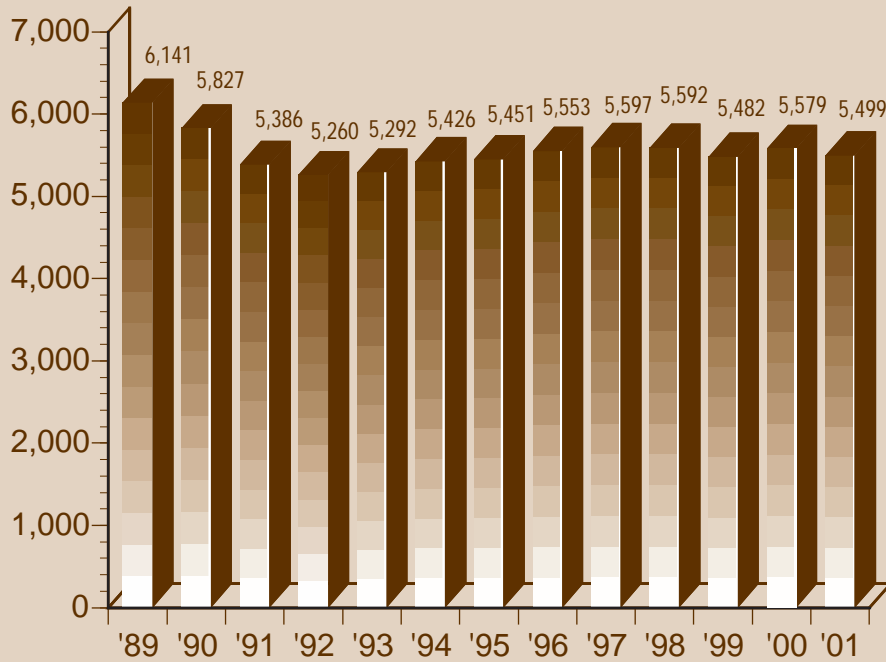
(In Percent)

	Item				# of Firms	
	Revenue	Assets	Capital	Equity	NYSE Group	All Firms
1980	81	86	67	65	386	5,248
1981	82	81	68	67	388	5,684
1982	81	86	69	68	384	6,165
1983	80	86	71	69	405	7,374
1984	79	88	71	68	392	8,272
1985	77	87	71	68	370	8,957
1986	78	87	71	69	370	9,436
1987	77	85	76	72	393	9,515
1988	78	89	77	73	369	9,217
1989	77	85	76	71	351	8,832
1990	76	84	73	67	329	8,437
1991	72	77	71	66	316	7,763
1992	69	76	70	65	308	7,793
1993	68	76	71	64	303	7,441
1994	63	68	69	62	302	7,612
1995	67	78	71	64	310	7,722
1996	70	78	69	60	309	7,774
1997	70	82	71	61	301	7,796
1998	73	80	71	60	283	7,685
1999	69	78	70	62	280	7,461
2000	70	82	70	61	271	7,258
2001	70	81	70	60	261	7,029

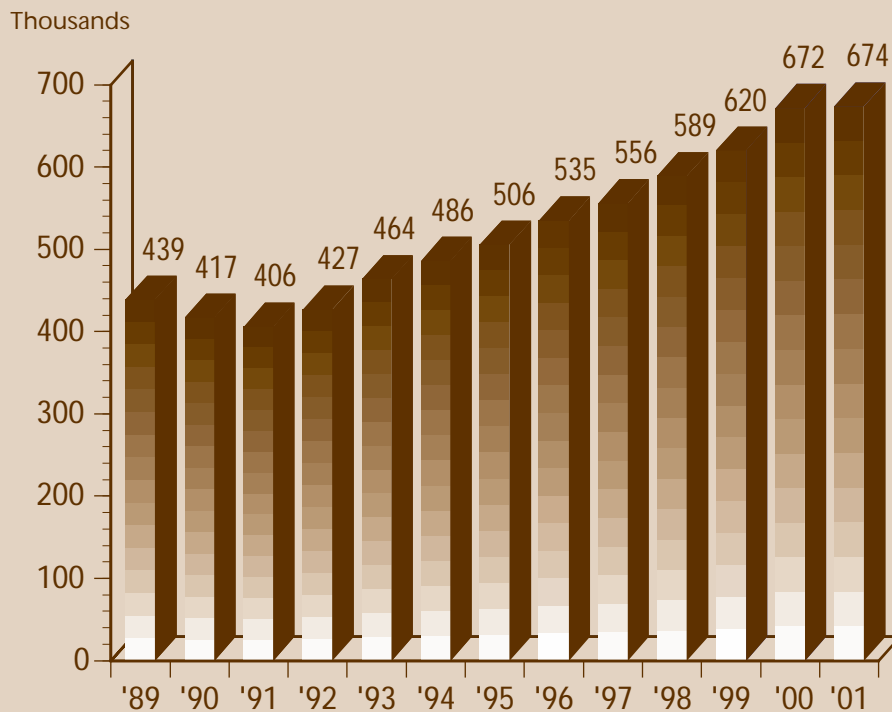
\* Total industry based on data from the SEC; 2001 data preliminary

NYSE Group: New York Stock Exchange member firms doing a public business

## NASD Member Firms



## NASD Registered Representatives



Source: NASD Regulation, Inc. (<http://www.nasdr.com/2380.asp>)

## Securities Industry\* Employment by Firm Category

(End of Period)

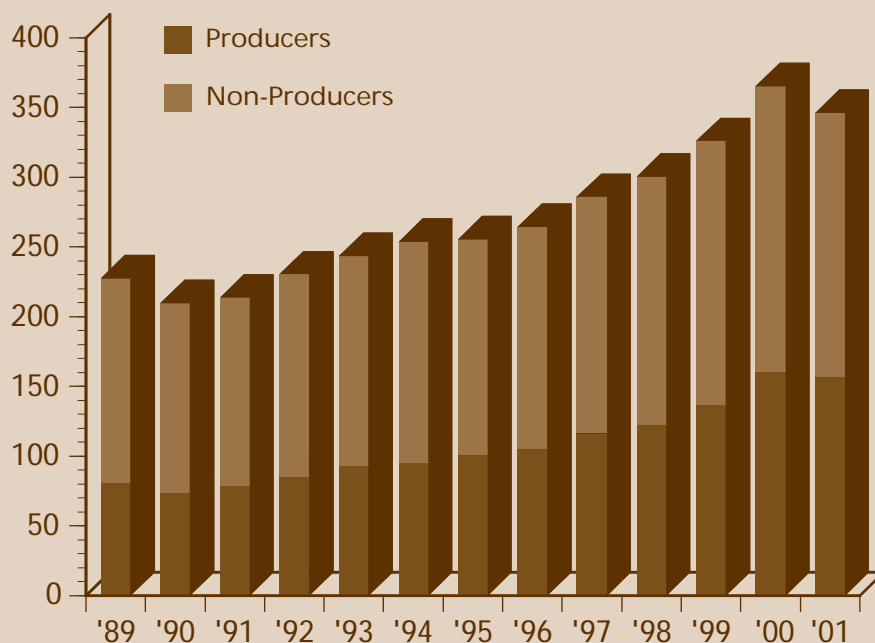
	National Full Line	Large Investment Bank	Regional	NYC Based	Discounter	Total Firms*
1980	88,034	16,828	29,180	10,484	142	151,491
1981	96,970	19,037	32,596	10,865	769	167,233
1982	102,526	21,008	31,546	10,993	1,504	174,856
1983	121,001	25,745	36,382	12,355	935	205,553
1984	122,494	25,236	35,470	12,454	2,343	208,284
1985	133,848	29,097	36,144	12,067	2,821	224,512
1986	143,402	33,538	39,164	13,344	3,821	244,062
1987	146,403	38,093	42,545	15,233	5,026	260,377
1988	135,206	33,451	37,675	16,331	4,307	238,679
1989	127,981	32,057	35,999	15,210	4,811	227,598
1990	115,672	30,331	33,921	14,685	5,017	209,890
1991	116,761	29,464	39,326	15,769	5,736	213,782
1992	127,227	31,593	40,071	17,125	7,468	230,472
1993	125,423	39,646	42,783	19,101	9,823	243,595
1994	130,398	39,126	46,201	20,437	10,843	253,881
1995	123,025	36,239	53,252	22,111	12,166	255,703
1996	124,216	38,904	55,063	23,585	13,539	264,603
1997	132,496	42,858	56,114	30,481	14,206	285,996
1998	139,486	42,964	60,928	30,173	13,116	300,618
1999	146,703	47,348	73,668	29,323	17,182	326,151
2000	160,951	50,646	83,448	33,822	22,745	365,381
2001	146,132	56,566	83,359	30,305	17,198	346,221

\* NYSE member firms doing a public business

Source: Securities Industry DataBank ([http://www.sia.com/reference\\_materials/html/databank.html](http://www.sia.com/reference_materials/html/databank.html))

## Securities Industry Employment — Producers vs. Others

NYSE Firms' Employment in Thousands



## Security and Commodity Brokers and Services Personnel

(In Thousands)

Year End	US	Annual % Chg. (US)	New York State	Annual % Chg. (NYS)	NYS % of US	New York City	Annual % Chg. (NYC)	NYC % of NYS
1975	171.3	2.5	69.4	0.6	40.5	67.0	1.4	96.5
1976	177.4	3.6	72.8	4.9	41.0	70.1	4.6	96.3
1977	183.4	3.4	73.3	0.7	40.0	70.2	0.1	95.8
1978	194.3	5.9	77.0	5.0	39.6	73.7	5.0	95.7
1979	214.2	10.2	82.1	6.6	38.3	78.4	6.4	95.5
1980	243.7	13.8	94.8	15.5	38.9	90.0	14.8	94.9
1981	267.0	9.6	105.0	10.8	39.3	99.6	10.7	94.9
1982	283.8	6.3	108.9	3.7	38.4	102.7	3.1	94.3
1983	328.3	15.7	125.0	14.8	38.1	117.5	14.4	94.0
1984	341.1	3.9	129.2	3.4	37.9	121.7	3.6	94.2
1985	367.5	7.7	137.6	6.5	37.4	130.0	6.8	94.5
1986	417.1	13.5	157.1	14.2	37.7	148.8	14.5	94.7
1987	456.3	9.4	172.7	9.9	37.8	163.0	9.5	94.4
1988	438.7	-3.9	160.3	-7.2	36.5	150.4	-7.7	93.8
1989	426.9	-2.7	154.1	-3.9	36.1	144.0	-4.3	93.4
1990	417.4	-2.2	143.5	-6.9	34.4	133.9	-7.0	93.3
1991	424.1	1.6	139.5	-2.8	32.9	129.6	-3.2	92.9
1992	450.1	6.1	143.5	2.9	31.9	132.8	2.5	92.5
1993	494.0	9.8	153.5	7.0	31.1	140.6	5.9	91.6
1994	522.3	5.7	161.6	5.3	30.9	148.8	5.8	92.1
1995	533.0	2.0	159.0	-1.6	29.8	145.5	-2.2	91.5
1996	570.6	7.1	164.5	3.5	28.8	151.0	3.8	91.8
1997	616.6	8.1	176.6	7.4	28.6	162.8	7.8	92.2
1998	664.0	7.7	182.4	3.3	27.5	167.9	3.1	92.1
1999	715.8	7.8	194.3	6.5	27.1	178.2	6.1	91.7
2000	774.7	8.2	205.9	6.0	26.6	189.0	6.1	91.8
2001	743.5	-4.0	190.4	-7.5	25.6	175.5	-7.1	92.2

Sources: U.S. Department of Labor, Bureau of Labor Statistics; New York State Department of Labor  
 (U.S. data - <http://stats.bls.gov/ces/home.htm#data>)  
 (N.Y. data - [http://www.labor.state.ny.us//labor\\_market/lmi\\_business/employ/menu.htm](http://www.labor.state.ny.us//labor_market/lmi_business/employ/menu.htm))

## Securities Industry Profitability

(NYSE Member Firms Doing a Public Business)

	Total Revenue (\$Mils.)	Pre-Tax Profits (\$Mils.)	Pre-Tax Profit Mgn. (%)	Pre-Tax R.O.E. (%)
1965	2,320	473	20.4	39.4
1966	2,851	578	20.3	44.5
1967	3,992	1,022	25.6	51.1
1968	5,403	1,328	24.6	53.1
1969	4,534	565	12.5	28.3
1970	3,972	591	14.9	31.1
1971	5,510	1,331	24.2	53.2
1972	5,990	789	13.2	29.2
1973	4,811	-72	-1.5	-2.8
1974	4,620	36	0.8	1.1
1975	5,867	804	13.7	29.6
1976	6,884	979	14.2	32.4
1977	6,730	416	6.2	13.1
1978	8,832	684	7.7	20.7
1979	11,233	1,100	9.8	29.5
1980	16,030	2,262	14.1	49.2
1981	19,796	2,144	10.8	35.9
1982	23,210	3,035	13.1	40.5
1983	29,566	3,824	12.9	36.6
1984	31,216	1,608	5.2	13.3
1985	38,621	4,140	10.7	29.4
1986	50,082	5,512	11.0	28.6
1987	50,837	1,133	2.2	4.7
1988	51,829	2,492	4.8	9.6
1989	59,537	1,842	3.1	6.9
1990	54,034	-162	-0.3	-0.7
1991	60,718	5,849	9.6	23.7
1992	62,840	6,186	9.8	22.8
1993	73,182	8,600	11.8	27.1
1994	71,355	1,128	1.6	3.3
1995	96,303	7,405	7.7	20.9
1996	120,249	11,272	9.4	29.1
1997	145,004	12,209	8.4	27.9
1998	170,805	9,790	5.7	17.9
1999	183,367	16,270	8.9	25.6
2000	245,201	20,976	8.6	26.5
2001	194,766	10,411	5.3	12.2

## Pre-Tax Profit Margins

Based on Gross Revenues  
(In Percent)

	National Full Line	Large Investment Bank	Regional	NYC Based	Discounter	Total Firms*
1980	10.9	17.7	14.7	14.7	17.5	14.1
1981	6.9	15.4	11.1	12.6	12.2	10.8
1982	8.8	17.4	11.1	14.0	13.6	13.1
1983	8.6	16.7	12.6	18.3	14.0	12.9
1984	-0.9	11.4	2.6	8.9	0.3	5.2
1985	5.6	14.6	9.4	12.2	8.9	10.7
1986	6.9	13.5	11.0	16.1	15.7	11.0
1987	-0.9	4.7	5.5	2.9	8.6	2.2
1988	-0.3	8.4	2.6	7.4	3.1	4.8
1989	-0.1	3.9	4.4	4.2	7.2	3.1
1990	-3.9	2.4	0.4	1.1	5.8	-0.3
1991	7.9	10.5	12.2	6.0	13.1	9.6
1992	8.8	10.2	14.7	4.1	13.8	9.8
1993	11.2	11.4	15.5	7.1	16.6	11.8
1994	2.1	-4.0	9.4	-0.9	12.6	1.6
1995	7.7	4.4	12.9	4.8	16.4	7.7
1996	10.2	7.5	14.9	4.4	14.4	9.4
1997	11.0	6.3	11.8	2.9	12.2	8.4
1998	9.2	4.7	4.9	-0.2	10.2	5.7
1999	11.6	7.9	7.7	1.5	14.7	8.9
2000	10.6	6.4	8.8	3.2	17.0	8.6
2001	4.7	7.4	4.6	1.7	1.3	5.3

\* NYSE member firms doing a public business  
Source: Securities Industry DataBank

## Pre-Tax Profit Margins

Based on Net Revenues\*  
(In Percent)

	National Full Line	Large Investment Bank	Regional	NYC Based	Discounter	Total Firms**
1980	13.0	30.0	16.4	18.8	17.9	18.0
1981	8.8	31.3	13.2	16.5	13.3	15.2
1982	10.3	31.8	12.5	16.8	15.4	17.1
1983	9.9	28.3	13.7	21.5	15.5	16.3
1984	-1.2	24.1	3.0	11.1	0.4	7.4
1985	6.9	27.7	10.4	14.1	10.5	14.5
1986	8.5	23.4	11.8	20.7	18.2	14.6
1987	-1.1	8.5	5.9	4.4	9.9	3.1
1988	-0.4	17.1	2.8	13.2	3.9	7.0
1989	-0.2	9.4	4.9	11.8	9.4	5.2
1990	-5.0	5.9	0.5	3.4	7.8	-0.5
1991	9.4	19.4	13.0	14.0	16.3	14.0
1992	10.1	17.7	15.3	7.6	16.0	13.2
1993	12.7	18.5	16.1	11.8	18.8	15.3
1994	2.6	-8.6	10.0	-2.1	15.1	2.4
1995	9.7	10.8	13.9	11.2	19.1	12.7
1996	12.4	18.8	15.9	10.8	16.7	15.9
1997	13.6	16.4	13.5	7.7	14.2	15.0
1998	12.3	13.3	6.8	-0.8	11.9	11.1
1999	14.6	16.3	10.1	3.6	16.9	14.4
2000	14.1	15.4	12.0	8.8	20.1	15.6
2001	6.1	16.1	5.8	4.4	1.5	9.2

\* Gross revenues less interest expense

\*\* NYSE member firms doing a public business

Source: Securities Industry DataBank



## Pre-Tax Return on Equity

(In Percent)

	National Full Line	Large Investment Bank	Regional	NYC Based	Discounter	Total Firms*
1980	45.0	55.7	n.a.	n.a.	n.a.	49.2
1981	24.6	56.7	37.2	42.1	52.2	35.9
1982	29.7	54.8	36.0	43.3	53.9	40.5
1983	28.1	43.8	40.5	50.7	46.8	36.6
1984	-2.6	31.1	6.8	19.9	0.8	13.3
1985	17.9	38.5	29.0	31.2	25.6	29.4
1986	20.3	34.2	32.7	38.3	49.5	28.6
1987	-2.1	9.2	14.0	5.2	19.7	4.7
1988	-0.7	18.2	5.4	15.0	5.0	9.6
1989	-0.3	9.2	10.4	11.4	14.5	6.9
1990	-8.3	5.4	1.0	3.1	15.4	-0.7
1991	19.9	25.2	34.9	16.3	35.5	23.7
1992	21.4	23.7	40.0	8.9	33.7	22.8
1993	28.4	23.8	43.7	17.1	39.1	27.1
1994	4.8	-7.2	21.7	-2.5	26.4	3.3
1995	20.3	11.5	33.8	17.3	38.5	20.9
1996	28.2	26.2	40.2	17.3	42.6	29.1
1997	32.8	23.4	32.8	12.8	37.4	27.9
1998	26.1	16.4	13.7	-1.0	29.7	17.9
1999	32.5	28.0	21.2	4.7	46.3	25.6
2000	32.9	24.6	24.9	10.7	48.6	26.5
2001	11.5	20.9	9.5	4.1	2.5	12.2

\*NYSE member firms doing a public business  
Source: Securities Industry DataBank

## Profitability of Securities Firms vs. Commercial Banks

	Net Income After Tax in \$ Millions				After Tax ROE %	
	Banks	Brokers	Brokers % of Banks		Banks	Brokers
1980	14,009	1,222	8.7	1980	13.7	26.6
1981	14,689	1,158	7.9	1981	13.1	19.4
1982	14,826	1,639	11.1	1982	12.1	21.9
1983	14,989	2,065	13.8	1983	10.7	19.8
1984	15,379	868	5.6	1984	10.7	7.2
1985	17,802	2,236	12.6	1985	11.3	15.9
1986	17,202	2,976	17.3	1986	9.9	15.5
1987	3,429	680	19.8	1987	2.0	2.8
1988	24,843	1,645	6.6	1988	13.2	6.3
1989	15,611	1,216	7.8	1989	7.7	4.6
1990	16,136	-107	-0.7	1990	7.5	-0.4
1991	17,946	3,861	21.5	1991	7.9	15.6
1992	31,992	4,082	12.8	1992	13.0	15.0
1993	43,059	5,590	13.0	1993	15.4	17.6
1994	44,632	733	1.6	1994	14.6	2.1
1995	48,749	4,813	9.9	1995	14.7	13.6
1996	52,359	7,327	14.0	1996	14.5	18.9
1997	59,161	7,936	13.4	1997	14.7	18.1
1998	61,800	6,363	10.3	1998	13.9	11.7
1999	71,556	10,575	14.8	1999	15.3	16.6
2000	71,009	13,634	19.2	2000	14.0	17.3
2001	74,310	6,767	9.1	2001	13.1	7.9

*After-tax net income of all FDIC insured commercial banks; net income of all NYSE member firms doing a public business assuming a 46% tax rate 1980-86; 40% 1987; 34% 1988-92; 35% 1993-2001.*

## Securities Industry\* Concentration – Total Revenue

(In Percent)

	Top 10	Top 11-25	Rest of Industry	Revenue (\$ Bils.)
1980	52.9	20.1	27.0	16.0
1981	55.5	19.5	25.0	19.8
1982	57.4	18.7	23.9	23.2
1983	54.3	19.6	26.1	29.6
1984	58.8	17.1	24.1	31.2
1985	57.5	19.7	22.8	38.6
1986	57.3	19.8	22.9	50.1
1987	54.5	20.9	24.6	50.8
1988	54.0	20.8	25.2	51.8
1989	58.5	19.3	22.2	59.5
1990	56.9	21.1	22.0	54.0
1991	56.2	21.0	22.8	60.7
1992	56.2	19.6	24.2	62.8
1993	53.5	21.9	24.6	73.2
1994	50.8	23.0	26.2	71.4
1995	51.2	24.0	24.8	96.3
1996	51.3	23.9	24.9	120.2
1997	50.4	23.6	26.0	145.0
1998	48.3	26.4	25.3	170.8
1999	50.7	25.9	23.4	183.4
2000	50.8	26.3	23.0	245.2
2001	58.7	20.3	20.9	194.8

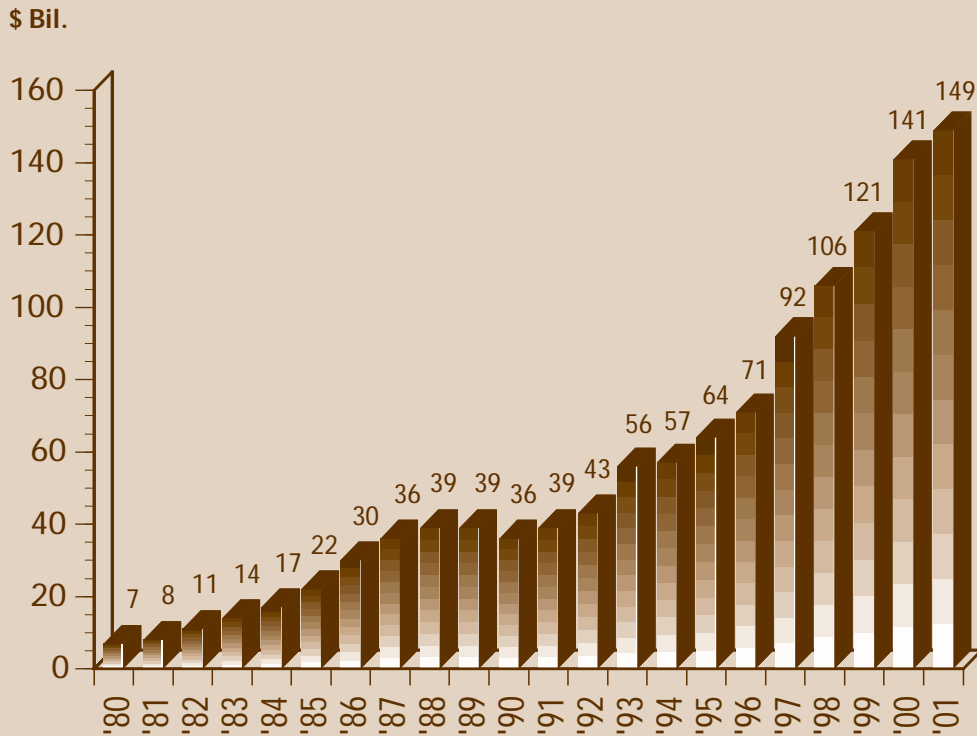
## Securities Industry\* Concentration – Total Capital

(In Percent)

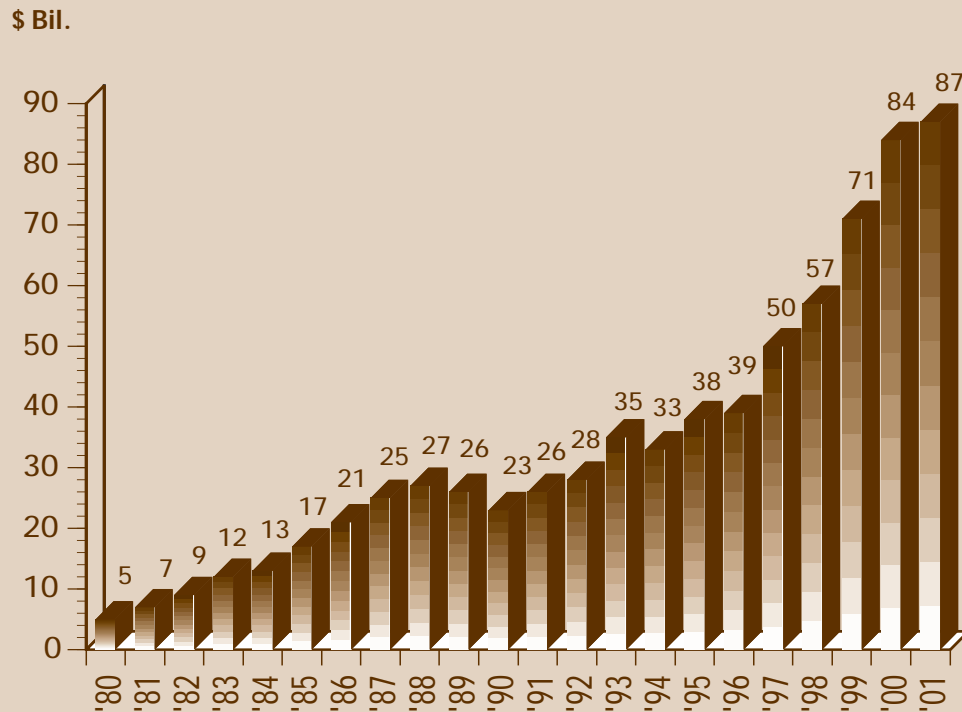
	Top 10	Top 11-25	Rest of Industry	Capital (\$ Bils.)
1980	50.7	18.8	30.5	6.7
1981	52.6	19.6	27.8	8.1
1982	54.8	19.0	26.2	10.7
1983	52.9	18.8	28.3	14.2
1984	57.3	15.7	27.0	16.7
1985	63.2	14.8	22.0	21.9
1986	61.9	16.0	22.1	29.8
1987	58.3	18.5	23.2	35.8
1988	57.5	17.8	24.7	39.1
1989	61.8	16.4	21.8	39.3
1990	63.6	15.9	20.5	35.8
1991	62.1	17.4	20.5	39.1
1992	62.2	18.0	19.8	43.4
1993	63.4	18.0	18.6	56.3
1994	60.9	18.7	20.4	56.8
1995	59.3	18.1	22.6	64.3
1996	58.5	18.8	22.7	70.7
1997	55.5	21.5	23.0	92.5
1998	57.1	21.8	21.1	105.7
1999	56.6	22.7	20.7	121.5
2000	53.8	23.1	23.2	141.5
2001	56.3	22.3	21.4	148.8

\* NYSE member firms doing a public business  
Source: Securities Industry DataBank

## Securities Industry Total Capital



## Securities Industry Equity Capital



## NYSE Firms' Income Statement

(\$ Millions, Unconsolidated)

	Revenues and Profits											
	Com- missions	Trading Gain	Invst. Gain	Under- writing	Margin Interest	Mutual Funds	Asset Mgmt. Fees	Re- search	Com- modities	Other Securities Related	Other Unrelated	Total Revs.
1976	3,156	1,208	195	845	543	n.a.	0	n.a.	209	n.a.	6,884	979
1977	2,809	1,054	242	777	755	59	77	8	243	133	6,730	416
1978	3,778	1,306	237	741	1,174	59	97	6	352	235	8,832	684
1979	4,023	2,141	492	771	1,655	77	124	14	437	337	11,233	1,100
1980	5,682	3,138	560	1,328	2,089	105	175	14	625	586	16,030	2,262
1981	5,340	4,238	574	1,568	2,890	122	275	16	580	1,229	19,796	2,144
1982	6,012	5,952	607	2,316	2,010	288	356	8	663	1,056	23,210	3,035
1983	8,350	6,839	738	3,541	2,130	952	570	19	826	1,217	29,566	3,824
1984	7,095	7,564	714	2,706	2,868	751	694	11	739	1,792	31,216	1,608
1985	8,238	9,943	1,089	4,250	2,578	1,643	947	18	983	1,755	38,621	4,140
1986	10,473	12,561	1,143	5,939	2,920	2,801	1,467	46	1,065	2,118	50,082	5,512
1987	12,674	9,965	146	5,161	3,352	2,194	1,797	24	1,094	2,796	50,837	1,133
1988	8,790	11,299	1,394	5,158	3,028	1,413	1,885	23	1,382	2,762	51,829	2,492
1989	10,151	12,343	488	4,120	3,723	1,580	2,226	27	1,408	3,134	59,537	1,842
1990	8,878	13,175	-283	3,243	3,075	1,669	2,241	18	1,686	2,942	54,034	-162
1991	10,589	16,104	983	6,073	2,632	2,124	2,518	24	912	2,884	60,718	5,849
1992	11,584	16,342	452	7,478	2,624	2,787	3,052	22	1,537	2,409	62,840	6,186
1993	13,707	17,873	600	10,061	3,130	3,541	3,469	25	913	2,995	73,182	8,600
1994	13,504	13,235	103	5,856	4,525	3,192	3,875	32	1,954	4,757	71,355	1,128
1995	15,998	17,547	1,355	7,799	6,239	3,406	4,411	31	-448	3,371	96,303	7,405
1996	18,400	18,997	1,137	11,165	7,120	4,472	5,348	52	1,140	5,342	120,249	11,272
1997	21,331	21,236	1,793	12,496	10,078	5,412	7,150	58	-211	58,468	145,004	12,209
1998	24,188	19,703	1,548	14,651	12,119	6,213	8,995	55	-1,958	76,222	170,805	9,790
1999	29,311	36,423	2,379	16,026	13,416	6,663	11,450	157	-8,723	9,547	183,367	16,270
2000	33,685	44,715	1,847	17,013	22,335	7,745	15,872	236	-9,662	11,798	245,201	20,976
2001	26,825	24,914	298	15,631	12,844	6,329	13,197	184	4,908	9,923	194,766	10,411

Source: Securities Industry DataBank

## NYSE Firms' Income Statement

(\$ Millions, Unconsolidated)

### Expenses

	Total Comp.	RR Comp.*	Clerical Comp.*	Floor Costs	Commu- nications	EDP	Occup. & Equip.	Promo.	Interest	Error- Bad Debt	Reg. Fees	Non- Recur. Charges	Other	Total Exps.
1976	n.a.	1,304	1,385	n.a.	506	n.a.	341	n.a.	661	62	n.a.	n.a.	n.a.	5,905
1977	n.a.	1,283	1,348	n.a.	531	90	359	179	1,031	43	44	6	502	6,314
1978	n.a.	1,620	1,522	n.a.	582	98	379	187	1,706	76	44	8	676	8,148
1979	4,374	1,912	1,872	656	676	123	428	250	2,678	99	49	12	788	10,133
1980	6,335	3,050	2,548	754	838	156	514	347	3,445	204	66	31	1,077	13,767
1981	7,259	3,334	3,086	725	1,103	217	678	457	5,685	154	79	17	1,278	17,652
1982	8,818	4,104	3,703	864	1,270	273	853	530	5,481	193	101	7	1,785	20,175
1983	12,070	5,750	4,890	1,143	1,538	343	1,138	735	6,058	233	134	98	2,252	25,743
1984	11,726	5,248	5,148	1,163	1,766	420	1,504	769	9,505	212	145	26	2,372	29,608
1985	14,573	6,904	6,218	1,310	1,922	478	1,831	842	10,128	266	245	99	2,788	34,481
1986	19,405	9,184	8,423	1,698	2,288	632	2,178	1,036	12,425	432	310	71	4,095	44,571
1987	20,558	9,333	9,061	2,206	2,550	762	2,725	1,204	14,290	1,138	326	105	3,839	49,704
1988	18,739	7,581	9,280	1,756	2,549	737	3,052	1,004	16,308	438	372	56	4,326	49,337
1989	18,826	7,539	9,103	1,855	2,374	711	3,163	955	24,070	422	438	240	4,642	57,695
1990	17,715	6,868	8,789	1,731	2,222	685	3,092	878	22,717	296	428	390	4,042	54,196
1991	20,824	8,362	10,179	1,760	2,119	675	2,950	930	18,871	399	415	46	5,881	54,868
1992	24,162	9,888	11,861	1,867	2,282	830	3,009	1,094	15,983	414	481	97	6,435	56,654
1993	28,968	11,884	14,212	2,306	2,481	1,071	3,136	1,279	16,995	292	459	71	7,523	64,582
1994	27,340	10,900	13,568	2,620	2,713	1,206	3,170	1,296	23,731	373	400	63	7,314	70,227
1995	30,309	12,538	14,563	2,728	2,822	1,270	3,401	1,245	38,175	284	481	111	8,073	88,899
1996	36,768	14,783	18,279	3,103	3,089	1,368	3,632	1,553	49,196	303	459	42	9,465	108,978
1997	41,666	17,283	20,286	3,673	3,450	1,590	3,934	1,842	63,614	388	555	672	11,412	132,796
1998	47,344	20,204	22,660	4,345	4,177	1,895	4,736	2,117	83,002	425	613	48	12,312	161,015
1999	60,098	23,477	32,841	4,896	4,592	2,295	5,323	2,408	70,345	615	674	629	15,222	167,098
2000	68,958	26,783	37,514	5,199	5,397	2,699	6,626	3,025	110,513	824	849	971	19,166	224,226
2001	60,606	23,732	32,492	4,361	5,330	2,817	7,562	2,382	81,602	630	976	147	17,944	184,355

\* Subset of total compensation  
Source: Securities Industry DataBank

## Income Statement

### Definitions for Major Reporting Lines

#### Revenues

**Commissions** - Commissions from all agency equity (including closed-end but excluding open-end mutual funds) and debt transactions including non-inventory principal (simultaneous riskless) transactions. Commissions earned on introduced and omnibus accounts carried for other brokers are reported net.

**Trading Gain (Loss)** - Realized and unrealized gains and losses on securities held for sale in the ordinary course of business (net of dividends and interest earned on such securities but not reduced by floor costs or taxes).

**Investment Account Gain (Loss)** - Realized and unrealized gains and losses on securities identified as held for investment (no adjustment for dividends and interest earned, which are reported in "other related" revenues, nor for interest paid, taxes or floor costs).

**Underwriting Revenue** - Gross profits and losses from management of and participation in underwriting syndicates and selling groups (sales price less purchase price adjusted for discounts, commissions and allowances paid or received). Direct expenses for specific underwritings are deducted but employee compensation and other expenses of the underwriting department are not deducted.

**Margin Interest** - Interest earned on customers' securities and commodities accounts.

**Mutual Fund Sale Revenue** - Income from sale of open-end investment company (mutual fund) securities as a retailer or underwriter. Includes net amount of sales load and commissions from installment sales (but excludes commissions from closed-end funds which are reported in all other commissions).

**Fees, Asset Management** - Total fees for account supervision, investment advisory and administrative services.

**Research Revenue** - Revenues from the sale of research services including income from the sale of research advice, research reports, market letters, stock guides, portfolio analyses, and publications and consultations concerning investment advice.

**Commodities Revenue** - Income from commissions, fees, and principal trading in commodities (including futures and spot commodities contracts).

**Other Revenue Related to the Securities Business** - Includes, among other things, private placement fees, proxy solicitation fees, service charges (such as for mergers and acquisitions), fees for options done away from an exchange, dividends and interest from investment accounts (including repos and reverse repos), subscription fees for periodic publications (exclusive of research).

**Other Revenue** - All other revenue not related to brokers' securities business.

#### Expenses

**Registered Representative Compensation** - Total compensation to registered representatives (RRs defined here as individuals that spend 50% or more of their time effecting transactions with public customers) including salary, commission or other basis.

**Clerical Employee Compensation** - All salaries, commissions, bonuses, profit sharing, payroll taxes and benefits paid to or incurred for all employees other than RRs, voting stockholder officers and general partners.

**Floor Costs** - Includes all commissions (including commodity transaction payouts), floor brokerage and clearance paid to other brokers, and clearance fees paid to clearing corporations, associations and depositories (FOCUS II-A brokers report all these fees on the "Commissions Paid to Broker-Dealers" line).

**Communications Expense** - Expenditures for telephone, telegraph, leased wires, tickers and projectors, quotation machines, NASDAQ, postage, stationary and office supplies.

**Data Processing Costs (EDP)** - Rental and depreciation of data processing equipment (other than service bureau).

**Occupancy & Equipment Costs** - Expenditures for rent, heat, light, maintenance, depreciation and amortization, equipment (other than EDP) rentals, repair to premises, janitorial services, cleaning expenses and general insurance.

**Promotional Costs** - General advertising and promotional expenses.

**Interest Expense** - All interest payments.

**Losses from Error Accounts & Bad Debts** - Includes all losses in error accounts and bad debts.



# MARKET ACTIVITY



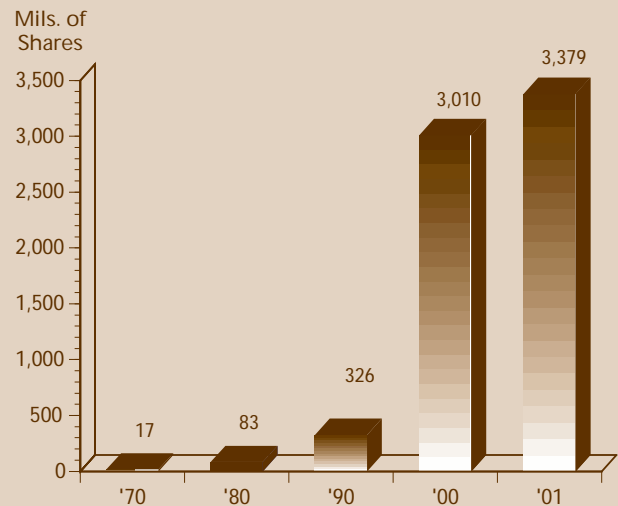
## Market Activity

Last year, the U.S. stock market suffered its first back-to-back annual losses since the 1970s: 1973-74 for the S&P 500 and Nasdaq, and 1977-78 for the Dow Jones Industrial Average. In the spring of 2000, Wall Street's longest bull market came to an end. The S&P rose 517% from 295.5 in October 1990 to 1527.5 in March of 2000, a 113-month run. That was twice as long and twice as strong as the next longest bull market on record—July of 1982 to August of 1987, 63 months, when the S&P gained 280%. For the past two years, the S&P 500 Composite Index and the Nasdaq Composite Index saw declines of 10.1% and 39.3%, respectively, in 2000, followed by declines of 13.0% and 21.1%, respectively, in 2001.

Perhaps the most watched equity price barometer, the Dow Jones Industrial Average (DJIA), which rose 25.2% in 1999 to record its ninth consecutive annual gain, broke this streak, falling 6.2% in 2000 and 7.1% in 2001. The Dow's peak to trough decline of 29.7% was more severe than its fall in 1990, and met the 20% decline used as a rule of thumb for bear markets. The decline on the Nasdaq during 2000 was the steepest since its creation in 1971, surpassing the previous record 35.1% decline recorded in 1974, giving back most of its gains of the previous year. Its peak to trough decline across the course of the last two years reached 71.8%. The trough on all the markets, a three-year low, occurred on September 21, before markets posted double-digit gains in the final quarter of the year to narrow full year losses. The Nasdaq rebounded 37% from that trough to year-end 2001; while the DJIA clawed back 21.7% and the S&P 500 retraced 18.9% of its earlier losses.

Share volumes on the NYSE and the Nasdaq in 2001 hit records for the eleventh consecutive year. In 2000 and 2001, the NYSE traded over one billion shares a day on average. In 1975, the NYSE handled an average daily volume of 18.6 million shares, or only 1.5% of the amount it does today. On the Nasdaq, daily share volume was 1.9 billion or 345 times that of 1975's 5.5 million level. The combined volume on NYSE, Nasdaq and Amex have exceeded 3 billion shares daily in each of the past two years.

**DAILY SHARE VOLUME**  
(On NYSE, Nasdaq, AMEX and Regionals)



Trading activity stayed strong in the aftermath of September 11th and reached record levels in 2001 for the most active day (September 17), week (September 17-21) and year. Average daily share volume on the NYSE rose 19.0% to 1.24 billion shares, shattering the prior record of 1.04 billion shares per day set in 2000. Nasdaq volume increased 8.0% to 1.9 billion shares daily, also a new record. The number of institutional trades executed averaged a record 656,888 daily, topping 2000 record levels by 11.5%. The dollar value of trading on the three national markets and the regional exchanges, which exceeded \$14 trillion in 1998, topped \$21 trillion in 1999 and \$34 trillion in 2000, with the latter figure almost 17 times the amount in 1990, before falling back to \$23.4 trillion in 2001. Reflecting the decline in stock prices, the value of trading was 3.6% lower on the NYSE and 45.4% lower on Nasdaq—the first annual declines since 1990 and 1988, respectively, for the two markets.

One reason that volume is increasing is the more frequent trading of stocks as evidenced by turnover rates. On the New York Stock Exchange, the annual turnover rate has doubled over the past nine years, and standing at a whopping 94% for 2001, statistically says that today, every single share of stock outstanding changes hands once a year.

The availability of margin credit has also helped increase volume. Regulated margin credit at broker-dealers rose 1000 fold from \$28 billion at year-end 1990 to a record \$279 billion in March of 2000. This fell back to just \$150 billion by year's end and has stabilized around that level so far through 2002.

Not surprisingly, the Nasdaq's market capitalization was impacted the most by the past few years' bear market. The total stock market capitalization of Nasdaq companies fell \$1.6 trillion, or 31% to \$3.6 trillion in 2000 from \$5.2 trillion at year-end 1999. This was followed by an additional 19% decline last year to \$2.9 trillion or a cumulative decline of 44% for the two years ended December 2001.

The bulk of U.S. market cap comes from New York Stock Exchange listed companies. Here, the market cap of NYSE companies had an end-of-year peak of \$12.4 trillion in 2000 which declined 5% last year to \$11.7 trillion, its lowest year-end level since 1998. The market cap on the American Stock Exchange fell to its lowest year-end level in 11 years, \$103 billion, which is also 36% below its year-end record of \$162 billion set in 1997. All market caps are inching down further so far in 2002.

Amid the dim economic and market conditions in 2001, the value of equity mutual fund assets fell for the second straight year and stood at \$3.4 trillion at the end of 2001, 13.7% below end-2000 levels, as negative investment performance due to the decline in equity markets far offset (by 17-fold) the meager, but still positive, net new cash flow into equity funds last year. Net flows into equity mutual funds turned negative during 3Q 2001, before returning to positive territory in the final quarter of the year, but totaled a mere \$32.2 billion for the full year, its lowest level of net inflows since 1990, and just one-tenth of 2000's record \$309.4 billion. Even so, the total value of mutual fund assets at year-end 2001 was five times

the level recorded ten years earlier and nearly 10-fold for equity funds.

For all mutual funds, according to the Investment Company Institute, a record \$505 billion net inflow of cash in 2001 (albeit mostly into money market funds) offset the effects of falling stock prices to keep fund assets at a record \$7 trillion for the second straight year. For the first time in three years, all four major categories of mutual funds (equity, hybrid, bond, and money market) experienced net inflows in 2001. Money market funds drew record inflows of \$375 billion while bond and hybrid funds flows turned positive for the first time in three years.

Bond funds added \$88 billion in net new cash in 2001, the highest inflow since 1986. Bond fund assets rose to \$925 billion at year-end 2001. Hybrid funds posted a net inflow of \$10 billion, and assets in these funds were relatively unchanged at \$346 billion. The stronger demand for bond funds reflected typical shareholder response to declining interest rates. Yields on medium-term U.S. Treasury and other highly rated debt instruments fell during most of the year, and returns on bond funds holding these securities rose, boosting demand for these funds. Money market fund assets accounted for one-third of all mutual fund assets by year-end 2001, the highest share of industry assets in these funds since 1992. Investors — particularly institutional investors — put a record \$375 billion in money funds during the year, and money fund assets reached an all-time high of \$2.3 trillion.

The number of U.S. households owning mutual funds reached 54.8 million as of May 2001, up from 51.7 million in May 2000. As a result, more than half of the estimated 105.5 million U.S. households now own mutual funds, and an estimated 93.3 million individual shareholders in those households invest in funds — up from 89.7 million in May 2000.

## Stock Market Capitalization

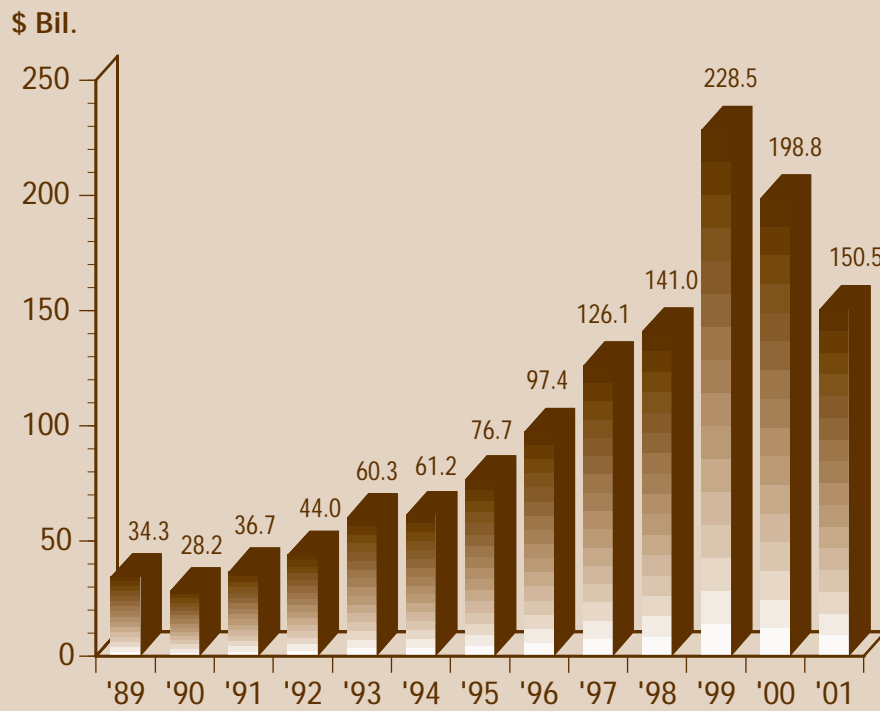
(\$ Billions)

	NYSE	AMEX	Nasdaq
1980	1,242.8	82.9	122.4
1981	1,143.8	64.8	124.8
1982	1,305.4	61.7	153.1
1983	1,584.2	80.8	229.3
1984	1,586.1	69.8	207.0
1985	1,950.3	87.0	287.3
1986	2,199.3	95.8	340.9
1987	2,216.3	99.2	325.5
1988	2,457.5	111.0	338.7
1989	3,029.7	130.8	386.3
1990	2,819.8	102.3	310.8
1991	3,712.8	124.5	508.3
1992	4,035.1	109.4	615.1
1993	4,540.9	135.1	791.2
1994	4,448.3	109.9	786.5
1995	6,013.0	137.3	1,159.9
1996	7,300.4	135.1	1,517.1
1997	9,413.1	162.2	1,834.8
1998	10,864.5	152.3	2,588.8
1999	12,296.1	142.1	5,204.6
2000	12,372.3	124.9	3,597.1
2001	11,713.7	103.1	2,899.9

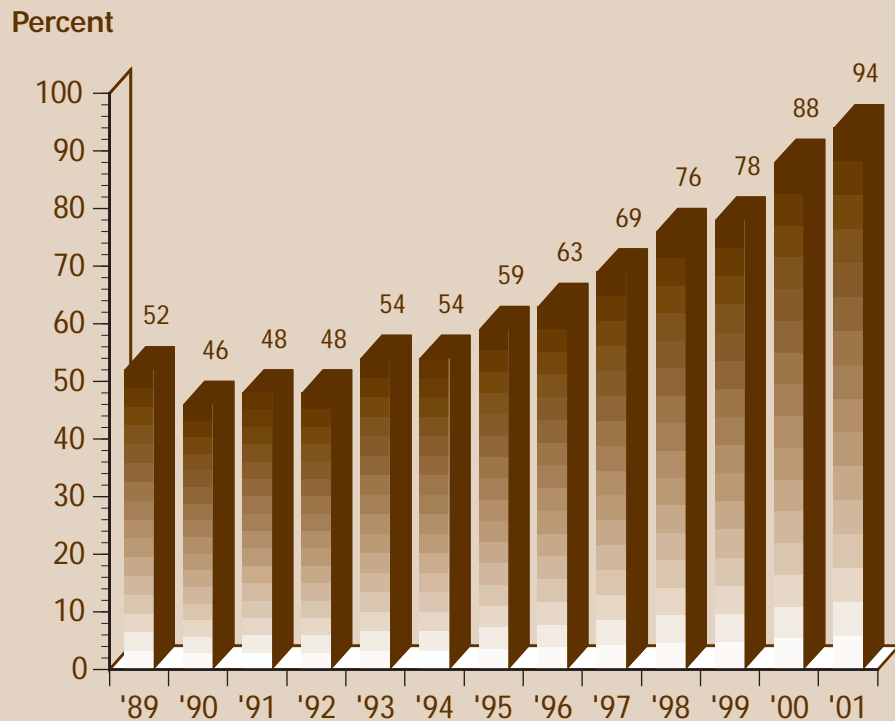
## Exchange Listed Companies

	NYSE	AMEX	Nasdaq
1980	1,570	892	2,894
1981	1,565	867	3,353
1982	1,526	822	3,264
1983	1,550	822	3,901
1984	1,543	791	4,097
1985	1,541	782	4,136
1986	1,575	796	4,417
1987	1,647	866	4,706
1988	1,681	896	4,451
1989	1,720	860	4,293
1990	1,774	859	4,132
1991	1,885	860	4,094
1992	2,089	816	4,113
1993	2,361	869	4,611
1994	2,570	824	4,902
1995	2,675	791	5,122
1996	2,907	751	5,556
1997	3,047	771	5,487
1998	3,114	770	5,068
1999	3,025	769	4,829
2000	2,862	765	4,734
2001	2,798	691	4,109

## Regulated Margin Credit at Broker-Dealers



## Annual Turnover Rate on NYSE



## New York Stock Exchange Activity

	Reported Share Volume (Mils.)	Value of Shares Traded (\$ Mils.)	Average Daily Volume (Mils.)	Average Price of Shares Traded
1970	2,937	95,263	11.6	32.40
1971	3,891	137,329	15.4	35.30
1972	4,138	149,967	16.5	36.20
1973	4,053	137,324	16.1	33.90
1974	3,518	92,129	13.9	26.20
1975	4,693	126,733	18.6	27.00
1976	5,360	159,765	21.2	29.80
1977	5,274	150,227	20.9	28.50
1978	7,205	199,880	28.6	27.70
1979	8,156	238,193	32.2	29.20
1980	11,352	374,909	44.9	33.00
1981	11,854	389,219	46.9	32.80
1982	16,458	488,396	65.1	29.70
1983	21,590	765,275	85.3	35.40
1984	23,071	764,738	91.2	33.10
1985	27,511	970,479	109.2	35.30
1986	35,680	1,374,350	141.0	38.50
1987	47,801	1,873,597	188.9	39.20
1988	40,850	1,356,050	161.5	33.20
1989	41,699	1,542,845	165.5	37.00
1990	39,665	1,325,332	156.8	33.40
1991	45,266	1,520,164	178.9	33.60
1992	51,376	1,745,466	202.3	34.00
1993	66,923	2,283,390	264.5	34.10
1994	73,420	2,454,242	291.4	33.40
1995	87,217	3,082,916	346.1	35.30
1996	104,636	4,063,655	412.0	38.80
1997	133,312	5,777,602	526.9	43.30
1998	169,745	7,317,949	673.6	43.10
1999	203,851	8,945,205	808.9	43.90
2000	262,478	11,060,046	1,041.6	42.10
2001	307,509	10,489,323	1,240.0	34.10

Source: New York Stock Exchange, Inc. (<http://www.nyse.com/marketinfo/marketinfo.html>)

## Nasdaq Activity

	Share Volume (Mils.)	Value of Shares Traded (\$ Mils.)	Average Daily Volume (Mils.)	Average Price of Shares Traded
1970	—	—	—	—
1971	n.a.	n.a.	n.a.	n.a.
1972	2,220	n.a.	8.8	n.a.
1973	1,682	30,507	6.7	18.15
1974	1,180	18,685	4.7	15.84
1975	1,390	21,213	5.5	15.26
1976	1,684	24,831	6.7	14.75
1977	1,932	24,666	7.6	12.77
1978	2,762	36,141	11.0	13.08
1979	3,651	44,300	14.4	12.13
1980	6,692	68,669	26.4	10.26
1981	7,823	71,057	30.9	9.08
1982	8,432	84,189	33.3	9.98
1983	15,909	188,285	62.9	11.86
1984	15,159	153,454	59.9	10.12
1985	20,699	233,454	82.1	11.28
1986	28,737	378,216	113.6	13.16
1987	37,890	499,855	149.8	13.19
1988	31,070	347,089	122.8	11.17
1989	33,530	431,381	133.1	12.87
1990	33,380	452,430	131.9	13.55
1991	41,311	693,852	163.3	16.80
1992	48,455	890,785	190.8	18.38
1993	66,540	1,350,100	263.0	20.29
1994	74,353	1,449,301	295.1	19.49
1995	101,158	2,398,214	401.4	23.71
1996	138,112	3,301,777	543.7	23.91
1997	163,882	4,481,691	647.8	27.35
1998	202,040	5,758,558	801.7	28.50
1999	272,605	11,013,192	1,081.8	40.40
2000	442,753	20,395,335	1,757.0	46.06
2001	471,217	10,934,572	1,900.1	23.20

Source: The Nasdaq Stock Market, Inc. (<http://www.marketdata.nasdaq.com>)



## American Stock Exchange Activity

	Share Volume (Mils.)	Value of Shares Traded (\$ Mils.)	Average Daily Volume (Mils.)	Average Price of Shares Traded*
1970	843	14,266	3.3	16.92
1971	1,071	18,606	4.2	17.37
1972	1,118	21,367	4.5	19.11
1973	760	10,848	3.0	14.27
1974	482	5,223	1.9	10.84
1975	541	5,678	2.1	10.50
1976	648	7,468	2.6	11.52
1977	653	8,532	2.6	13.06
1978	989	15,898	3.9	16.08
1979	1,100	22,194	4.3	20.17
1980	1,626	35,788	6.4	22.01
1981	1,343	24,520	5.3	18.25
1982	1,338	21,057	5.3	15.74
1983	2,081	31,237	8.2	15.01
1984	1,545	21,376	6.1	13.83
1985	2,101	27,839	8.3	13.25
1986	2,979	45,357	11.8	15.23
1987	3,506	50,470	13.9	14.40
1988	2,515	30,922	9.9	12.29
1989	3,125	44,402	12.4	14.21
1990	3,329	37,715	13.2	11.33
1991	3,367	40,919	13.3	12.15
1992	3,596	42,238	14.2	11.75
1993	4,582	56,737	18.1	12.38
1994	4,523	58,511	17.9	12.94
1995	5,072	72,717	20.1	14.34
1996	5,628	91,330	22.2	16.23
1997	6,170	143,230	24.4	23.21
1998	7,280	287,929	28.9	39.55
1999	8,231	477,822	32.7	58.05
2000	13,318	945,391	52.9	70.98
2001	16,317	817,042	65.8	50.07

\* Dollar volume divided by share volume

## Regional Stock Exchanges' Activity

	Share Volume (Mils.)	Value of Shares Traded (\$ Mils.)	Average Daily Volume (Mils.)	Average Price of Shares Traded
1970	444	13,579	1.7	30.58
1971	601	20,169	2.4	33.56
1972	670	23,873	2.7	35.63
1973	653	21,156	2.6	32.40
1974	542	14,023	2.1	25.87
1975	638	17,595	2.5	27.58
1976	750	22,956	3.0	30.61
1977	758	21,421	3.0	28.26
1978	873	23,625	3.5	27.06
1979	1,026	28,279	4.1	27.56
1980	1,437	43,485	5.7	30.26
1981	1,595	48,390	6.3	30.34
1982	2,405	67,764	9.5	28.18
1983	3,368	106,653	13.3	31.67
1984	3,722	115,143	14.5	30.98
1985	4,709	150,252	18.7	31.91
1986	6,080	212,666	24.0	34.98
1987	7,237	248,306	28.6	34.31
1988	5,880	175,284	23.2	29.81
1989	6,708	215,523	26.6	32.13
1990	6,208	177,010	24.5	28.51
1991	7,255	204,292	28.7	28.16
1992	8,526	234,147	33.6	27.46
1993	9,809	284,569	38.8	29.01
1994	9,514	279,514	37.8	29.38
1995	11,446	355,879	45.4	31.09
1996	12,289	414,201	48.4	33.71
1997	14,809	573,212	58.5	38.71
1998	19,888	753,110	78.9	37.87
1999	27,794	1,147,556	110.3	41.29
2000	40,058	1,716,869	159.0	42.86
2001	42,990	1,206,088	173.3	28.06

## Stock Market Performance Indices

(At Year-End)

	Dow Jones Industrial Average	S&P 500	NYSE Composite	Amex Composite*	Nasdaq Composite
1970	838.92	92.15	50.23	49.21	—
1971	890.20	102.09	56.43	58.49	114.12
1972	1020.02	118.05	64.48	64.53	133.73
1973	850.86	97.55	51.82	45.17	92.19
1974	616.24	68.56	36.13	30.16	59.82
1975	852.41	90.19	47.64	41.74	77.62
1976	1004.65	107.46	57.88	54.92	97.88
1977	831.17	95.10	52.50	63.95	105.05
1978	805.01	96.11	53.62	75.28	117.98
1979	838.74	107.94	61.95	123.54	151.14
1980	963.99	135.76	77.86	174.50	202.34
1981	875.00	122.55	71.11	160.32	195.84
1982	1046.54	140.64	81.03	170.30	232.41
1983	1258.64	164.93	95.18	223.01	278.60
1984	1211.57	167.24	96.38	204.26	247.35
1985	1546.67	211.28	121.58	246.13	324.93
1986	1895.95	242.17	138.58	263.27	348.83
1987	1938.83	247.08	138.23	260.35	330.47
1988	2168.57	277.72	156.26	306.01	381.38
1989	2753.20	353.40	195.04	378.00	454.82
1990	2633.66	330.22	180.49	308.11	373.84
1991	3168.83	417.09	229.44	395.05	586.34
1992	3301.11	435.71	240.21	399.23	676.95
1993	3754.09	466.45	259.08	477.15	776.80
1994	3834.44	459.27	250.94	433.67	751.96
1995	5117.12	615.93	329.51	550.00	1052.13
1996	6448.27	740.74	392.30	572.34	1291.03
1997	7908.25	970.43	511.19	684.61	1570.35
1998	9181.43	1229.23	595.81	688.99	2192.69
1999	11497.12	1469.25	650.30	876.97	4069.31
2000	10786.85	1320.28	656.87	897.75	2470.52
2001	10021.50	1148.08	589.80	847.61	1950.40

\* Amex Market Value Index through 1994; Amex Composite Index thereafter.

## Stock Indices – Annual Percent Change

	Dow Jones Industrial Average	S&P 500	NYSE Composite	Amex Composite*	Nasdaq Composite
1970	4.8	0.1	-2.5	-18.0	—
1971	6.1	10.8	12.3	18.9	—
1972	14.6	15.6	14.3	10.3	17.2
1973	-16.6	-17.4	-19.6	-30.0	-31.1
1974	-27.6	-29.7	-30.3	-33.2	-35.1
1975	38.3	31.5	31.9	38.4	29.8
1976	17.9	19.1	21.5	31.6	26.1
1977	-17.3	-11.5	-9.3	16.4	7.3
1978	-3.1	1.1	2.1	17.7	12.3
1979	4.2	12.3	15.5	64.1	28.1
1980	14.9	25.8	25.7	41.2	33.9
1981	-9.2	-9.7	-8.7	-8.1	-3.2
1982	19.6	14.8	14.0	6.2	18.7
1983	20.3	17.3	17.5	31.0	19.9
1984	-3.7	1.4	1.3	-8.4	-11.2
1985	27.7	26.3	26.1	20.5	31.4
1986	22.6	14.6	14.0	7.0	7.4
1987	2.3	2.0	-0.3	-1.1	-5.3
1988	11.8	12.4	13.0	17.5	15.4
1989	27.0	27.3	24.8	23.5	19.3
1990	-4.3	-6.6	-7.5	-18.5	-17.8
1991	20.3	26.3	27.1	28.2	56.8
1992	4.2	4.5	4.7	1.1	15.5
1993	13.7	7.1	7.9	19.5	14.7
1994	2.1	-1.5	-3.1	-9.1	-3.2
1995	33.5	34.1	31.3	26.8	39.9
1996	26.0	20.3	19.1	4.1	22.7
1997	22.6	31.0	30.3	19.6	21.6
1998	16.1	26.7	16.6	0.6	39.6
1999	25.2	19.5	9.1	27.3	85.6
2000	-6.2	-10.1	1.0	2.4	-39.3
2001	-7.1	-13.0	-10.2	-5.6	-21.1

\* Amex Market Value Index through 1994; Amex Composite Index thereafter.

## Dow Jones Industrial Average

	High	Low	Close
1960	685.47	566.05	615.89
1961	734.91	610.25	731.14
1962	726.01	535.76	652.10
1963	767.21	646.79	762.95
1964	891.71	766.08	874.13
1965	969.26	840.59	969.26
1966	995.15	744.32	785.69
1967	943.08	786.41	905.11
1968	985.21	825.13	943.75
1969	968.85	769.93	800.36
1970	842.00	631.16	838.92
1971	950.82	797.97	890.20
1972	1036.27	889.15	1020.02
1973	1051.70	788.31	850.86
1974	891.66	577.60	616.24
1975	881.81	632.04	852.41
1976	1014.79	858.71	1004.65
1977	999.75	800.85	831.17
1978	907.74	742.12	805.01
1979	897.61	796.67	838.74
1980	1000.17	759.13	963.99
1981	1024.05	824.01	875.00
1982	1070.55	776.92	1046.54
1983	1287.20	1027.04	1258.64
1984	1286.64	1086.57	1211.57
1985	1553.10	1184.96	1546.67
1986	1955.57	1502.29	1895.95
1987	2722.42	1738.74	1938.83
1988	2183.50	1879.14	2168.57
1989	2791.41	2144.64	2753.20
1990	2999.75	2365.10	2633.66
1991	3168.83	2470.30	3168.83
1992	3413.21	3136.58	3301.11
1993	3794.33	3241.95	3754.09
1994	3978.36	3593.35	3834.44
1995	5216.47	3832.08	5117.12
1996	6560.91	5032.94	6448.27
1997	8259.31	6391.69	7908.25
1998	9374.27	7539.07	9181.43
1999	11497.12	9120.67	11497.12
2000	11722.98	9796.03	10786.85
2001	11337.90	8235.81	10021.50

## Compound Annual Rates of Return by Decade

(In Percent)

	Large Company Stocks	Small Company Stocks	Long-Term Corporate Bonds	Long-Term Treasuries	Intermediate Treasuries	Treasury Bills	Inflation
1920s*	19.2	-4.5	5.2	5.0	4.2	3.7	-1.1
1930s	-0.1	1.4	6.9	4.9	4.6	0.6	-2.0
1940s	9.2	20.7	2.7	3.2	1.8	0.4	5.4
1950s	19.4	16.9	1.0	-0.1	1.3	1.9	2.2
1960s	7.8	15.5	1.7	1.4	3.5	3.9	2.5
1970s	5.9	11.5	6.2	5.5	7.0	6.3	7.4
1980s	17.5	15.8	13.0	12.6	11.9	8.9	5.1
1990s	18.2	15.1	8.4	8.8	7.2	4.9	2.9
2000s**	-10.5	8.8	11.8	12.2	10.1	4.9	2.5

\* Based on the period 1926-1929.

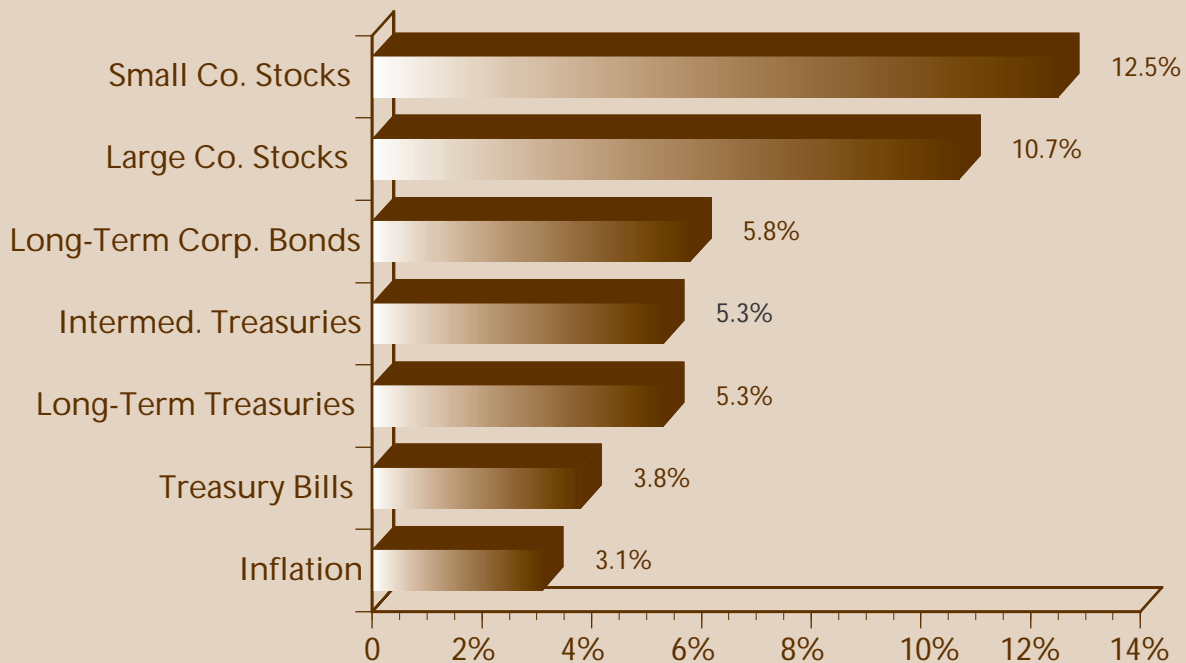
\*\* Based on the period 2000-2001.

Source: Computed using data from *Stocks, Bonds, Bills, and Inflation 2002 Yearbook*, Ibbotson Associates, Chicago.

## Compound Annual Rates of Return

Over the past 76 years

1926 – 2001



Source: Computed using data from *Stocks, Bonds, Bills, and Inflation 2002 Yearbook*, Ibbotson Associates, Chicago.

## Net New Cash Flow\* to Mutual Funds

(\$ Billions)

	Equity	Hybrid	Bond	Money Market	Total
1985	8.5	1.9	63.2	-5.4	68.2
1986	21.7	5.6	102.6	33.9	163.8
1987	19.0	4.0	6.8	10.2	40.0
1988	-16.1	-2.5	-4.5	0.1	-23.0
1989	5.8	4.2	-1.2	64.1	72.8
1990	12.8	2.2	6.2	23.2	44.4
1991	39.4	8.0	58.9	5.5	111.8
1992	78.9	21.8	71.0	-16.3	155.4
1993	129.4	39.4	73.3	-14.1	228.0
1994	118.9	20.9	-64.6	8.8	84.1
1995	127.6	5.3	-10.5	89.4	211.8
1996	216.9	12.3	2.8	89.4	321.3
1997	227.1	16.5	28.4	102.1	374.1
1998	157.0	10.2	74.6	235.3	477.1
1999	187.7	-12.4	-5.5	193.6	363.4
2000	309.4	-30.7	-49.8	159.6	388.6
2001	32.2	9.5	87.8	375.3	504.8

\* New sales (excluding reinvested dividends) minus redemptions, combined with net exchanges.  
Source: Investment Company Institute (<http://www.ici.org>)

## Mutual Fund Assets

(\$ Billions)

	Equity	Hybrid	Bond	Money Market	Total
1985	116.9	12.0	122.6	243.8	495.4
1986	161.4	18.8	243.3	292.1	715.7
1987	180.5	24.2	248.4	316.1	769.2
1988	194.7	21.1	255.7	338.0	809.4
1989	248.8	31.8	271.9	428.1	980.7
1990	239.5	36.1	291.3	498.3	1,065.2
1991	404.7	52.2	393.8	542.5	1,393.2
1992	514.1	78.0	504.2	546.2	1,642.5
1993	740.7	144.5	619.5	565.3	2,070.0
1994	852.8	164.5	527.1	611.0	2,155.4
1995	1,249.1	210.5	598.9	753.0	2,811.5
1996	1,726.1	252.9	645.4	901.8	3,526.3
1997	2,368.0	317.1	724.2	1,058.9	4,468.2
1998	2,978.2	364.7	830.6	1,351.7	5,525.2
1999	4,041.9	383.2	808.1	1,613.1	6,846.3
2000	3,962.0	346.3	811.1	1,845.2	6,964.7
2001	3,418.2	346.3	925.1	2,285.3	6,975.0

## Share of Total Mutual Fund Assets

(In Percent)

	Equity	Hybrid	Bond	Money Market
1985	23.6	2.4	24.7	49.2
1986	22.6	2.6	34.0	40.8
1987	23.5	3.1	32.3	41.1
1988	24.1	2.6	31.6	41.8
1989	25.4	3.2	27.7	43.7
1990	22.5	3.4	27.3	46.8
1991	29.0	3.7	28.3	38.9
1992	31.3	4.7	30.7	33.3
1993	35.8	7.0	29.9	27.3
1994	39.6	7.6	24.5	28.3
1995	44.4	7.5	21.3	26.8
1996	48.9	7.2	18.3	25.6
1997	53.0	7.1	16.2	23.7
1998	53.9	6.6	15.0	24.5
1999	59.0	5.6	11.8	23.6
2000	56.9	5.0	11.6	26.5
2001	49.0	5.0	13.3	32.8

Source: Investment Company Institute



## Number of Futures Contracts Traded on U.S. Exchanges (Millions)

	Interest Rate	Ag. Commodities	Energy Products	Foreign Currency	Equity Indices	Precious Metals	Non-Precious Metals	Other	Total
1980	12.5	59.1	0.2	4.2	*	13.2	1.8	1.0	92.1
1981	22.9	50.4	1.0	6.1	*	15.7	1.6	0.8	98.5
1982	28.8	46.3	1.9	8.7	4.9	18.8	2.4	0.6	112.4
1983	28.1	57.8	2.8	11.9	12.8	22.6	3.2	0.8	139.9
1984	41.2	48.9	4.6	14.0	18.4	18.9	2.6	0.8	149.4
1985	55.1	39.3	7.0	17.2	22.2	14.7	2.5	0.6	158.7
1986	70.2	38.3	12.9	19.4	26.5	14.7	1.9	0.6	184.4
1987	97.5	43.4	21.0	20.5	25.5	17.8	2.6	0.6	228.9
1988	102.6	60.5	27.1	22.2	14.3	16.5	2.1	0.6	245.9
1989	123.7	54.1	30.8	27.0	13.3	16.1	2.1	0.4	267.4
1990	123.4	57.1	35.4	28.9	14.8	14.8	1.9	0.3	276.5
1991	119.8	52.2	33.7	28.7	14.9	11.8	1.6	0.2	262.9
1992	153.3	51.2	37.8	26.6	14.7	9.8	1.7	0.3	295.3
1993	173.8	56.7	45.6	30.8	15.0	14.7	2.1	0.4	339.1
1994	248.7	58.7	49.7	29.7	20.6	15.7	2.7	0.4	426.3
1995	223.6	63.5	47.2	23.2	20.7	14.1	2.5	0.5	395.3
1996	212.5	74.9	47.2	22.6	22.2	14.9	2.3	0.8	397.4
1997	244.6	74.9	52.9	26.6	25.8	15.4	2.4	1.1	443.7
1998	279.2	73.3	63.8	27.0	42.4	13.8	2.5	1.2	503.2
1999	240.7	73.0	75.1	23.7	46.7	14.5	2.9	1.3	477.9
2000	248.7	73.2	73.1	19.4	62.8	10.2	2.8	1.3	491.5
2001	341.9	72.3	72.5	21.7	107.2	9.6	2.9	0.7	629.0

\* Not yet traded.

Source: Futures Industry Association (<http://www.futuresindustry.org>)

## Number of Options Contracts Traded on U.S. Exchanges (Millions)

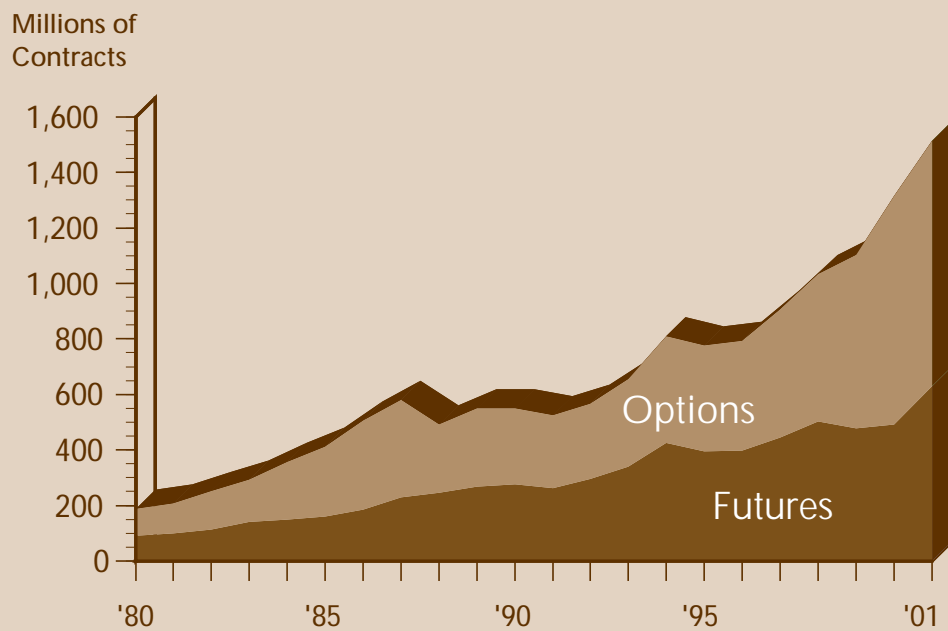
	Equity	Stock Index	Foreign Currency	Interest Rate	Futures	Total
1980	96.7	*	*	*	*	96.7
1981	109.4	*	*	*	*	109.4
1982	137.3	*	0.0	0.0	0.2	137.5
1983	135.7	14.0	0.2	0.2	2.6	152.7
1984	118.9	75.8	1.5	0.3	9.9	206.4
1985	118.6	110.0	3.9	0.4	20.0	252.9
1986	141.9	138.5	8.5	0.3	31.8	321.0
1987	164.4	129.7	10.8	0.2	46.2	351.3
1988	114.9	71.0	9.9	0.1	49.1	245.0
1989	141.8	73.9	11.1	0.2	55.4	282.4
1990	111.4	88.3	10.1	0.1	64.1	274.0
1991	104.9	83.1	10.8	0.1	62.2	261.1
1992	106.5	83.3	12.2	0.1	69.2	271.3
1993	131.7	87.7	13.1	0.1	81.9	314.5
1994	149.9	121.1	10.1	0.2	100.9	382.2
1995	174.4	107.9	5.0	0.1	94.2	381.5
1996	198.6	92.4	3.2	0.1	102.0	396.2
1997	269.6	78.2	2.6	0.1	111.1	461.5
1998	325.8	74.8	1.8	0.1	127.5	530.0
1999	444.8	62.3	0.8	0.0	115.0	622.9
2000	665.3	53.3	0.5	0.0	103.1	822.2
2001	635.7	79.5	0.5	0.0	168.2	884.0

\* Not yet traded.

0.0 = Less than 50,000

Sources: Options Clearing Corporation; Futures Industry Association  
(<http://www.optionsclearing.com>; <http://www.futuresindustry.org>)

## U.S. Exchange-Traded Derivatives



# INVESTOR PARTICIPATION



## Investor Participation

Institutional investors owned a record 61.3% of the total value of U.S. equities outstanding last year, or \$9.3 trillion of the \$15.2 trillion of equities outstanding by the end of 2001. Although the household sector's (or individuals) *direct* equity ownership share is declining, their total ownership stake, directly and indirectly, has been climbing. Individuals, of course, ultimately own the stocks held by pension funds, mutual funds, and insurance companies.

Even though the absolute levels of holdings of equities by both the institutional and household sectors fell for the second straight year in 2001 due to declines in equity prices, certain institutional investors are increasing their purchases and holdings of U.S. equities faster than other sectors. The largest institutional sector and the fastest growing is mutual funds, which is ultimately owned by individuals. Mutual funds held 18.7% of all equities last year, triple their market share just 10 years ago. Private pension funds maintained their share of total equity holdings last year at 12.5% but their long-term overall share has been declining — from over 23% in 1985 to a recent low of 11.9% in 1999. This is mainly due to American business shifting their pension burden to the workforce itself by embracing defined contribution plans, i.e. 401(k)s. This, in turn, has also shifted individuals' focus on the equity markets as more and more Americans have been introduced to the equity markets through their ownership in such plans.

The foreign sector has become a major owner of American business directly and indirectly through ownership of a record 11.2% of all U.S. equities outstanding last year, nearly double their percentage ownership stake just eight years ago. For more on this topic, turn to the next chapter, "Global Markets."

A recent phenomenon has been the popularity of "Exchange-Traded Funds," which have gone from less than \$1 billion seven years ago to a record \$83 billion last year and now hold 0.5% of all other stocks in the U.S. These ETFs are themselves stocks, but are basically exchange traded mutual funds that own other stocks. But unlike mutual funds, ETFs can be bought and sold exactly like a stock of an individual company during the entire trading day. Furthermore, they can be bought on margin, sold short or bought at limit prices. Most ETFs represent a portfolio of stocks designed to track one specific index. Some common ones are the QQQs, tracking the Nasdaq-100 Index, SPDRS (called spiders), tracking the S&P 500 or DIAMONDS, tracking the Dow Jones Industrial Average. Other ETFs allow you to invest by industry sector, size, region or investment style.

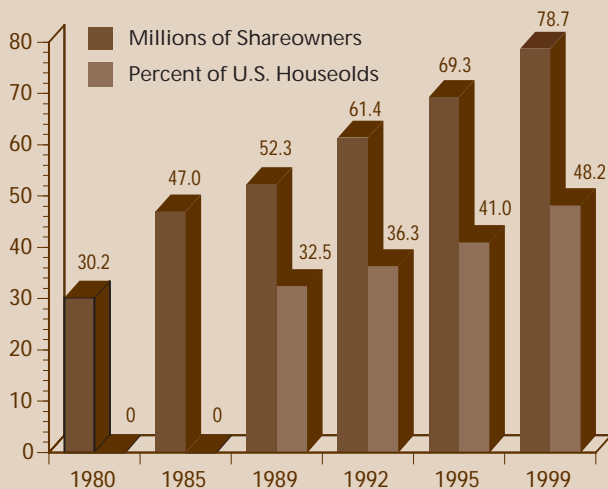
Today, nearly 77% of households' liquid financial assets – financial instruments readily convertible to cash – are in securities products with the balance in bank deposits and CDs. This is down somewhat from the record 83% set in 1999, entirely due to the decline in 2000 and 2001 in equity prices. In 1999, 50% of liquid financial assets of the household sector was in equities – in just two years' time that fell to 38%, its lowest share in seven years. Still, as recently as 1985, over half of all these liquid assets were in bank products, not securities products. Total household liquid financial assets last year fell to \$15.3 trillion from \$16.7 trillion in 2000 and the record \$18.5 trillion set in 1999, again all due to declining equity prices. Of 2001's liquid assets, 38% are in equities, 27% in mutual funds (19% in stock and bond funds with an additional 8% in money market funds), 23% in bank products, 4% in municipal bonds, 4% in corporate bonds and 3% in U.S. government securities.

Americans continued the trend towards self-providing for their retirement, health, homeownership, and children's education needs by investing in equities either directly, through mutual funds or through retirement accounts with nearly half of all American households now owning equities through these mediums. Congress has also expanded the opportunities for tax-free or tax-deferred savings by increasing limits to such savings vehicles as IRAs, 401(k)s and educational savings accounts, with further increases built in for years to come.

Based on the SIA/ICI "Equity Ownership in America" survey results, an estimated 79 million Americans residing in 49.2 million U.S. households, or 48.2% of the total in 1999, owned equities individually, through mutual funds or retirement plans. It is estimated that well over half of all U.S. households with nearly 100 million Americans are stockholders today. One-third of these households own equities through employer-sponsored retirement plans and an additional 36% own equities outside such plans.

Consistent with previous studies, equity owners tend to be middle-aged with moderate income and assets. The typical equity owner is 47 years old, has household income of \$60,000, and household financial assets of \$85,000. Most equity owners are married, employed, and are college graduates. Of these equity owners, 80% are covered by employer-sponsored retirement plans, and 53% have Individual Retirement Accounts (IRAs).

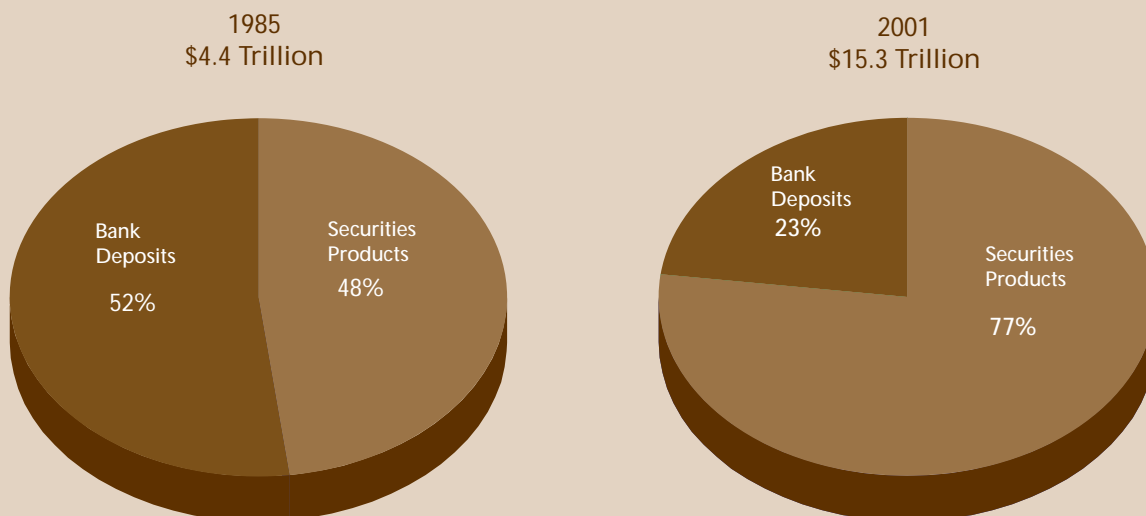
## A Steady Rise in Equity Ownership



Individual stock investors and mutual fund shareholders usually own more than one stock or fund — 59% of individual stock investors own stock in three or more companies and 63% of stock mutual fund shareholders own three or more stock mutual funds. Another finding was that in most equity-owning households investment decisions are a shared responsibility — 54% have co-decision makers. Nearly half (48%) of all equity owners are Baby Boomers, those born between 1945 and 1963; one third were born prior to the end of World War II, while 19% are members of Generation X. Generation X equity owners have a more aggressive investment approach than older generations. They hold 80% of their household assets in equities, compared with 57% for the Baby Boom Generation equity investors and 37% for those over 75.

For the first time in seven years, the net issuance of corporate equities in the U.S. turned positive. There was a net new issuance of \$94 billion in corporate equities in the U.S. last year vs. a cumulative net retirement of \$327 billion over the previous six years.

## Households' Liquid Financial Assets



## U.S. Holdings of Equities Outstanding

(Market Value in \$ Billions)

	Total	Households		Institutions	
		Value	% of Total	Value	% of Total
1965	734.9	616.1	83.8	118.8	16.2
1966	660.4	548.3	83.0	112.2	17.0
1967	835.1	682.1	81.7	153.0	18.3
1968	996.1	815.3	81.9	180.8	18.1
1969	849.9	587.4	69.1	262.5	30.9
1970	841.4	572.5	68.0	268.9	32.0
1971	987.5	650.9	65.9	336.7	34.1
1972	1,219.5	813.7	66.7	405.9	33.3
1973	948.8	597.5	63.0	351.2	37.0
1974	636.8	373.4	58.6	263.4	41.4
1975	845.7	499.0	59.0	346.7	41.0
1976	1,041.6	637.4	61.2	404.1	38.8
1977	928.7	542.5	58.4	386.2	41.6
1978	977.5	550.3	56.3	427.2	43.7
1979	1,160.2	674.9	58.2	485.3	41.8
1980	1,494.9	875.4	58.6	619.5	41.4
1981	1,382.0	780.1	56.4	601.9	43.6
1982	1,562.5	832.5	53.3	730.0	46.7
1983	1,856.0	936.2	50.4	919.8	49.6
1984	1,789.2	863.1	48.2	926.0	51.8
1985	2,270.4	1,058.1	46.6	1,212.3	53.4
1986	2,682.2	1,330.3	49.6	1,351.9	50.4
1987	2,710.3	1,306.2	48.2	1,404.1	51.8
1988	3,076.3	1,585.7	51.5	1,490.6	48.5
1989	3,819.7	1,946.5	51.0	1,873.1	49.0
1990	3,542.6	1,781.4	50.3	1,761.2	49.7
1991	4,863.3	2,548.7	52.4	2,314.5	47.6
1992	5,430.9	2,869.2	52.8	2,561.7	47.2
1993	6,296.9	3,237.1	51.4	3,059.8	48.6
1994	6,318.2	3,081.7	48.8	3,236.5	51.2
1995	8,474.8	4,160.9	49.1	4,313.9	50.9
1996	10,281.6	4,895.6	47.6	5,386.0	52.4
1997	13,301.7	6,302.5	47.4	6,999.2	52.6
1998	15,577.3	7,173.6	46.1	8,403.7	53.9
1999	19,581.2	9,197.3	47.0	10,383.9	53.0
2000	17,566.4	7,317.2	41.7	10,249.2	58.3
2001	15,200.7	5,888.4	38.7	9,312.3	61.3

Note: Household sector includes nonprofit organizations.

Source: Federal Reserve Flow of Funds Accounts (<http://www.federalreserve.gov/releases/Z1/>;  
Table L.213 Corporate Equities)

## U.S. Household Ownership of Equities in 1999

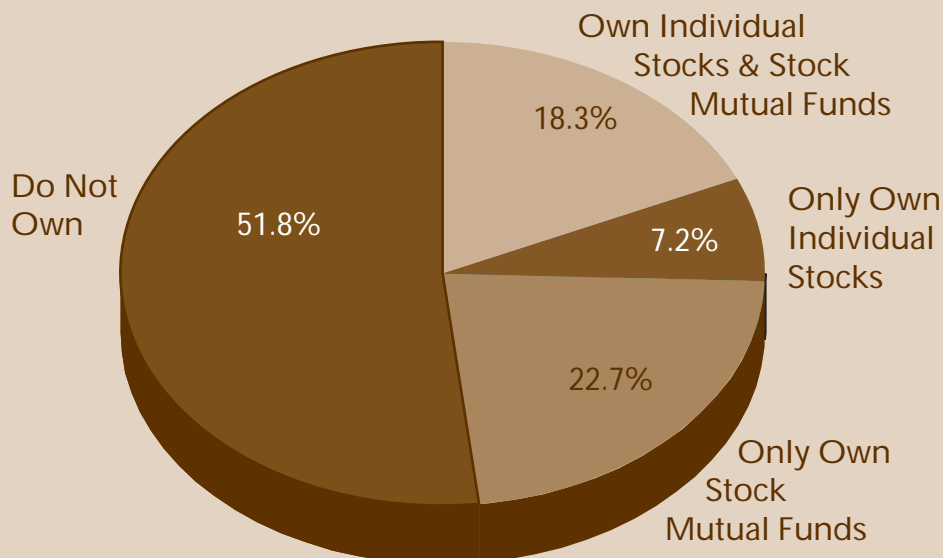
	Percent of All U.S. Households	Number of Households (Millions)	Number of Individual Investors (Millions)
Any type of equity*	48.2	49.2	78.7
-- Inside employer-sponsored retirement plans	31.8	32.5	52.0
-- Outside employer-sponsored retirement plans	35.5	36.3	61.6
Individual stock*	26.1	26.7	40.0
-- Inside employer-sponsored retirement plans	10.5	10.7	14.0
-- Outside employer-sponsored retirement plans	21.4	21.9	32.8
Stock mutual funds*	40.9	41.8	66.8
-- Inside employer-sponsored retirement plans	27.9	28.5	39.9
-- Outside employer-sponsored retirement plans	27.2	27.8	44.4

\* Multiple responses included.

Source: ICI/SIA Equity Ownership in America ([http://www.ici.org/pdf/rpt\\_equity\\_owners.pdf](http://www.ici.org/pdf/rpt_equity_owners.pdf))

## Equity Ownership in the U.S. in 1999

(Percent of U.S. Households)





## Household Sector's\* Liquid Financial Assets

(Market Value in \$ Billions)

	Equities	Bank Deposits & CDs	Mutual Fund Shares	U.S. Gov't Secs.	Muni. Bonds	Money Market Funds	Corp. Bonds	Liquid Financial Assets
1980	875	1,455	46	165	105	62	30	2,738
1981	780	1,561	47	154	131	148	31	2,852
1982	832	1,688	57	171	171	180	24	3,124
1983	936	1,895	88	215	212	149	27	3,521
1984	863	2,134	105	271	252	191	28	3,843
1985	1,058	2,300	198	269	348	193	77	4,444
1986	1,330	2,504	333	258	355	229	107	5,116
1987	1,306	2,622	382	293	454	250	124	5,430
1988	1,586	2,801	400	394	524	265	117	6,088
1989	1,947	2,873	463	414	548	342	163	6,749
1990	1,781	2,892	457	555	575	369	219	6,848
1991	2,549	2,872	570	569	614	383	273	7,830
1992	2,869	2,878	707	661	586	342	271	8,314
1993	3,237	2,813	965	651	551	342	293	8,851
1994	3,082	2,754	997	960	501	353	330	8,976
1995	4,161	2,825	1,159	898	455	450	415	10,363
1996	4,896	2,905	1,495	997	433	501	491	11,717
1997	6,303	3,003	1,941	863	469	582	532	13,692
1998	7,174	3,142	2,401	757	487	747	624	15,332
1999	9,197	3,133	3,113	953	525	873	656	18,450
2000	7,317	3,348	3,094	735	534	1,006	646	16,680
2001	5,888	3,562	2,970	512	556	1,174	654	15,315

\* Households and nonprofit organizations.

Note: Liquid financial assets exclude such illiquid assets as pension fund reserves, equity in non-corporate business, etc.

Source: Federal Reserve Flow of Funds Accounts (<http://www.federalreserve.gov/releases/Z1/>; Table L.100 Households & Nonprofit Organizations)

## Share of Household Liquid Financial Assets

(In Percent)

	Equities	Bank Deposits & CDs	Mutual Fund Shares	U.S. Gov't Secs.	Muni. Bonds	Money Market Funds	Corp. Bonds	Liquid Financial Assets
1980	32.0	53.1	1.7	6.0	3.8	2.3	1.1	100.0
1981	27.4	54.7	1.6	5.4	4.6	5.2	1.1	100.0
1982	26.6	54.0	1.8	5.5	5.5	5.8	0.8	100.0
1983	26.6	53.8	2.5	6.1	6.0	4.2	0.8	100.0
1984	22.5	55.5	2.7	7.0	6.5	5.0	0.7	100.0
1985	23.8	51.8	4.5	6.1	7.8	4.3	1.7	100.0
1986	26.0	48.9	6.5	5.0	6.9	4.5	2.1	100.0
1987	24.1	48.3	7.0	5.4	8.4	4.6	2.3	100.0
1988	26.0	46.0	6.6	6.5	8.6	4.4	1.9	100.0
1989	28.8	42.6	6.9	6.1	8.1	5.1	2.4	100.0
1990	26.0	42.2	6.7	8.1	8.4	5.4	3.2	100.0
1991	32.6	36.7	7.3	7.3	7.8	4.9	3.5	100.0
1992	34.5	34.6	8.5	8.0	7.0	4.1	3.3	100.0
1993	36.6	31.8	10.9	7.4	6.2	3.9	3.3	100.0
1994	34.3	30.7	11.1	10.7	5.6	3.9	3.7	100.0
1995	40.2	27.3	11.2	8.7	4.4	4.3	4.0	100.0
1996	41.8	24.8	12.8	8.5	3.7	4.3	4.2	100.0
1997	46.0	21.9	14.2	6.3	3.4	4.3	3.9	100.0
1998	46.8	20.5	15.7	4.9	3.2	4.9	4.1	100.0
1999	49.9	17.0	16.9	5.2	2.8	4.7	3.6	100.0
2000	43.9	20.1	18.6	4.4	3.2	6.0	3.9	100.0
2001	38.4	23.3	19.4	3.3	3.6	7.7	4.3	100.0

## U.S. Holdings of Equities Outstanding by Investor Type

(Market Value in \$ Billions)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>TOTAL OUTSTANDING</b>	3,820	3,543	4,863	5,431	6,297	6,318	8,475	10,282	13,302	15,577	19,581	17,566	15,201
Households	1,947	1,781	2,549	2,869	3,237	3,082	4,161	4,896	6,303	7,174	9,197	7,317	5,888
Institutions	1,873	1,761	2,315	2,562	3,060	3,236	4,314	5,386	6,999	8,404	10,384	10,249	9,312
Mutual Funds	251	233	309	401	607	710	1,025	1,470	2,019	2,506	3,377	3,227	2,836
Private Pension Funds	636	606	807	876	1,019	1,020	1,289	1,464	1,696	1,991	2,326	2,195	1,905
Public Pension Funds	278	285	379	429	497	508	679	829	1,085	1,234	1,343	1,335	1,216
Foreign	276	244	299	329	374	398	528	657	920	1,175	1,538	1,748	1,698
Life Insurance Cos.	92	82	136	152	201	246	315	414	559	733	965	941	905
Bank Personal Trusts	207	190	234	217	181	167	225	249	321	314	338	280	226
Other Insurance Cos.	84	80	94	97	103	112	134	149	186	200	208	194	171
State & Local Gov'ts	3	5	6	8	9	11	26	47	79	102	115	115	126
Broker/Dealers	14	10	14	15	24	20	34	38	52	54	67	77	83
Exchange-Traded Funds	*	*	*	*	1	0	1	2	7	16	34	66	83
Closed-End Funds	17	16	22	24	26	32	38	44	51	47	40	36	29
Savings Institutions	11	9	10	11	13	10	14	18	23	25	24	24	28
Commercial Banks	5	2	4	3	4	3	5	7	3	7	10	11	6

\* Not yet traded.

Source: Federal Reserve Flow of Funds Accounts (<http://www.federalreserve.gov/releases/Z1/>; Table L.213 Corporate Equities)

## Share of Total Equities Outstanding (In Percent)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Households	51.0	50.3	52.4	52.8	51.4	48.8	49.1	47.6	47.4	46.1	47.0	41.7	38.7
Institutions	49.0	49.7	47.6	47.2	48.6	51.2	50.9	52.4	52.6	53.9	53.0	58.3	61.3
Mutual Funds	6.6	6.6	6.4	7.4	9.6	11.2	12.1	14.3	15.2	16.1	17.2	18.4	18.7
Private Pension Funds	16.6	17.1	16.6	16.1	16.2	16.1	15.2	14.2	12.8	12.8	11.9	12.5	12.5
Public Pension Funds	7.3	8.0	7.8	7.9	7.9	8.0	8.0	8.1	8.2	7.9	6.9	7.6	8.0
Foreign	7.2	6.9	6.1	6.1	5.9	6.3	6.2	6.4	6.9	7.5	7.9	10.0	11.2
Life Insurance Cos.	2.4	2.3	2.8	2.8	3.2	3.9	3.7	4.0	4.2	4.7	4.9	5.4	6.0
Bank Personal Trusts	5.4	5.4	4.8	4.0	2.9	2.6	2.7	2.4	2.4	2.0	1.7	1.6	1.5
Other Insurance Cos.	2.2	2.3	1.9	1.8	1.6	1.8	1.6	1.4	1.4	1.3	1.1	1.1	1.1
State & Local Gov'ts	0.1	0.1	0.1	0.1	0.1	0.2	0.3	0.5	0.6	0.7	0.6	0.7	0.8
Broker/Dealers	0.4	0.3	0.3	0.3	0.4	0.3	0.4	0.4	0.4	0.3	0.3	0.4	0.5
Exchange-Traded Funds	--	--	--	--	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.4	0.5
Closed-End Funds	0.4	0.5	0.4	0.4	0.4	0.5	0.5	0.4	0.4	0.3	0.2	0.2	0.2
Savings Institutions	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.2
Commercial Banks	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.0	0.0	0.1	0.1	0.0

## Net Acquisitions of Corporate Equities

(\$ Billions)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
NET ISSUANCE	-102.6	-45.7	72.3	99.6	133.4	12.8	-0.2	-4.7	-79.9	-165.8	-34.6	-41.7	83.9
Households	-105.1	-48.6	-52.2	18.1	-56.1	-172.1	-91.6	-192.6	-293.3	-334.7	-327.0	-494.9	-291.5
Institutions	2.5	2.9	124.6	81.4	189.6	184.9	91.3	187.9	213.3	168.8	292.2	453.1	375.5
Mutual Funds	1.2	14.4	48.5	59.8	115.3	100.8	87.4	193.0	166.8	143.3	136.4	189.1	109.7
Private Pension Funds	-33.9	0.9	13.2	37.6	21.9	2.0	-69.5	-71.5	-137.8	-27.1	-29.1	-49.9	-14.2
Public Pension Funds	14.0	22.5	39.1	13.8	33.3	26.1	18.2	18.2	9.4	-28.2	-6.2	-18.4	16.1
Foreign	9.0	-16.0	10.4	-5.6	20.9	0.9	16.6	11.1	67.8	42.0	112.3	193.8	129.2
Life Insurance Cos.	9.7	-5.7	17.0	12.4	36.3	61.8	18.6	46.7	86.3	115.3	111.9	105.9	81.6
Bank Personal Trusts	-5.2	0.5	-8.6	-37.0	-55.2	-8.8	1.6	-17.3	-0.5	-70.4	-40.4	-20.0	-20.0
Other Insurance Cos.	7.9	-7.0	-1.2	-0.4	0.8	1.1	-0.6	-6.8	3.0	-5.0	-1.7	0.7	5.0
State & Local Gov'ts	1.6	1.5	1.5	1.5	1.5	1.3	12.1	14.5	16.8	9.4	3.5	-1.2	22.8
Broker/Dealers	-1.9	-3.3	2.4	-0.6	8.1	-3.4	7.7	-1.9	2.4	-6.0	7.7	9.6	15.0
Exchange-Traded Funds	*	*	*	*	0.5	0.0	0.4	1.1	3.4	6.0	12.2	42.4	31.0
Closed-End Funds	-0.3	0.1	1.8	0.0	3.7	6.1	-4.0	-1.6	-5.1	-13.3	-14.9	0.4	-2.2
Savings Institutions	0.4	-2.5	-1.1	0.3	1.7	-1.8	0.7	0.6	0.2	1.5	-0.7	0.4	3.2
Commercial Banks	-0.1	-2.5	1.7	-0.4	0.9	-1.4	2.1	1.8	0.6	1.3	1.2	0.3	-1.7

\* Not yet traded.

Source: Federal Reserve Flow of Funds Accounts (<http://www.federalreserve.gov/releases/Z1/>; Table F.213 Corporate Equities)

# **GLOBAL MARKETS**

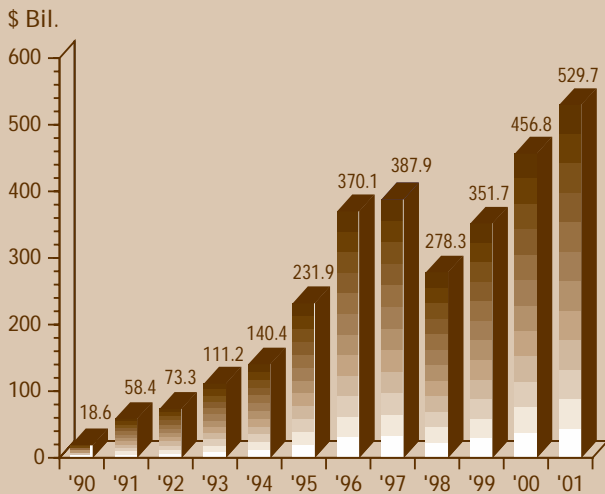


## Global Markets

Undeterred by the events of last September, U.S. military engagement in Afghanistan, and poor performance in the U.S. equity markets, foreign investors stockpiled a record \$529.7 billion in U.S. securities by year-end 2001, a sharp 16% gain over acquisitions in 2000. Gross activity, all purchases and sales made throughout the year, by foreigners in all U.S. securities rose 18% to a record \$20.0 trillion in 2001 from 2000's then-record \$17.0 trillion.

Acquisitions of U.S. fixed-income securities by foreigners totaled a record \$413.3 billion in 2001, 46.6% above the level in 2000 (\$281.9 billion). Net purchases of U.S. corporate bonds by foreigners totaled \$229.4 billion in 2001 versus \$182.4 billion in 2000. Foreigners also completed record net purchases of U.S. agency bonds and notes of \$165.4 billion last year vs. \$152.8 billion in 2000. Moreover, foreign investors bought a net \$18.5 billion in U.S. Treasuries, reversing a trend of foreign divestments in these securities the previous two years — net sales of \$10.0 billion in 1999 and \$53.3 billion in 2000.

### FOREIGN ACQUISITIONS OF U.S. SECURITIES



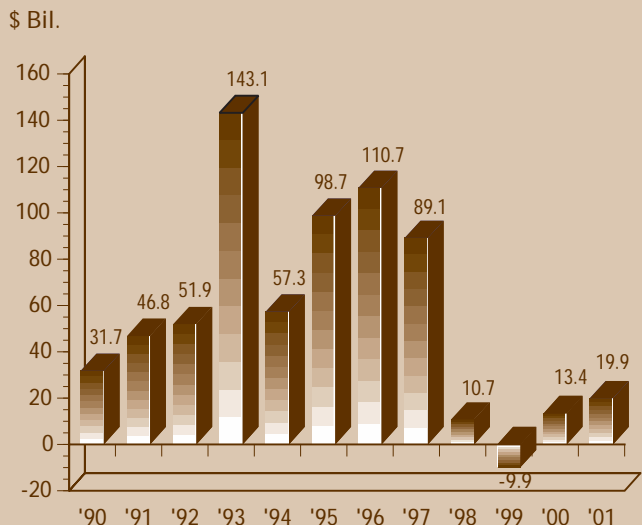
This was the net result of gross activity totaling an also record \$14.0 trillion last year, a 40% jump from the then-record \$10 billion in U.S. fixed income transactions in 2000. By issuer type, gross activity totaled \$1.3 trillion in U.S. corporate bonds, \$10.5 billion in U.S. Treasuries and \$2.2 trillion in U.S. Agencies last year, all records.

Net purchases of U.S. stocks by foreign investors fell by one-third last year from the record \$174.9 billion in 2000 to \$116.4 billion last year, but this total still was second highest level ever. Japanese investors made record net purchases of nearly \$6.8 billion, while Canadian investors acquired \$11 billion in U.S. stocks in 2001, 66.7% above the previous year's \$6.6 billion. Gross activity in U.S. equities by foreigners last year also fell last year but by a lesser 14%, from a record \$7.0 trillion set in 2000 to \$6.0 trillion in 2001, also the second highest total ever.

On the flip side, U.S.-based investors turned strongly to foreign securities last year, making net purchases particularly of stocks for companies located in the European Union, the first time that these investors have done so since 1997. Net purchases of foreign stocks by U.S.-based investors ballooned to \$50.5 billion in 2001, well above the prior year's \$9.5 billion total or the \$31.1 billion average over the past 10 years. This was also the third highest net purchase level ever following \$62.7 billion in 1993 and \$59.3 billion in 1996.

U.S.-based investors' interests in foreign stocks were particularly acute for Japan, as Americans acquired nearly \$20 billion in Japanese equities in 2001 compared to net sales of \$17.4 billion in 2000. Net purchases (purchases minus sales) of E.U. stocks

### ACQUISITIONS OF FOREIGN SECURITIES BY U.S. INVESTORS



totaled \$19.2 billion in 2001, compared to net sales of \$19.8 billion in 2000. The record net purchases of stocks for companies located in the United Kingdom which totaled \$21.9 billion in 2001 compared to net sales of \$1.9 billion in 2000, was a major factor in the gain in U.S. investors' acquisitions of total E.U. stocks last year.

Possibly to fund these acquisitions, but mainly a result of dumping credit risk foreign debt, U.S. investors sold a record \$30.6 billion in foreign bonds, the first time Americans were not net buyers since at least the 1970s. Netting the positive acquisition of equity with net sales of debt leaves a total net acquisition of foreign securities by Americans at \$19.9 billion last year, up 48.5% from 2000's total of \$13.4 billion but a far cry from the record of \$143.1 billion set in 1993.

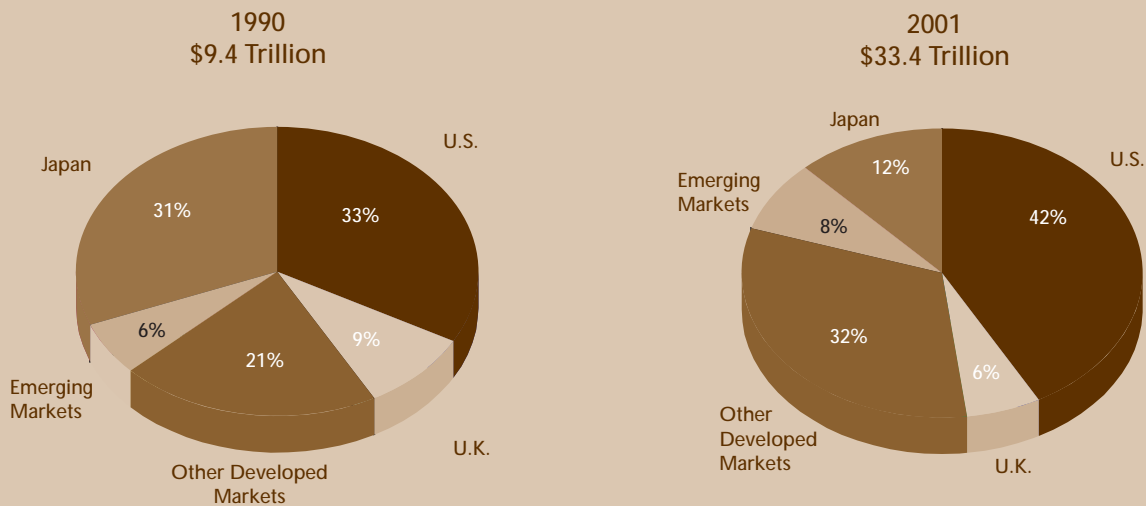
The absolute level of gross activity in foreign stocks actually fell in 2001, despite the pick up in net purchases, to \$2.8 trillion, down 22% from the record level of \$3.6 trillion in 2000. Gross activity in foreign bonds by Americans rose 17% from \$1.9 trillion in

2000 to \$2.3 trillion last year. Combined, total gross activity in all foreign securities inched down 7% last year to \$5.1 trillion from 2000's record \$5.5 trillion; still, this is the second highest total ever.

Stock markets around the world underwent drastic changes over the last decade. Capitalism itself was introduced to Russia and nearly two dozen nations, notably many former Soviet Bloc countries. Even nations with longstanding capital markets, but dominated by banking and institutional ownership, witnessed the growth of new public offerings with individuals the prime target of issuers. Millions of new investors entered the world's equity markets during the 1990s from the United States to Eastern Europe.

The value of global stock market capitalization inched up 3% last year to \$33.4 trillion, second only to the record \$36.1 trillion outstanding at the end of 1999 (as reported by Standard & Poor's). In 1999, global equity market capitalization rose by one-third which put equity values globally above the world's gross domestic product (\$31 trillion of GDP) for the first time ever.

## GLOBAL EQUITY MARKET CAPITALIZATION





## Value of International Security Offerings

(\$ Billions)

	Straight Debt	Conv. Debt	Total Debt	Common Stock	Pref. Stock	Total Equity	Total
1985	149.5	7.6	157.1	1.9	0.0	1.9	159.0
1986	206.5	8.5	215.0	10.2	1.8	12.0	227.0
1987	155.2	17.6	172.8	12.5	1.2	13.8	186.6
1988	203.8	12.5	216.3	5.4	2.9	8.3	224.6
1989	235.6	14.9	250.6	8.9	1.2	10.1	260.6
1990	223.3	10.2	233.5	7.9	0.3	8.2	241.7
1991	279.7	9.9	289.5	11.7	0.9	12.6	302.2
1992	302.8	6.1	308.8	12.3	1.4	13.7	322.6
1993	425.3	17.7	443.1	18.7	0.9	19.6	462.7
1994	379.7	19.0	398.7	25.1	0.9	26.0	424.7
1995	410.3	9.8	420.1	22.2	1.0	23.2	443.3
1996	536.6	20.9	557.5	38.5	6.6	45.1	602.6
1997	537.1	17.8	554.9	59.8	3.9	63.7	618.6
1998	664.5	31.9	696.4	64.2	4.8	69.0	765.4
1999	1104.1	31.5	1,135.5	95.5	7.5	103.0	1,238.5
2000	844.6	40.6	885.2	197.4	18.2	215.5	1,100.7
2001	1,000.5	58.1	1,058.6	81.3	10.7	91.9	1,150.6

## Number of International Security Offerings

(Number of Issues)

	Straight Debt	Conv. Debt	Total Debt	Common Stock	Pref. Stock	Total Equity	Total
1985	1,749	160	1,909	31	0	31	1,940
1986	2,081	113	2,194	110	6	116	2,310
1987	1,755	205	1,960	169	9	178	2,138
1988	2,011	172	2,183	92	15	107	2,290
1989	2,028	194	2,222	149	8	157	2,379
1990	1,902	134	2,036	121	3	124	2,160
1991	1,989	132	2,121	217	4	221	2,342
1992	1,950	62	2,012	265	7	272	2,284
1993	2,594	176	2,770	310	9	319	3,089
1994	2,900	198	3,098	310	11	321	3,419
1995	3,127	100	3,227	245	7	252	3,479
1996	3,633	172	3,805	367	17	384	4,189
1997	3,493	114	3,607	496	25	521	4,128
1998	3,446	122	3,568	528	23	551	4,119
1999	4,069	168	4,237	627	34	661	4,898
2000	4,037	88	4,125	1,402	38	1,440	5,565
2001	4,624	117	4,741	870	25	895	5,636

Source: Thomson Financial Securities Data (<http://www.tfibcm.com>)

## Value of International Security Offerings by U.S. Issuers

(\$ Billions)

	Straight Debt	Conv. Debt	Total Debt	Common Stock	Pref. Stock	Total Equity	Total
1985	34.5	1.3	35.8	0.2	0.0	0.2	36.0
1986	34.0	3.2	37.3	1.8	0.0	1.8	39.1
1987	13.0	4.6	17.6	2.7	0.0	2.7	20.3
1988	16.0	0.7	16.7	1.2	0.0	1.2	17.9
1989	15.4	0.7	16.1	1.6	0.0	1.6	17.7
1990	10.8	0.6	11.3	2.3	0.1	2.4	13.7
1991	18.7	1.2	19.9	5.0	0.9	5.9	25.8
1992	22.3	0.5	22.9	7.2	0.3	7.4	30.3
1993	33.4	1.1	34.6	9.3	0.1	9.4	43.9
1994	47.5	2.0	49.4	6.5	0.1	6.6	56.1
1995	64.3	1.9	66.2	6.7	0.1	6.7	72.9
1996	81.8	4.5	86.3	8.3	1.7	9.9	96.2
1997	99.7	2.3	102.0	8.4	1.4	9.8	111.8
1998	155.0	7.4	162.4	7.0	0.4	7.4	169.8
1999	270.5	1.0	271.5	9.3	0.9	10.1	281.6
2000	128.3	2.7	131.1	21.8	1.3	23.1	154.2
2001	95.1	3.3	98.4	7.9	0.0	7.9	106.3

## Number of International Security Offerings by U.S. Issuers

(Number of Issues)

	Straight Debt	Conv. Debt	Total Debt	Common Stock	Pref. Stock	Total Equity	Total
1985	293	11	304	4	0	4	308
1986	258	33	291	39	0	39	330
1987	116	40	156	67	1	68	224
1988	114	9	123	38	0	38	161
1989	105	10	115	53	0	53	168
1990	78	5	83	77	1	78	161
1991	120	15	135	159	4	163	298
1992	117	7	124	191	3	194	318
1993	192	15	207	225	1	226	433
1994	336	11	347	146	3	149	496
1995	467	19	486	131	1	132	618
1996	521	29	550	170	6	176	726
1997	555	16	571	151	10	161	732
1998	654	12	666	94	2	96	762
1999	856	8	864	90	4	94	958
2000	577	4	581	388	2	390	971
2001	415	5	420	193	0	193	613

Source: Thomson Financial Securities Data

## International Transactions in Securities

(\$ Billions)

### Foreign Gross Activity in U.S. Securities

	U.S. Stocks	Corporate Bonds	U.S. Treasuries	U.S. Agencies	Total
1980	75.1	8.5	97.4	16.9	197.9
1981	75.5	11.9	121.8	17.7	226.9
1982	79.9	21.8	174.6	20.6	296.9
1983	134.4	19.0	254.2	28.1	435.7
1984	124.3	34.0	450.7	32.5	641.5
1985	159.0	83.5	967.2	45.6	1,255.3
1986	277.5	128.2	2,064.6	67.2	2,537.5
1987	482.0	103.0	2,649.3	80.6	3,314.9
1988	364.1	87.7	3,083.7	56.1	3,591.6
1989	416.4	120.5	4,140.4	87.8	4,765.1
1990	361.4	117.3	3,620.3	104.3	4,203.3
1991	411.3	154.7	4,015.8	124.1	4,705.9
1992	448.0	186.0	4,443.2	204.1	5,281.3
1993	617.8	238.9	5,194.6	262.8	6,314.1
1994	699.3	222.1	5,343.5	296.9	6,561.8
1995	914.7	278.3	5,828.2	222.2	7,243.4
1996	1,168.9	421.9	7,133.6	240.5	8,964.9
1997	2,126.3	617.3	9,546.1	468.7	12,758.5
1998	3,138.1	642.9	10,268.0	990.2	15,039.2
1999	4,573.8	576.6	8,586.2	881.8	14,618.4
2000	7,035.5	773.1	7,843.2	1,305.0	16,956.8
2001	5,986.1	1,251.8	10,516.9	2,238.8	19,993.6

### Foreign Net Purchases of U.S. Securities

	U.S. Stocks	Corporate Bonds	U.S. Treasuries	U.S. Agencies	Total
1980	5.4	2.9	4.9	2.6	15.8
1981	5.8	3.5	15.0	1.6	25.9
1982	4.0	1.8	17.3	-0.4	22.7
1983	5.4	10.9	5.4	0.0	21.7
1984	-2.9	11.9	21.4	1.2	31.6
1985	4.9	39.8	29.0	4.4	78.1
1986	18.7	43.5	24.3	6.9	93.4
1987	16.3	22.7	25.6	5.0	69.6
1988	-2.0	21.2	48.5	6.7	74.4
1989	9.6	17.3	54.2	15.1	96.2
1990	-15.3	9.7	17.9	6.3	18.6
1991	11.1	17.2	19.9	10.2	58.4
1992	-5.1	21.1	39.0	18.3	73.3
1993	21.6	30.6	23.6	35.4	111.2
1994	1.9	38.0	78.8	21.7	140.4
1995	11.2	57.9	134.1	28.7	231.9
1996	12.5	83.7	232.2	41.7	370.1
1997	69.6	84.3	184.2	49.9	387.9
1998	54.1	122.7	46.7	54.8	278.3
1999	107.5	160.0	-10.0	94.2	351.7
2000	174.9	182.4	-53.3	152.8	456.8
2001	116.4	229.4	18.5	165.4	529.7

Note: Gross = purchases plus sales; Net = purchases minus sales

Source: SIA Foreign Activity Report (<http://www.sia.com/international/html/reports.html>)

## International Transactions in Securities

(\$ Billions)

### U.S. Gross Activity in Foreign Securities

	Foreign Stocks	Foreign Bonds	Total
1980	17.9	35.2	53.1
1981	18.8	40.6	59.4
1982	15.7	66.4	82.1
1983	30.3	76.0	106.3
1984	30.4	118.8	149.2
1985	45.6	166.4	212.0
1986	100.2	337.7	437.9
1987	189.4	405.9	595.3
1988	152.7	444.5	597.2
1989	232.7	474.5	707.2
1990	254.5	651.6	906.1
1991	273.2	675.5	948.7
1992	332.4	992.1	1,324.5
1993	553.7	1,572.3	2,126.0
1994	820.3	1,706.0	2,526.3
1995	741.4	1,827.5	2,568.9
1996	960.0	2,279.4	3,239.4
1997	1,553.0	2,951.6	4,504.6
1998	1,873.0	2,689.2	4,562.2
1999	2,339.0	1,602.2	3,941.2
2000	3,615.7	1,922.7	5,538.4
2001	2,844.1	2,285.0	5,129.1

### U.S. Net Purchases of Foreign Securities

	Foreign Stocks	Foreign Bonds	Total
1980	2.1	1.0	3.1
1981	0.2	5.5	5.7
1982	1.3	6.6	7.9
1983	3.8	3.1	6.9
1984	1.2	4.1	5.3
1985	3.9	3.9	7.8
1986	1.9	3.7	5.6
1987	-1.1	7.8	6.7
1988	2.0	7.4	9.4
1989	13.1	6.0	19.1
1990	9.2	22.5	31.7
1991	32.0	14.8	46.8
1992	32.3	19.6	51.9
1993	62.7	80.4	143.1
1994	48.1	9.2	57.3
1995	50.3	48.4	98.7
1996	59.3	51.4	110.7
1997	40.9	48.2	89.1
1998	-8.0	18.7	10.7
1999	-15.6	5.7	-9.9
2000	9.5	3.9	13.4
2001	50.5	-30.6	19.9

Note: Gross = purchases plus sales; Net = purchases minus sales  
Source: SIA Foreign Activity Report

## Foreign Holdings of U.S. Securities

(\$ Billions)

	Stocks	Corp. Bonds	Treasuries*	Total
1985	136.8	126.4	241.3	504.5
1986	183.2	166.6	291.5	641.3
1987	189.0	185.4	323.1	697.5
1988	213.8	199.3	387.2	800.3
1989	276.1	211.9	469.2	957.2
1990	243.8	217.2	488.3	949.3
1991	299.0	233.4	535.1	1,067.5
1992	329.0	251.5	595.0	1,175.5
1993	373.5	273.3	702.4	1,349.2
1994	397.7	311.4	757.7	1,466.8
1995	527.6	369.5	996.1	1,893.2
1996	656.8	453.2	1,289.5	2,399.5
1997	919.5	537.8	1,498.5	2,955.8
1998	1,175.1	660.0	1,622.2	3,457.3
1999	1,537.8	820.8	1,633.6	3,992.2
2000	1,748.3	1,003.9	1,772.4	4,524.6
2001	1,697.7	1,234.6	1,964.1	4,896.4

\*Includes agency issues

Source: Federal Reserve Flow of Funds Accounts

(<http://www.federalreserve.gov/releases/Z1/>; Table L.107 Rest of the World)

## U.S. Holdings of Foreign Securities

(\$ Billions)

	Stocks	Bonds	Total
1985	44.4	71.8	116.2
1986	72.4	74.9	147.3
1987	94.7	82.3	177.0
1988	128.7	89.2	217.9
1989	197.3	94.0	291.3
1990	197.6	115.4	313.0
1991	279.0	130.4	409.4
1992	314.3	147.2	461.5
1993	543.9	230.1	774.0
1994	627.5	242.3	869.8
1995	776.8	299.4	1,076.2
1996	1,002.9	366.3	1,369.2
1997	1,207.8	427.7	1,635.5
1998	1,476.2	462.6	1,938.8
1999	2,026.6	479.4	2,506.0
2000	1,787.0	504.6	2,291.6
2001	1,516.4	496.1	2,012.5

Source: Federal Reserve Flow of Funds Accounts

## Stock Market Indices

(Local Currency)

	Canada: TSE 300	France: CAC 40	Germany: DAX	Hong Kong: Hang Seng	Japan: TOPIX	U.K.: FT-SE 100
1985	2900.60	n.a.	n.a.	1093.46	1049.40	1412.60
1986	3066.18	n.a.	n.a.	1638.52	1556.37	1679.00
1987	3160.05	n.a.	1000.00	1505.82	1725.83	1712.70
1988	3389.99	1573.90	1327.87	1772.18	2357.03	1793.10
1989	3969.79	2001.10	1790.37	1861.33	2881.37	2422.70
1990	3256.75	1517.90	1398.23	1982.88	1733.83	2143.50
1991	3512.36	1765.60	1577.98	2806.97	1714.68	2493.10
1992	3350.00	1857.80	1545.05	5512.39	1307.66	2846.50
1993	4329.90	2268.20	2266.68	11888.39	1439.31	3418.40
1994	4213.60	1881.15	2106.58	8191.04	1559.09	3065.50
1995	4713.50	1871.97	2253.88	10073.39	1577.70	3689.30
1996	5927.19	2315.73	2888.69	13451.45	1470.94	4118.50
1997	6699.44	2998.91	4249.68	10722.76	1175.03	5135.50
1998	6430.05	3942.66	5002.39	10048.58	1086.99	5882.60
1999	8413.75	5958.32	6958.14	16962.10	1722.20	6930.20
2000	8933.68	5926.42	6433.61	15095.53	1283.67	6222.50
2001	7688.41	4624.58	5160.10	11397.21	1032.14	5217.40

## Foreign Exchange Rates

(Currency Units Per U.S. Dollar)

	Canada: Dollar	France: Franc*	Germany: Mark*	Italy: Lira*	Japan: Yen	U.K.: Pound
1985	1.3658	8.9799	2.9419	1908.88	238.47	0.7708
1986	1.3896	6.9256	2.1704	1491.16	168.35	0.6813
1987	1.3259	6.0122	1.7981	1297.03	144.60	0.6098
1988	1.2306	5.9595	1.7570	1302.39	128.17	0.5614
1989	1.1842	6.3802	1.8808	1372.28	138.07	0.6104
1990	1.1668	5.4467	1.6166	1198.27	145.00	0.5605
1991	1.1460	5.6468	1.6610	1241.28	134.59	0.5658
1992	1.2085	5.2935	1.5618	1231.17	126.78	0.5662
1993	1.2902	5.6669	1.6545	1573.41	111.08	0.6660
1994	1.3664	5.5459	1.6216	1611.49	102.18	0.6528
1995	1.3725	4.9864	1.4321	1629.45	93.96	0.6335
1996	1.3638	5.1158	1.5049	1542.76	108.78	0.6407
1997	1.3849	5.8393	1.7348	1703.81	121.06	0.6106
1998	1.4836	5.8995	1.7597	1736.85	130.99	0.6034
1999	1.4858	6.5596	1.9558	1936.27	113.73	0.6184
2000	1.4855	7.1236	2.1240	2102.77	107.80	0.6598
2001	1.5487	7.3299	2.1855	2163.67	121.57	0.6946

\* Euro equivalents starting 1999.

Source: Federal Reserve Bulletin

## American Depositary Receipts (ADRs) Listed on NYSE, Amex and Nasdaq

	Total Number of Listed ADR Programs	Share Volume (Bils.)	Dollar Volume (\$ Bils.)
1985	108	1.4	n.a.
1986	116	2.0	n.a.
1987	139	2.8	n.a.
1988	150	1.9	40.6
1989	170	3.2	60.8
1990	176	3.8	74.8
1991	186	4.6	94.1
1992	215	4.3	124.9
1993	256	6.3	200.7
1994	317	7.3	247.9
1995	357	10.2	276.0
1996	426	10.8	341.0
1997	457	12.4	503.0
1998	505	15.5	563.0
1999	532	16.8	667.0
2000	608	28.7	1,185.0
2001	623	31.0	752.0

Source: Bank of New York (<http://www.bankofny.com/adr.mktstat.htm>)

## Global Derivatives Market

(Notional Principal Value Outstanding in US \$ Billions)

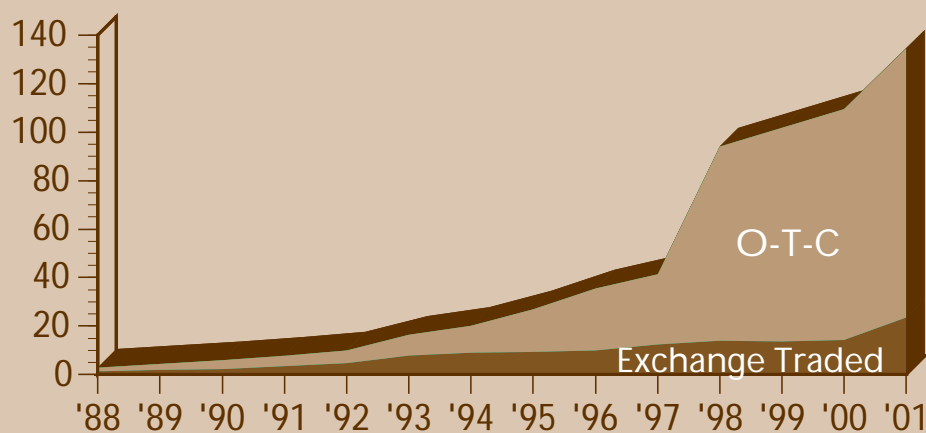
	Exchange-Traded	Over-the-Counter (OTC)*	TOTAL
1988	1,304	1,654	2,958
1989	1,767	2,475	4,242
1990	2,290	3,450	5,740
1991	3,519	4,449	7,968
1992	4,633	5,346	9,979
1993	7,761	8,475	16,236
1994	8,898	11,303	20,201
1995	9,283	17,713	26,996
1996	10,018	25,453	35,471
1997	12,403	29,035	41,438
1998	13,932	80,318	94,250
1999	13,553	88,202	101,755
2000	14,215	95,199	109,414
2001	23,540	111,115	134,655

\* Data since 1998 not strictly comparable to prior years.

Source: Bank for International Settlements (<http://www.bis.org>)

## Global Derivatives

Notional Principal Value  
US \$ Trillions





## Global Equity Markets Capitalization

(Market Value in \$ Billions)

	Aus- tralia	Can.	France	Ger- many	Hong Kong	Italy	Japan	Neth.	Sing- apore	Switz.	U.K.	U.S.	Developed Markets	Emerging Markets	World
1980	60	118	55	72	39	25	380	29	24	38	205	1,448	2,552	186	2,738
1981	54	106	38	63	39	24	418	23	35	35	181	1,333	2,413	163	2,576
1982	42	104	28	69	19	20	417	26	31	37	196	1,520	2,579	149	2,728
1983	55	141	38	83	17	21	565	34	16	43	226	1,898	3,218	166	3,384
1984	49	135	41	78	24	26	667	31	12	39	243	1,863	3,296	146	3,442
1985	60	147	79	184	35	59	979	59	11	90	328	2,325	4,497	171	4,667
1986	95	166	150	258	54	140	1,842	84	17	132	440	2,637	6,276	238	6,513
1987	106	219	172	213	54	120	2,803	86	18	129	681	2,589	7,499	332	7,831
1988	138	242	245	252	74	135	3,907	114	24	141	771	2,794	9,228	500	9,728
1989	141	291	365	365	77	169	4,393	158	36	171	827	3,506	10,967	745	11,713
1990	109	242	314	355	83	149	2,918	120	34	160	849	3,059	8,795	604	9,400
1991	149	267	348	393	122	159	3,131	136	48	174	988	4,088	10,447	898	11,346
1992	145	243	351	348	172	129	2,399	135	49	195	927	4,485	9,941	991	10,932
1993	205	327	456	463	385	136	3,000	182	133	272	1,152	5,136	12,341	1,676	14,016
1994	219	315	451	471	270	180	3,720	283	135	284	1,210	5,067	13,218	1,898	15,116
1995	245	366	522	577	304	210	3,667	356	148	434	1,408	6,858	15,877	1,910	17,788
1996	312	486	591	671	449	258	3,089	379	150	402	1,740	8,484	18,005	2,247	20,251
1997	296	568	674	825	413	345	2,217	469	106	575	1,996	11,309	20,949	2,166	23,115
1998	329	543	991	1,094	343	570	2,496	603	94	689	2,374	13,451	25,093	1,853	26,946
1999	428	801	1,475	1,432	609	728	4,547	695	198	693	2,933	16,635	32,996	3,149	36,146
2000	373	841	1,447	1,270	623	768	3,157	640	153	792	2,577	15,104	29,521	2,738	32,259
2001	374	615	1,844	1,072	506	672	3,910	1,844	117	521	2,150	13,984	30,861	2,547	33,407

Source: Standard and Poor's, Emerging Stock Markets Factbook 2002 (<http://www.spglobal.com/indexmainemdb.html>)

## Share of Global Equity Markets Capitalization

(In Percent)

	Aus- tralia	Can.	France	Ger- many	Hong Kong	Italy	Japan	Neth.	Singa- pore	Switz.	U.K.	U.S.	Developed Markets	Emerging Markets	World
1980	2.2	4.3	2.0	2.6	1.4	0.9	13.9	1.1	0.9	1.4	7.5	52.9	93.2	6.8	100.0
1981	2.1	4.1	1.5	2.4	1.5	0.9	16.2	0.9	1.4	1.4	7.0	51.8	93.7	6.3	100.0
1982	1.5	3.8	1.0	2.5	0.7	0.7	15.3	0.9	1.1	1.3	7.2	55.7	94.5	5.5	100.0
1983	1.6	4.2	1.1	2.4	0.5	0.6	16.7	1.0	0.5	1.3	6.7	56.1	95.1	4.9	100.0
1984	1.4	3.9	1.2	2.3	0.7	0.7	19.4	0.9	0.4	1.1	7.1	54.1	95.8	4.2	100.0
1985	1.3	3.1	1.7	3.9	0.7	1.3	21.0	1.3	0.2	1.9	7.0	49.8	96.3	3.7	100.0
1986	1.5	2.6	2.3	4.0	0.8	2.2	28.3	1.3	0.3	2.0	6.7	40.5	96.4	3.6	100.0
1987	1.3	2.8	2.2	2.7	0.7	1.5	35.8	1.1	0.2	1.6	8.7	33.1	95.8	4.2	100.0
1988	1.4	2.5	2.5	2.6	0.8	1.4	40.2	1.2	0.2	1.4	7.9	28.7	94.9	5.1	100.0
1989	1.2	2.5	3.1	3.1	0.7	1.4	37.5	1.3	0.3	1.5	7.1	29.9	93.6	6.4	100.0
1990	1.2	2.6	3.3	3.8	0.9	1.6	31.0	1.3	0.4	1.7	9.0	32.5	93.6	6.4	100.0
1991	1.3	2.4	3.1	3.5	1.1	1.4	27.6	1.2	0.4	1.5	8.7	36.0	92.1	7.9	100.0
1992	1.3	2.2	3.2	3.2	1.6	1.2	21.9	1.2	0.4	1.8	8.5	41.0	90.9	9.1	100.0
1993	1.5	2.3	3.3	3.3	2.7	1.0	21.4	1.3	0.9	1.9	8.2	36.6	88.0	12.0	100.0
1994	1.4	2.1	3.0	3.1	1.8	1.2	24.6	1.9	0.9	1.9	8.0	33.5	87.4	12.6	100.0
1995	1.4	2.1	2.9	3.2	1.7	1.2	20.6	2.0	0.8	2.4	7.9	38.6	89.3	10.7	100.0
1996	1.5	2.4	2.9	3.3	2.2	1.3	15.3	1.9	0.7	2.0	8.6	41.9	88.9	11.1	100.0
1997	1.3	2.5	2.9	3.6	1.8	1.5	9.6	2.0	0.5	2.5	8.6	48.9	90.6	9.4	100.0
1998	1.2	2.0	3.7	4.1	1.3	2.1	9.3	2.2	0.4	2.6	8.8	49.9	93.1	6.9	100.0
1999	1.2	2.2	4.1	4.0	1.7	2.0	12.6	1.9	0.5	1.9	8.1	46.0	91.3	8.7	100.0
2000	1.2	2.6	4.5	3.9	1.9	2.4	9.8	2.0	0.5	2.5	8.0	46.8	91.5	8.5	100.0
2001	1.1	1.8	5.5	3.2	1.5	2.0	11.7	5.5	0.4	1.6	6.4	41.9	92.4	7.6	100.0

## Value of Shares Traded

(\$ Billions)

	Aus- tralia	Can.	France	Ger- many	Hong Kong	Italy	Japan	Neth.	Sing- apore	Switz.	U.K.	U.S.	Developed Markets	Emerging Markets	World
1980	10	28	10	15	19	9	161	5	4	n.a.	36	410	713	29	741
1981	8	23	8	14	19	11	224	4	6	n.a.	33	416	776	36	812
1982	5	16	7	14	8	3	147	5	2	n.a.	33	508	763	24	786
1983	9	28	8	33	5	4	231	10	6	n.a.	43	797	1,199	29	1,228
1984	11	26	8	30	6	4	286	12	4	n.a.	49	786	1,238	34	1,272
1985	16	40	15	72	10	14	330	17	1	n.a.	68	997	1,601	45	1,646
1986	27	57	52	136	15	45	1,146	31	3	n.a.	133	1,796	3,491	83	3,574
1987	59	75	88	373	48	32	2,047	40	7	n.a.	390	2,423	5,677	170	5,847
1988	37	67	66	350	23	32	2,598	35	4	n.a.	579	1,720	5,584	414	5,997
1989	45	90	107	629	35	39	2,801	90	14	n.a.	320	2,016	6,299	1,169	7,468
1990	40	71	117	502	35	43	1,602	40	20	n.a.	279	1,751	4,616	898	5,515
1991	47	78	114	379	39	25	996	39	18	69	315	2,184	4,406	612	5,018
1992	46	83	122	446	79	28	635	46	14	75	383	2,082	4,155	628	4,783
1993	68	142	174	303	132	66	954	67	82	168	424	3,355	6,096	1,099	7,195
1994	95	161	308	461	147	118	1,121	171	81	227	464	3,564	7,162	1,661	8,823
1995	99	184	365	574	107	87	1,232	249	60	311	510	5,109	9,180	1,046	10,226
1996	145	265	277	769	166	102	1,252	340	43	393	578	7,121	12,028	1,573	13,601
1997	172	295	403	536	489	198	1,252	285	64	495	829	10,216	16,117	2,374	18,492
1998	161	331	591	762	206	476	949	420	51	637	1,167	13,148	20,160	2,415	22,575
1999	194	352	788	815	247	536	1,849	478	98	539	1,378	18,574	27,249	3,111	30,360
2000	226	635	1,083	1,069	378	778	2,694	677	91	609	1,835	31,862	43,818	4,052	47,870
2001	240	446	3,173	1,434	196	546	1,697	3,173	63	577	4,594	23,030	43,798	2,649	46,447

Source: Standard and Poor's, Emerging Stock Markets Factbook 2002

## Share of Value Traded (In Percent)

	Aus- tralia	Can.	France	Ger- many	Hong Kong	Italy	Japan	Neth.	Sing- apore	Switz.	U.K.	U.S.	Developed Markets	Emerging Markets	World
1980	1.3	3.8	1.4	2.1	2.6	1.2	21.7	0.7	0.5	—	4.8	55.3	96.1	3.9	100.0
1981	1.0	2.9	1.0	1.7	2.3	1.3	27.6	0.5	0.8	—	4.0	51.2	95.6	4.4	100.0
1982	0.7	2.1	0.9	1.8	1.0	0.4	18.7	0.6	0.3	—	4.2	64.6	97.0	3.0	100.0
1983	0.8	2.3	0.7	2.7	0.4	0.3	18.8	0.8	0.5	—	3.5	64.9	97.6	2.4	100.0
1984	0.8	2.0	0.6	2.3	0.5	0.3	22.5	1.0	0.3	—	3.8	61.8	97.3	2.7	100.0
1985	1.0	2.4	0.9	4.3	0.6	0.8	20.1	1.0	0.1	—	4.2	60.6	97.3	2.7	100.0
1986	0.8	1.6	1.4	3.8	0.4	1.3	32.1	0.9	0.1	—	3.7	50.3	97.7	2.3	100.0
1987	1.0	1.3	1.5	6.4	0.8	0.6	35.0	0.7	0.1	—	6.7	41.4	97.1	2.9	100.0
1988	0.6	1.1	1.1	5.8	0.4	0.5	43.3	0.6	0.1	—	9.7	28.7	93.1	6.9	100.0
1989	0.6	1.2	1.4	8.4	0.5	0.5	37.5	1.2	0.2	—	4.3	27.0	84.3	15.7	100.0
1990	0.7	1.3	2.1	9.1	0.6	0.8	29.1	0.7	0.4	--	5.1	31.8	83.7	16.3	100.0
1991	0.9	1.6	2.3	7.6	0.8	0.5	19.8	0.8	0.4	1.4	6.3	43.5	87.8	12.2	100.0
1992	1.0	1.7	2.5	9.3	1.6	0.6	13.3	1.0	0.3	1.6	8.0	43.5	86.9	13.1	100.0
1993	0.9	2.0	2.4	4.2	1.8	0.9	13.3	0.9	1.1	2.3	5.9	46.6	84.7	15.3	100.0
1994	1.1	1.8	3.5	5.2	1.7	1.3	12.7	1.9	0.9	2.6	5.3	40.4	81.2	18.8	100.0
1995	1.0	1.8	3.6	5.6	1.0	0.8	12.0	2.4	0.6	3.0	5.0	50.0	89.8	10.2	100.0
1996	1.1	2.0	2.0	5.7	1.2	0.8	9.2	2.5	0.3	2.9	4.3	52.4	88.4	11.6	100.0
1997	0.9	1.6	2.2	2.9	2.6	1.1	6.8	1.5	0.3	2.7	4.5	55.2	87.2	12.8	100.0
1998	0.7	1.5	2.6	3.4	0.9	2.1	4.2	1.9	0.2	2.8	5.2	58.2	89.3	10.7	100.0
1999	0.6	1.2	2.6	2.7	0.8	1.8	6.1	1.6	0.3	1.8	4.5	61.2	89.8	10.2	100.0
2000	0.5	1.3	2.3	2.2	0.8	1.6	5.6	1.4	0.2	1.3	3.8	66.6	91.5	8.5	100.0
2001	0.5	1.0	6.8	3.1	0.4	1.2	3.7	6.8	0.1	1.2	9.9	49.6	94.3	5.7	100.0

## Gross Transactions in U.S. Equities by Foreign Investors

(\$Millions)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>Europe</b>	203,366	178,472	212,314	225,849	304,092	352,625	443,277	587,062	1,119,676	1,534,768	1,902,506	2,957,582	2,424,790
Euro. Union	155,122	144,231	169,976	183,627	252,297	292,465	374,366	497,653	991,229	1,356,454	1,672,056	2,631,114	2,234,181
France	15,657	12,827	14,869	16,470	20,539	16,734	21,833	40,822	322,607	392,823	313,577	383,119	345,816
Germany	15,766	12,168	12,118	12,074	16,003	19,984	21,027	28,826	53,131	102,257	121,066	213,044	153,149
Greece	313	321	417	404	518	536	1,112	1,611	2,192	2,858	3,424	6,192	3,434
Netherlands	7,434	6,133	9,163	10,938	19,097	23,431	31,363	32,301	40,211	55,392	82,831	118,571	79,668
U.K.	96,575	93,007	111,812	122,307	166,489	196,508	245,467	317,781	470,015	629,066	867,480	1,409,786	1,233,214
Switzerland	42,683	27,847	34,798	34,572	43,106	50,938	61,263	84,630	119,629	162,557	209,716	291,608	151,131
<b>Canada</b>	45,432	38,144	46,065	52,723	75,159	78,311	95,907	110,103	131,788	154,420	169,157	307,448	219,459
<b>Latin Amer. &amp; Caribbean</b>	61,466	50,729	63,433	86,107	141,769	187,815	262,596	381,617	647,023	1,127,699	2,101,603	3,210,262	47,569
Argentina	373	407	682	725	1,112	1,023	1,133	1,718	3,568	4,792	6,387	10,204	6,923
Bermuda	12,751	11,084	10,540	14,719	25,759	34,845	78,299	109,416	236,390	431,540	704,155	1,116,944	757,018
Mexico	2,088	1,870	2,088	2,607	3,803	3,661	2,719	2,606	4,323	6,515	9,901	13,604	8,547
Neth. Antilles	18,587	16,920	19,720	33,625	44,538	55,229	78,839	106,472	132,537	234,997	281,535	289,259	232,740
<b>Asia</b>	98,136	85,041	79,769	74,625	86,714	79,936	101,062	141,722	208,720	280,084	363,203	508,945	365,029
Hong Kong	9,029	9,043	9,466	13,053	11,359	8,917	12,972	15,719	16,788	20,644	27,356	38,583	35,630
Japan	60,864	57,853	47,443	38,876	41,184	36,934	44,719	71,528	105,642	128,767	186,009	231,866	134,248
<b>All Countries</b>	416,360	361,371	411,320	447,974	617,750	699,309	914,660	1,168,917	2,126,319	3,138,139	4,573,796	7,035,502	5,986,121

Note: See SIA's Foreign Activity Report for further information.

Source: U.S. Treasury Department (<http://www.fms.treas.gov/bulletin/index.html>)

## Net Purchases of U.S. Equities by Foreign Investors

(\$Millions)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>Europe</b>	248	-8,578	50	-4,913	10,582	6,597	4,847	5,046	62,688	72,338	98,060	164,654	88,104
Euro. Union	2,912	-5,875	-106	-5,045	7,217	6,003	7,015	3,519	50,124	65,150	91,230	149,238	83,273
France	-701	-1,183	9	-1,350	-103	-216	-1,099	-2,354	6,641	6,099	3,813	5,727	5,914
Germany	-866	-370	-64	-66	1,647	2,362	-1,837	1,104	9,075	10,609	13,410	31,752	8,423
Greece	-15	-13	27	-10	-54	12	-14	9	226	-26	-90	804	-18
Netherlands	168	-407	-227	-262	-603	1,851	3,507	1,389	3,833	8,326	8,083	4,915	10,920
U.K.	3,727	-3,123	-354	-3,301	4,477	642	8,001	4,119	22,215	24,336	42,902	58,736	38,498
Switzerland	-3,471	-2,883	-130	168	2,986	30	-2,283	2,710	7,845	6,269	5,650	11,960	3,453
<b>Canada</b>	-860	890	3,845	1,407	-3,213	-1,109	-1,517	2,221	-1,174	-4,764	-335	5,956	10,979
<b>Latin Amer. &amp; Caribbean</b>	3,096	-1,347	2,177	2,203	5,709	-1,601	5,814	5,563	5,251	781	5,187	-17,812	299
Argentina	-51	53	122	43	238	59	65	280	386	358	489	746	593
Bermuda	1,349	-128	-220	705	121	667	585	-340	-1,926	-1,776	-1,459	-10,052	-11,560
Mexico	56	-98	204	153	-55	103	85	150	375	69	85	394	-673
Neth. Antilles	755	-1,072	572	271	1,390	-3,033	3,989	4,078	-263	-3,113	-3,547	-8,617	516
<b>Asia</b>	6,944	-5,953	4,121	-4,031	7,888	-2,116	2,166	-692	2,234	-13,636	3,379	21,683	22,517
Hong Kong	27	-323	710	43	1,093	39	226	-301	-210	2,142	-156	215	676
Japan	3,348	-2,907	1,179	-3,598	3,825	1,284	-2,725	-372	4,780	-1,407	5,723	2,070	6,788
<b>All Countries</b>	9,590	-15,301	11,088	-5,122	21,578	1,877	11,240	12,511	69,597	54,133	107,522	174,890	116,383

Source: U.S. Treasury Department

## Gross Transactions in Foreign Stocks by U.S. Investors

(\$Millions)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>Europe</b>	128,924	153,684	156,917	199,200	301,865	435,680	395,090	535,985	816,007	1,155,313	1,340,876	2,062,815	1,582,108
Euro. Union	118,183	141,235	143,230	182,403	269,488	386,686	376,524	491,666	740,381	1,056,787	1,254,960	1,938,696	1,505,853
France	8,036	11,560	13,972	16,818	19,922	23,414	21,565	26,374	44,446	47,083	55,157	92,083	75,698
Germany	7,125	13,511	9,753	12,365	21,599	33,730	21,646	32,578	50,010	83,968	90,910	147,640	86,497
Greece	18	55	36	83	174	266	376	634	1,069	1,935	2,820	2,008	2,696
Netherlands	7,005	7,803	8,585	9,332	13,973	18,382	18,706	24,782	33,679	48,865	53,850	79,527	53,348
U.K.	80,434	92,868	100,189	133,730	200,144	278,638	274,250	372,763	555,295	787,304	906,651	1,350,347	1,126,290
Switzerland	8,627	8,797	8,717	10,287	14,766	22,500	13,913	20,995	34,201	57,799	63,555	94,616	49,876
<b>Canada</b>	10,927	9,761	13,061	14,134	26,452	35,496	43,850	63,508	160,977	106,838	97,566	171,861	145,403
<b>Latin Amer. &amp; Caribbean</b>	9,297	10,274	22,870	34,379	75,316	125,875	87,896	126,228	249,830	305,069	326,360	519,488	54,061
Argentina	60	55	236	1,486	5,053	8,915	3,139	5,562	11,904	11,416	5,707	9,341	5,250
Mexico	316	2,222	12,006	14,017	23,216	38,463	15,507	15,043	24,097	17,770	16,341	22,901	20,014
<b>Asia</b>	76,904	74,598	72,416	77,339	142,842	196,447	193,584	218,302	294,121	265,428	522,257	798,092	580,854
Hong Kong	5,940	8,257	9,483	18,194	37,320	49,351	39,104	51,843	79,058	61,796	86,769	168,089	129,254
Japan	66,652	61,448	56,394	49,634	78,464	109,778	123,619	124,389	152,710	157,447	355,870	501,208	349,313
<b>All Countries</b>	232,675	254,487	273,161	332,361	553,671	820,283	741,371	959,998	1,552,972	1,873,003	2,338,965	3,615,670	2,844,084

Source: U.S. Treasury Department

## Net Purchases of Foreign Stocks by U.S. Investors

(\$Millions)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>Europe</b>	10,294	4,378	14,701	18,094	31,525	16,252	21,966	30,147	14,697	-25,951	-61,260	-10,341	17,772
Euro. Union	8,099	4,701	13,174	14,539	22,256	13,068	19,692	26,400	9,325	-23,407	-56,708	-19,786	19,243
France	1,948	-292	1,556	498	2,046	2,094	1,457	4,826	4,726	-947	-1,385	-1,869	-2,308
Germany	393	725	1,521	787	2,713	1,438	510	4,160	-1,278	-2,160	-2,428	-8,570	409
Greece	6	15	20	47	98	92	78	254	-261	151	-190	-100	34
Netherlands	1,329	789	281	604	2,009	148	1,106	-608	-1,463	-5,067	-3,512	2,435	-3,182
U.K.	5,032	1,444	8,299	11,495	16,506	6,274	10,028	16,105	10,907	-15,562	-38,491	-1,937	21,894
Switzerland	2,055	-485	327	2,187	1,142	-762	797	2,077	-907	-2,583	-3,459	7,788	-1,658
<b>Canada</b>	1,267	131	-375	-344	5,108	2,408	-234	3,424	1,497	-3,532	854	8,829	-1,739
<b>Latin Amer. &amp; Caribbean</b>	361	2,256	2,662	5,003	12,304	4,319	1,776	3,404	4,046	8,291	-1,120	25,622	-1,533
Argentina	-42	7	64	12	2,255	1,841	397	488	470	-490	-273	-157	-76
Mexico	8	1,064	2,078	2,765	5,154	1,437	153	277	-165	-1,214	1,591	-1,793	-1,076
<b>Asia</b>	968	1,832	15,386	8,931	17,062	21,727	26,780	18,328	14,753	7,988	46,873	-12,642	27,432
Hong Kong	-262	557	1,069	2,832	6,298	2,405	2,182	4,575	-134	974	-2,777	3,005	4,804
Japan	974	616	13,922	4,444	6,224	14,724	19,817	9,615	9,494	3,643	46,134	-17,400	19,879
<b>All Countries</b>	13,097	9,205	31,967	32,259	62,691	48,071	50,291	59,268	40,942	-8,009	-15,643	9,502	50,496

Source: U.S. Treasury Department





# SAVINGS & INVESTMENT



## Savings & Investment

It appears the welcome but anomalous four year run of federal surpluses, which followed decades of deficits, is again over for the near-term foreseeable future. Last year, government spending set its perennial new record at \$1.86 trillion as revenues actually declined from 2000's record intake of \$2.03 trillion to \$1.99 trillion in 2001 which still left a \$127 billion surplus. However, projected government spending for the current and next fiscal years of 2002 and 2003 show government outlays outstripping its tax and other revenues for deficits of \$106 billion and \$80 billion, respectively.

Last year's real GDP growth slowed to 1.2% after four previous years of 4-plus percentage point gains. This was the slowest GDP growth in the U.S. since an actual drop of 0.5% ten years ago. Meanwhile, the civilian unemployment rate rose to 4.8%, its highest level in four years, while the Consumer Price Index expanded at a very moderate 1.6%, half the level of the year before.

The U.S. personal savings rate rose to 1.6% from 2000's extremely low 1.0% rate, but still ranks lower than that of all other major industrialized countries. Even the next lowest savings rates, by the U.K. and Canada, exceed 5% while France, Germany, Italy and Japan have double digit personal savings rates.

Revised figures from the Federal Reserve showed that asset in the U.S. retirement market fell marginally to \$11.0 trillion in 2001 from 1999's and 2000's previous highs of \$11.6 billion and \$11.5 billion, respectively. Private pension fund reserves declined 8% to \$4.147 trillion in 2001 and now stand 10.4% below 1999's record \$4.631 trillion in reserves. Federal pension funds and life insurers both showed marginal increases to new record levels in 2001 while state and local pensions and IRA assets declined. The distribution of private pension fund assets has fallen to a record low of 43.7% in traditional defined benefit plans vs. a record high of 56.3% in defined contribution (i.e. 401k) plans, a mirror image of where the distribution stood 12 years ago.

The movement of both the private and public sector toward defined contribution plans which puts

more of the burden on employees themselves to both save and direct their savings, will have a lasting effect on future retiree's standard of living. The vast majority of Americans today, 72%, say that they want to retire by the traditional age of 65, which could mean up to 30 years in retirement. But most Americans lack the savings to last them anywhere near those 30 years in retirement.

A vast majority also depends on Social Security for the major part of their retirement. But, according to the Employee Benefit Research Institute (EBRI), Social Security currently replaces just half of pre-retirement income for an individual earning \$15,000 and less than one-quarter of an individual who earned \$68,400.

Furthermore, 38% of the civilian workforce has no access to any kind of pension plan at work and many more do not avail themselves of plans they do have access to. Pension coverage is particularly low in small businesses; 81% have no access at companies with fewer than 25 employees compared to 52% for 25-99 employee businesses and 17% for companies with 100 or more people.

While 42 million workers have defined benefit plans at their jobs, these generally only pay meaningful benefits for those who work 20 to 30 years at the same job but the majority of today's Americans change jobs much more frequently.

Women tend to have shorter job tenure than men and thus 61% in the private sector are not covered by pensions vs. 54% of men, according to the U.S. Labor Department's Pensions and Welfare Benefits Administration (PWBA).

The PWBA notes, however, that defined contribution plans, such as 401(k) plans, have increased in popularity to supplant the decline of defined benefit pensions which offers short-term employees a much greater chance of accumulating retirement savings. Today, 43% of private wage and salary workers participate in defined contribution plans, such as 401(k) plans and in 1995 the average contribution for individuals earning \$20,000 to \$30,000 was \$1,300.

Still, many people fritter away these retirement savings during their work life. EBRI notes that 60% of all distributions from defined contribution plans made to people changing jobs were not rolled over into tax-deferred savings accounts! Tens of billions initially saved for retirement are spent every year. Fortunately, nearly all distributions above \$100,000 were rolled over.

According to the Investment Company Institute (ICI), there was \$1.754 trillion in 401(k) plans last year, down from \$1.809 trillion in 2000 and the record \$1.811 trillion in 1999. Still, this is double the amount just six years earlier and triple the level of eight years ago. ICI also reported that total Individual Retirement Account (IRA) assets fell to \$2.4 billion last year from the record level of \$2.5 billion reported in the two previous years. Individuals' choice of institution in which to invest through can be shown by their share of these \$2.4 trillion in assets – 49% at mutual fund companies, 32% at brokerages, 11% in banks and 8% in life insurance companies.

Equities, once again, are the investment of choice of both defined benefit and defined contribution retirement plans, as both institutional and individual investors have recognized that this asset class, despite two years of down equity markets,

always outperforms all other investments over any given long-term time period. At year-end 2001, 46% of the \$4.15 trillion in private pension fund assets were in equities, down from 50% at year-end 1999 due to declining equity prices with an additional 15% in mutual funds, 17% in bonds, 7% in cash, and 15% in other assets.

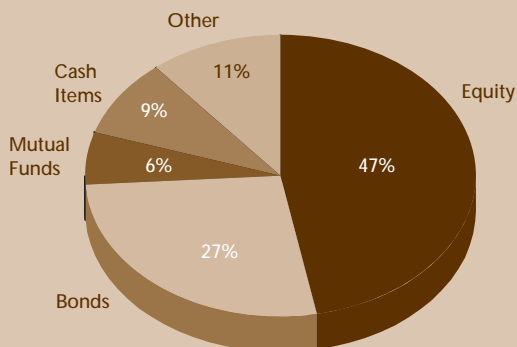
For defined benefit plans, plan sponsors had 47% of their \$1.81 trillion of assets in equities at the end of 2001, with an additional 6% in mutual funds, 27% in bonds, and the balance in cash and other items.

Individuals are even more aggressive in their retirement planning as they now have 68% of their defined contribution plan assets in equities and mutual funds and only 9% in bonds, 6% in cash and the balance in other assets at 2001's close.

Equities still command the lion's share of pension assets because they historically outperform all other asset classes and today's interest rates have fallen to 40 year lows. In 2001, Treasury yields ranged from only 3.45% to 5.49% on short-to-long term maturities. Even corporate bonds were paying just 7% to 8% for triple-A and Baa rated (Moody's) bonds, respectively.

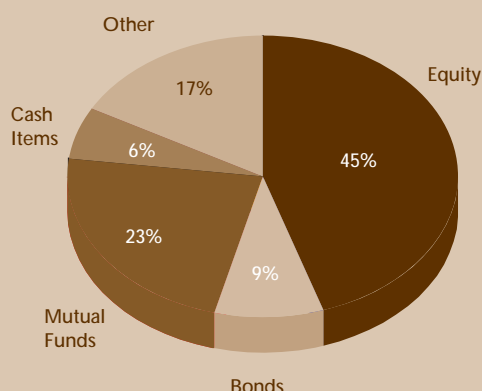
### INVESTMENT MIX OF PRIVATE DEFINED BENEFIT PLAN ASSETS

2001  
\$1.81 TRILLION



### INVESTMENT MIX OF PRIVATE DEFINED CONTRIBUTION PLAN ASSETS

2001  
\$2.34 TRILLION



## Federal Receipts, Outlays, Deficit, and Debt

(\$ Billions, Fiscal Year)

	Receipts	Outlays	Surplus or Deficit	Gross Federal Debt
1965	116.8	118.2	-1.4	322.3
1966	130.8	134.5	-3.7	328.5
1967	148.8	157.5	-8.6	340.4
1968	153.0	178.1	-25.2	368.7
1969	186.9	183.6	3.2	365.8
1970	192.8	195.6	-2.8	380.9
1971	187.1	210.2	-23.0	408.2
1972	207.3	230.7	-23.4	435.9
1973	230.8	245.7	-14.9	466.3
1974	263.2	269.4	-6.1	483.9
1975	279.1	332.3	-53.2	541.9
1976	298.1	371.8	-73.7	629.0
1977	355.6	409.2	-53.7	706.4
1978	399.6	458.7	-59.2	776.6
1979	463.3	504.0	-40.7	829.5
1980	517.1	590.9	-73.8	909.1
1981	599.3	678.2	-79.0	994.8
1982	617.8	745.8	-128.0	1,137.3
1983	600.6	808.4	-207.8	1,371.7
1984	666.5	851.9	-185.4	1,564.7
1985	734.1	946.4	-212.3	1,817.5
1986	769.2	990.5	-221.2	2,120.6
1987	854.4	1,004.1	-149.8	2,346.1
1988	909.3	1,064.5	-155.2	2,601.3
1989	991.2	1,143.7	-152.5	2,868.0
1990	1,032.0	1,253.2	-221.2	3,206.6
1991	1,055.0	1,324.4	-269.4	3,598.5
1992	1,091.3	1,381.7	-290.4	4,002.1
1993	1,154.4	1,409.5	-255.1	4,351.4
1994	1,258.6	1,461.9	-203.3	4,643.7
1995	1,351.8	1,515.8	-164.0	4,921.0
1996	1,453.1	1,560.6	-107.5	5,181.9
1997	1,579.3	1,601.3	-22.0	5,369.7
1998	1,721.8	1,652.6	69.2	5,478.7
1999	1,827.5	1,702.9	124.6	5,606.1
2000	2,025.2	1,788.8	236.4	5,629.0
2001	1,991.0	1,863.9	127.1	5,770.3
2002 (est.)	1,946.1	2,052.3	-106.2	6,137.1
2003 (est.)	2,048.1	2,128.2	-80.2	6,525.9

Source: Economic Report of the President (<http://w3.access.gpo.gov/usbudget/fy2003/erp.html>)

## Economic Indicators

	Nominal GDP (\$Bil)	Real GDP (Chained 1996 \$Bil)	% Chg. in Real GDP	Civilian Unemploy- ment Rate (%)	Personal Savings Rate (%)	Annual CPI (Monthly Avg.)	% Chg. in CPI (Dec-Dec)
1965	720	3,029	6.4	4.5	8.6	31.5	1.9
1966	789	3,228	6.6	3.8	8.3	32.4	3.5
1967	834	3,308	2.5	3.8	9.4	33.4	3.0
1968	912	3,466	4.8	3.6	8.4	34.8	4.7
1969	985	3,571	3.0	3.5	7.8	36.7	6.2
1970	1,040	3,578	0.2	4.9	9.4	38.8	5.6
1971	1,129	3,698	3.3	5.9	10.0	40.5	3.3
1972	1,240	3,898	5.4	5.6	8.9	41.8	3.4
1973	1,386	4,123	5.8	4.9	10.5	44.4	8.7
1974	1,501	4,099	-0.6	5.6	10.7	49.3	12.3
1975	1,635	4,084	-0.4	8.5	10.6	53.8	6.9
1976	1,824	4,312	5.6	7.7	9.4	56.9	4.9
1977	2,031	4,512	4.6	7.1	8.7	60.6	6.7
1978	2,296	4,761	5.5	6.1	9.0	65.2	9.0
1979	2,566	4,912	3.2	5.8	9.2	72.6	13.3
1980	2,796	4,901	-0.2	7.1	10.2	82.4	12.5
1981	3,131	5,021	2.5	7.6	10.8	90.9	8.9
1982	3,259	4,919	-2.0	9.7	10.9	96.5	3.8
1983	3,535	5,132	4.3	9.6	8.8	99.6	3.8
1984	3,933	5,505	7.3	7.5	10.6	103.9	3.9
1985	4,213	5,717	3.8	7.2	9.2	107.6	3.8
1986	4,453	5,912	3.4	7.0	8.2	109.6	1.1
1987	4,743	6,113	3.4	6.2	7.3	113.6	4.4
1988	5,108	6,368	4.2	5.5	7.8	118.3	4.4
1989	5,489	6,592	3.5	5.3	7.5	124.0	4.6
1990	5,803	6,708	1.8	5.6	7.8	130.7	6.1
1991	5,986	6,676	-0.5	6.8	8.3	136.2	3.1
1992	6,319	6,880	3.0	7.5	8.7	140.3	2.9
1993	6,642	7,063	2.7	6.9	7.1	144.5	2.7
1994	7,054	7,348	4.0	6.1	6.1	148.2	2.7
1995	7,401	7,544	2.7	5.6	5.6	152.4	2.5
1996	7,813	7,813	3.6	5.4	4.8	156.9	3.3
1997	8,318	8,160	4.4	4.9	4.2	160.5	1.7
1998	8,782	8,509	4.3	4.5	4.7	163.0	1.6
1999	9,269	8,857	4.1	4.2	2.4	166.6	2.7
2000	9,873	9,224	4.1	4.0	1.0	172.2	3.4
2001	10,208	9,334	1.2	4.8	1.6	177.1	1.6

Source: Economic Report of the President

## Household Saving Rates

(Percent of Disposable Household Income)

	U.S.	Canada	France	Germany	Italy	Japan	U.K.
1985	9.2	15.7	13.4	21.0	9.5	19.0	9.8
1986	8.2	13.4	12.7	20.2	10.4	19.0	8.2
1987	7.3	11.9	11.2	19.5	10.7	16.5	6.4
1988	7.8	12.3	12.2	18.4	10.9	15.5	4.9
1989	7.5	13.0	12.4	17.0	10.5	15.7	6.6
1990	7.8	12.9	13.0	18.4	12.0	13.9	8.0
1991	8.3	13.2	13.8	18.7	13.0	15.3	10.0
1992	8.7	13.0	14.7	18.4	12.9	14.6	11.4
1993	7.1	11.9	15.2	17.2	12.4	14.7	10.8
1994	6.1	9.4	14.8	17.2	11.6	12.6	9.3
1995	5.6	9.2	15.9	16.6	11.2	12.3	10.0
1996	4.8	7.0	14.8	16.0	10.8	11.3	9.1
1997	4.2	4.9	16.0	14.5	10.4	10.6	9.5
1998	4.7	4.4	15.5	12.7	10.3	11.8	5.7
1999	2.4	4.2	15.1	11.5	9.9	11.1	4.8
2000	1.0	3.9	15.8	10.2	9.8	11.3	5.0
2001 (est.)	1.6	5.7	16.4	10.1	10.2	12.5	5.2
2002 (proj.)	3.8	7.2	16.8	10.5	10.2	13.2	5.6
2003 (proj.)	2.6	6.8	16.5	10.3	10.1	13.6	5.8

Source: OECD (<http://www.oecd.org>)

## Individual Retirement Accounts (IRAs)

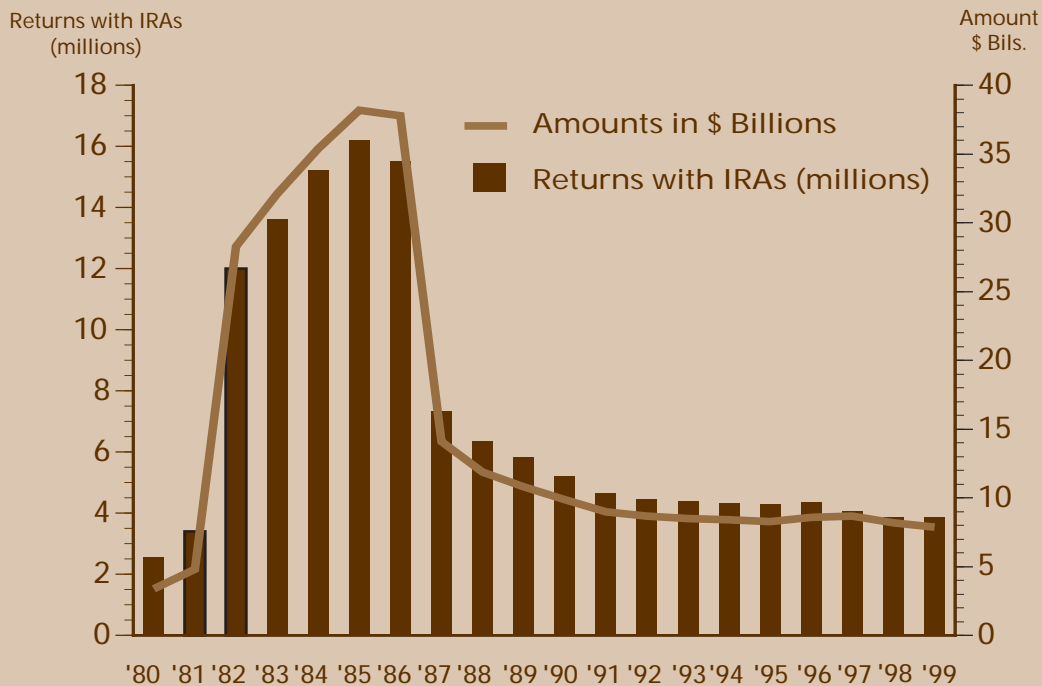
IRA Deductions Claimed

	Number of Tax Returns	IRA Amount (\$ Billions)
1980	2,564,421	3.4
1981	3,415,053	4.8
1982	12,010,038	28.3
1983	13,613,167	32.1
1984	15,232,856	35.4
1985	16,205,846	38.2
1986	15,535,531	37.8
1987	7,318,727	14.1
1988	6,361,421	11.9
1989	5,824,914	10.8
1990	5,223,737	9.9
1991	4,666,078	9.0
1992	4,477,720	8.7
1993	4,385,422	8.5
1994	4,319,153	8.4
1995	4,300,722	8.3
1996	4,374,281	8.6
1997	4,068,958	8.7
1998	3,868,017	8.2
1999	3,687,149	7.9

Source: IRS, Statistics of Income Bulletin  
(<http://www.irs.gov>)

## Individual Retirement Accounts (IRAs)

IRA Deductions Claimed





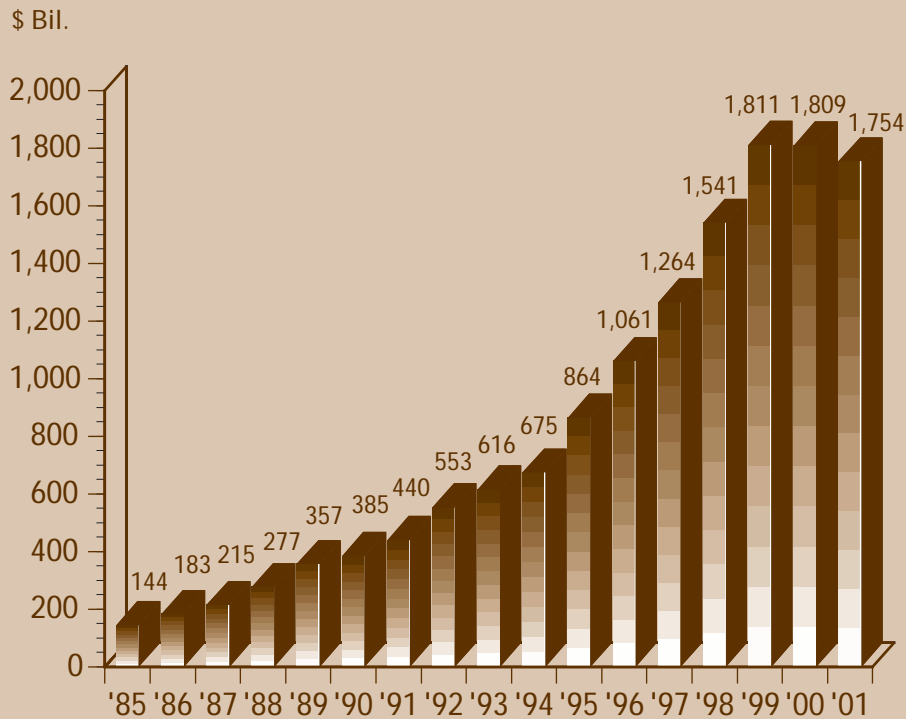
## Total 401(k) Plan Assets

(\$ Billions)

1985	144
1986	183
1987	215
1988	277
1989	357
1990	385
1991	440
1992	553
1993	616
1994	675
1995	864
1996	1,061
1997	1,264
1998	1,541
1999	1,811
2000*	1,809
2001*	1,754

\* Estimated  
Source: Investment Company Institute

## Total 401(k) Plan Assets



## U.S. Retirement Assets

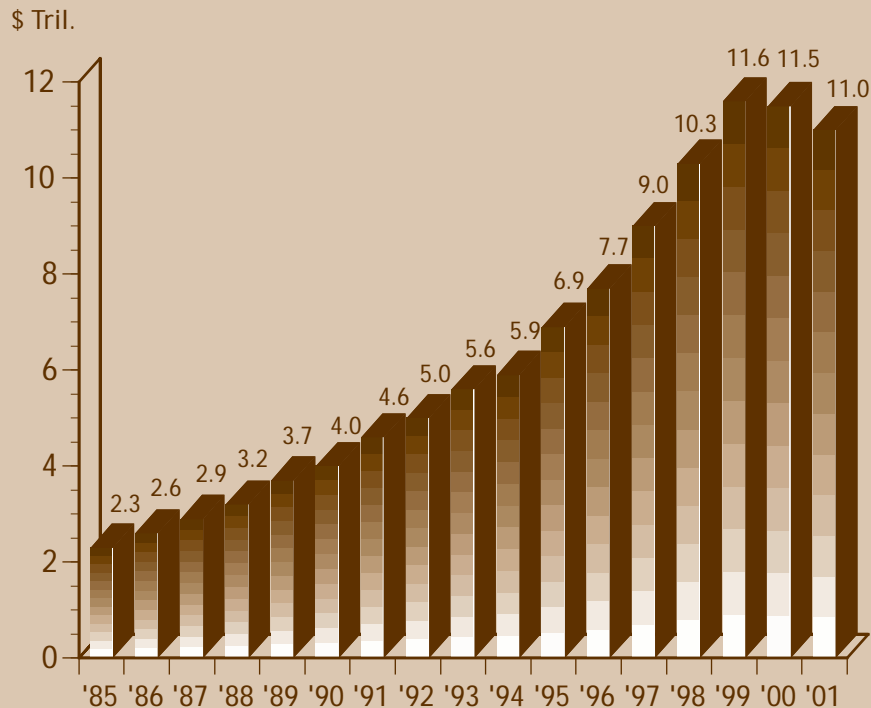
(\$ Billions)

	Private Pension Funds	Life Insurance Companies*	State & Local Gov't	Federal Gov't	Total Pension Assets	IRA Assets	Total Retirement Assets
1985	1,226	260	402	172	2,061	236	2,297
1986	1,284	328	481	202	2,294	320	2,614
1987	1,353	349	527	232	2,460	391	2,851
1988	1,408	435	615	265	2,723	452	3,175
1989	1,634	495	760	299	3,190	546	3,736
1990	1,634	570	810	333	3,347	637	3,984
1991	1,940	621	878	371	3,810	776	4,586
1992	2,051	693	971	411	4,126	873	4,999
1993	2,304	775	1,063	448	4,590	993	5,583
1994	2,460	797	1,103	486	4,845	1,056	5,901
1995	2,923	881	1,320	506	5,631	1,288	6,919
1996	3,251	954	1,515	561	6,281	1,467	7,748
1997	3,747	1,086	1,842	602	7,276	1,728	9,004
1998	4,178	1,248	2,085	643	8,155	2,150	10,305
1999	4,631	1,431	2,262	684	9,008	2,542	11,550
2000	4,522	1,456	2,332	705	9,014	2,507	11,521
2001	4,147	1,481	2,224	766	8,618	2,399	11,017

\* Annuity reserves held by life insurance companies.

Source: Federal Reserve Flow of Funds Accounts

## U.S. Retirement Assets



## Distribution of Private Pension Fund Assets

	Financial Assets (\$ Billions)			% of Total Financial Assets	
	Defined Benefit	Defined Contribution	Total	Defined Benefit	Defined Contribution
1985	795	431	1,226	64.9	35.1
1986	816	468	1,284	63.6	36.4
1987	803	549	1,353	59.4	40.6
1988	813	595	1,408	57.7	42.3
1989	922	713	1,634	56.4	43.6
1990	900	735	1,635	55.1	44.9
1991	1,052	888	1,940	54.2	45.8
1992	1,080	972	2,051	52.6	47.4
1993	1,195	1,108	2,304	51.9	48.1
1994	1,276	1,184	2,460	51.9	48.1
1995	1,461	1,463	2,923	50.0	50.0
1996	1,579	1,672	3,251	48.6	51.4
1997	1,747	2,000	3,747	46.6	53.4
1998	1,886	2,292	4,178	45.1	54.9
1999	2,102	2,529	4,631	45.4	54.6
2000	2,010	2,511	4,522	44.5	55.5
2001	1,811	2,336	4,147	43.7	56.3

*Source: Federal Reserve Flow of Funds Accounts*

## Investment Mix of All Private Pension Fund Assets

(\$ Billions)

	Equity	Bonds	Mutual Funds	Cash Items	Other Assets	Total Assets
1985	516	307	11	130	262	1,226
1986	524	307	12	147	294	1,284
1987	533	315	20	145	341	1,353
1988	515	344	23	157	368	1,408
1989	636	399	33	188	379	1,635
1990	606	445	41	181	361	1,634
1991	807	470	66	195	401	1,940
1992	876	499	96	178	402	2,051
1993	1,019	538	142	183	422	2,304
1994	1,020	587	206	184	463	2,460
1995	1,289	607	327	195	505	2,924
1996	1,464	597	412	222	556	3,251
1997	1,696	643	570	246	591	3,747
1998	1,991	618	668	280	622	4,179
1999	2,326	625	754	293	634	4,631
2000	2,195	666	734	300	627	4,522
2001	1,905	699	639	291	614	4,147

## Share of All Private Pension Fund Assets

(In Percent)

	Equity	Bonds	Mutual Funds	Cash Items	Other Assets	Total Assets
1985	42.1	25.0	0.9	10.6	21.4	100.0
1986	40.8	23.9	0.9	11.5	22.9	100.0
1987	39.4	23.3	1.5	10.7	25.2	100.0
1988	36.6	24.5	1.7	11.1	26.1	100.0
1989	38.9	24.4	2.0	11.5	23.2	100.0
1990	37.1	27.2	2.5	11.1	22.1	100.0
1991	41.6	24.2	3.4	10.0	20.7	100.0
1992	42.7	24.3	4.7	8.7	19.6	100.0
1993	44.2	23.3	6.2	8.0	18.3	100.0
1994	41.5	23.9	8.4	7.5	18.8	100.0
1995	44.1	20.8	11.2	6.7	17.3	100.0
1996	45.0	18.4	12.7	6.8	17.1	100.0
1997	45.3	17.2	15.2	6.6	15.8	100.0
1998	47.6	14.8	16.0	6.7	14.9	100.0
1999	50.2	13.5	16.3	6.3	13.7	100.0
2000	48.5	14.7	16.2	6.6	13.9	100.0
2001	45.9	16.8	15.4	7.0	14.8	100.0

Source: Federal Reserve Flow of Funds Accounts

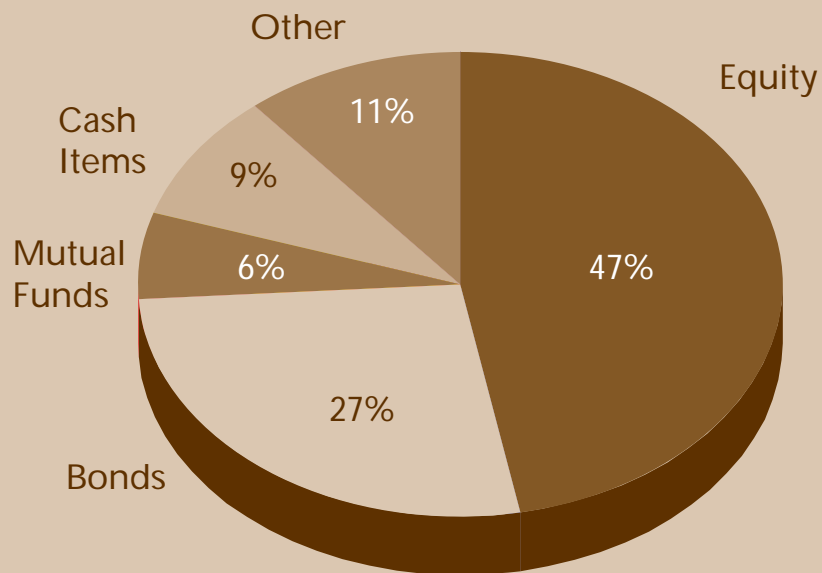
## Investment Mix of Defined Benefit Plan Assets

(\$ Billions)

	Equity	Bonds	Mutual Funds	Cash Items	Other Assets	Total Assets
1985	336	238	6	71	145	795
1986	348	228	5	83	152	816
1987	322	225	8	89	159	803
1988	301	257	6	86	163	813
1989	359	301	7	92	163	922
1990	341	335	7	82	134	900
1991	459	346	11	92	144	1,052
1992	485	364	16	80	136	1,080
1993	556	387	22	87	144	1,195
1994	560	427	39	92	158	1,276
1995	700	451	55	97	158	1,461
1996	786	439	64	114	176	1,579
1997	876	478	81	128	183	1,747
1998	987	458	101	145	195	1,886
1999	1,157	462	129	152	202	2,102
2000	1,046	480	124	158	202	2,010
2001	859	492	107	155	198	1,811

## Investment Mix of Defined Benefit Plan Assets

2001 = \$1.81 Trillion



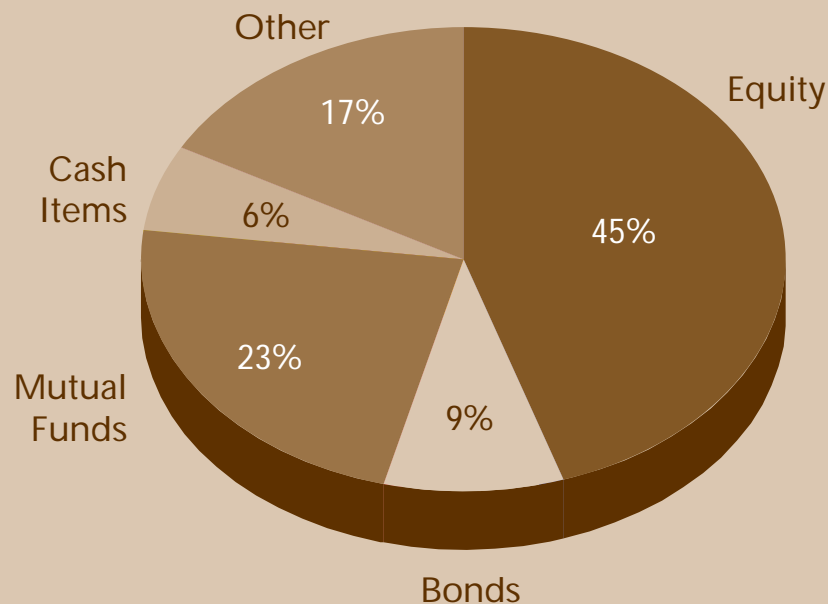
## Investment Mix of Defined Contribution Plan Assets

(\$ Billions)

	Equity	Bonds	Mutual Funds	Cash Items	Other Assets	Total Assets
1985	180	69	5	60	118	431
1986	175	80	7	64	142	468
1987	210	90	12	55	182	549
1988	215	87	17	71	205	595
1989	277	98	26	96	216	713
1990	265	110	34	99	227	735
1991	349	124	55	103	257	888
1992	392	135	81	98	266	972
1993	463	151	120	97	278	1,109
1994	460	161	167	92	305	1,184
1995	590	156	272	99	347	1,463
1996	678	158	349	108	379	1,672
1997	820	165	488	118	408	2,000
1998	1,004	160	567	135	427	2,293
1999	1,169	163	625	141	431	2,529
2000	1,149	186	610	142	425	2,512
2001	1,046	206	532	136	416	2,336

## Investment Mix of Defined Contribution Plan Assets

2001 = \$ 2.34 Trillion



## Distribution of Individual Retirement Account (IRA) Assets

by Financial Institution

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000*	2001*
Total IRA Assets	\$776	\$873	\$993	\$1,056	\$1,288	\$1,467	\$1,728	\$2,150	\$2,542	\$2,507	\$2,399
Bank and Thrift Deposits**	282	275	263	255	261	258	254	249	244	252	255
Life Insurance Companies	45	50	61	69	81	92	135	156	201	202	200
Mutual Funds	188	237	322	350	476	597	776	974	1,263	1,236	1,168
Securities Held in Brokerage Accounts	260	311	346	382	471	519	563	771	834	817	777

(\$ Billions)

(Percentage of Total IRA Assets)

Bank and Thrift Deposits**	36.3	31.5	26.5	24.1	20.3	17.6	14.7	11.6	9.6	10.1	10.6
Life Insurance Companies	5.8	5.7	6.1	6.5	6.3	6.3	7.8	7.3	7.9	8.1	8.3
Mutual Funds	24.2	27.1	32.4	33.1	37.0	40.7	44.9	45.3	49.7	49.3	48.7
Securities Held in Brokerage Accounts	33.5	35.6	34.8	36.2	36.6	35.4	32.6	35.9	32.8	32.6	32.4

\*Estimated

\*\*Bank and thrift deposits include Keogh deposits.

Source: Investment Company Institute

## Interest Rates and Bond Yields

(Percent Per Annum)

	3-Month T-Bills, Auction	3-Year Treasury Bonds	10-Year Treasury Bonds	30-Year Treasury Bonds	Aaa Corps. (Moody's)	Baa Corps. (Moody's)	Hi-Grade Munis. (S&P)	Bank Prime Rate	Federal Discount Rate	Federal Funds Rate
1970	6.46	7.29	7.35	—	8.04	9.11	6.51	7.91	5.95	7.18
1971	4.35	5.65	6.16	—	7.39	8.56	5.70	5.72	4.88	4.66
1972	4.07	5.72	6.21	—	7.21	8.16	5.27	5.25	4.50	4.43
1973	7.04	6.95	6.84	—	7.44	8.24	5.18	8.03	6.44	8.73
1974	7.89	7.82	7.56	—	8.57	9.50	6.09	10.81	7.83	10.50
1975	5.84	7.49	7.99	—	8.83	10.61	6.89	7.86	6.25	5.82
1976	4.99	6.77	7.61	—	8.43	9.75	6.49	6.84	5.50	5.04
1977	5.27	6.69	7.42	7.75	8.02	8.97	5.56	6.83	5.46	5.54
1978	7.22	8.29	8.41	8.49	8.73	9.49	5.90	9.06	7.46	7.93
1979	10.04	9.71	9.44	9.28	9.63	10.69	6.39	12.67	10.28	11.19
1980	11.51	11.55	11.46	11.27	11.94	13.67	8.51	15.27	11.77	13.36
1981	14.03	14.44	13.91	13.45	14.17	16.04	11.23	18.87	13.42	16.38
1982	10.69	12.92	13.00	12.76	13.79	16.11	11.57	14.86	11.02	12.26
1983	8.63	10.45	11.10	11.18	12.04	13.55	9.47	10.79	8.50	9.09
1984	9.58	11.89	12.44	12.41	12.71	14.19	10.15	12.04	8.80	10.23
1985	7.48	9.64	10.62	10.79	11.37	12.72	9.18	9.93	7.69	8.10
1986	5.98	7.06	7.68	7.78	9.02	10.39	7.38	8.33	6.33	6.81
1987	5.82	7.68	8.39	8.59	9.38	10.58	7.73	8.21	5.66	6.66
1988	6.69	8.26	8.85	8.96	9.71	10.83	7.76	9.32	6.20	7.57
1989	8.12	8.55	8.49	8.45	9.26	10.18	7.24	10.87	6.93	9.21
1990	7.51	8.26	8.55	8.61	9.32	10.36	7.25	10.01	6.98	8.10
1991	5.42	6.82	7.86	8.14	8.77	9.80	6.89	8.46	5.45	5.69
1992	3.45	5.30	7.01	7.67	8.14	8.98	6.41	6.25	3.25	3.52
1993	3.02	4.44	5.87	6.59	7.22	7.93	5.63	6.00	3.00	3.02
1994	4.29	6.27	7.09	7.37	7.97	8.63	6.19	7.15	3.60	4.21
1995	5.51	6.25	6.57	6.88	7.59	8.20	5.95	8.83	5.21	5.83
1996	5.02	5.99	6.44	6.71	7.37	8.05	5.75	8.27	5.02	5.30
1997	5.07	6.10	6.35	6.61	7.26	7.86	5.55	8.44	5.00	5.46
1998	4.81	5.14	5.26	5.58	6.53	7.22	5.12	8.35	4.92	5.35
1999	4.66	5.49	5.65	5.87	7.04	7.87	5.43	8.00	4.62	4.97
2000	5.85	6.22	6.03	5.94	7.62	8.36	5.77	9.23	5.73	6.24
2001	3.45	4.09	5.02	5.49	7.08	7.95	5.19	6.91	3.40	3.88

Source: Economic Report of the President





# RESEARCH PUBLICATIONS



## Research Publications

(For further information, visit our web site at [www.sia.com](http://www.sia.com))

### Securities Industry Research

**Research Reports** – A monthly publication which features a selection of articles on the securities industry, securities markets, operational issues and managerial topical interests to securities and financial services industry senior management, along with a statistical review of monthly activity in the U.S. primary and secondary capital markets and related economic statistics. All issues are available in PDF format on our web site at [www.sia.com](http://www.sia.com) (see Reference Materials). No charge.

**Securities Industry Databank** – This service consists of a comprehensive database containing aggregated financial and employment data contained in the quarterly FOCUS Report income statements and balance sheets filed by all NYSE broker-dealers dealing with the public. Available in Excel spreadsheet format via email. This industry data is aggregated into 17 firm categories including: national full line firms, large investment banks, regionals, discounters, clearing firms, etc. DataBank subscription for most recent calendar year costs \$1,200 for SIA and NYSE members; \$2,400 for non-members. Historical data since 1980 are also available.

**Securities Industry's Economic Impact on New York State & City (1994 with updates through 2001)** – This study shows the New York securities industry's significant impact on the State and City economies. Areas covered include: employment; taxes; New York businesses; capital raising for business and government. Available in PDF format on our web site at [www.sia.com](http://www.sia.com), along with monthly updates to New York securities industry employment. No charge.

**Securities Industry Fact Book** – An annual statistical guide offering decades of data covering global and domestic capital markets and the securities industry in general. The 2002 edition provides over 115 pages of text and data on various aspects of the securities industry including: underwriting; private placements; M&A; securities industry revenue, costs, profits and employment; discounters; NYSE, Amex and Nasdaq statistics; individual investor statistics, international data, economic statistics, and much more. Cost is \$150 for the CD-Rom version in PDF and Excel formats. (CD purchasers only may obtain a limited edition of bound copy for an additional \$65 for SIA members; \$125 for non-members.)

**Securities Industry Financial Results** – Quarterly and annual financial results of the securities industry (based on New York Stock Exchange (NYSE) member firms doing a public business) are available in Excel format on our web site at [www.sia.com](http://www.sia.com). Presented are the income statement, balance sheet, and employment data of the NYSE members' broker/dealer unit only from their Financial and Operational Combined Uniform Single (FOCUS) Report. Detailed here are quarterly financial statements for the securities industry from 1998 to the present, and full-year data since 1992. For historical quarterly and annual data since 1980 for the industry in 17 different firm categories such as national full line firms, large investment banks, regional firms, discounters, etc., see the Securities Industry Databank.

**Securities Industry Trends** – A periodic report discussing profitability and financial statements of the securities industry; key revenue sources and expenses of securities firms; coverage of tax law changes and economic developments affecting securities firms; trends in international finance, and other topics vital to securities firm management. Yearly subscription is \$75; \$125 for non-members. Individual issues are \$15 for members; \$20 for non-members.

**Selected Industry Statistics** - Statistical information on trends in U.S. corporate and municipal underwriting activity, interest rates, stock prices, U.S. stock market share and dollar volume, mutual fund assets and net new cash flow. Available in PDF format on our web site at [www.sia.com](http://www.sia.com). No charge.

## International Research

**Financial Services Brief** - Report by the SIA outlining why world markets are important to U.S. financial services firms. Available in PDF format on our web site at [www.sia.com](http://www.sia.com). No charge.

**Foreign Activity Report** - A quarterly report that tracks purchases and sales of U.S. securities by foreign investors and U.S. purchases and sales of foreign securities. Both gross activity and net purchases are shown for the following securities: U.S. stocks; U.S. corporate bonds; U.S. treasuries; U.S. agency bonds; foreign stocks and foreign bonds. Data is shown for all world markets and most major nations. Also included is a country by country breakdown in transactions in ADRs as well as transactions in emerging markets' equities by country and their market capitalization. Print copy available only. Yearly subscription is \$50; \$75 for non-members.

**Promoting Fair and Transparent Regulation** - Discussion paper developed by SIA's International Trade and Investment Policy Committee, makes recommendations for sound regulatory practices that complement those developed by the International Organization of Securities Commissions (IOSCO). Available in PDF format on our web site at [www.sia.com](http://www.sia.com). No charge.

## Management Surveys

**Compensation of Top Management In Local and Regional Firms - 1999 & 2000** - Issued approximately every three years, this report presents comprehensive information about the compensation of senior management in local and regional firms. The report covers compensation for fourteen positions, including: CEO; COO; CFO; CIO; General Counsel; and the heads of Fixed Income, Public Finance, Research, Retail Sales, Institutional Sales, Marketing, Operations, Equity Capital Markets, and Investment Banking/Corporate Finance. Data provided for each position include: base salary; short-term incentives; commissions; long-term incentives; total direct compensation; other taxable compensation; as well as W-2 earnings. In addition, the report contains information about executive retirement plans and executive prerequisites. The data in this report are segmented into several firm-size groups. The data are presented for each firm-size group, as well as for all participating firms. The report contains numerous summary tables, as well as extensive data arrays, which present non-identifying, firm-by-firm data. The cost for the study ranges from \$200 to \$600 per copy on CD-ROM, depending on gross revenues; non-members can obtain a copy of this report on CD-Rom for \$1,500. Purchasers and participants can obtain additional copies for \$100 each.

**Employee Benefits Practices - 2001** - Issued approximately every three years, this report presents comprehensive information about employee benefits practices within the securities industry. The report covers information about Medical Insurance Plans - Indemnity Plans, Preferred Provider Plans, Point of Service Plans, and Health Maintenance Organizations. For each plan type, the report presents detailed information about premium cost, employee contributions, coverage, and eligibility, among other information. Also included is information on Dental Insurance Plans (Indemnity, PPO, POS, DMO), short- and long-term disability coverage, Group Life Insurance, Accidental Death and Dismemberment Cover-

age, Travel Accident Coverage, and Retirement Plans. Other topics covered in detail are Time-Off-With-Pay (including sick/personal days and vacation); Employee Assistance Programs; Flexible Benefits; Benefits Statements; and other miscellaneous practices. The data in this report are segmented into several firm-size groups. The data are presented for each firm-size group as well as for all participating firms. The report contains numerous summary tables as well as extensive data arrays, which present non-identifying, firm-by-firm data. The cost of the study ranges from \$550 to \$850 per report on CD-ROM for members, based on the number of employees; non-members can obtain a copy of this report on CD-ROM for \$1,500. Purchasers and participants can obtain additional copies for \$100 each.

***Management and Professional Earnings in the Securities Industry - 2001*** – Issued annually, this report presents comprehensive information on the compensation for 166 exempt level positions within the industry. These positions are grouped into eleven functional categories, as follows: Accounting; Administration & Finance; Compliance; Floor/Trading; Human Resources Management; Internal Audit; Legal; Miscellaneous; Operations; New Business Development; and, Systems/Technology. Data for each position include current-year base salary (as of May 1st), prior-year base salary and prior-year bonus. Summary tables are included in the Highlights section that show average salary and bonus information as well as the number of firms reporting data and the number of positions included in each calculation. In addition, detailed firm-by-firm data are presented for each position. Summary statistics include the 10th, 25th, 75th, and 90th percentiles; the median; and mean. In addition, positions are grouped based on their location into: Based in the New York City Metropolitan Area and Based Outside the New York City Metropolitan Area. The data in this report are segmented into several firm-size groups. The data are presented for each firm-size group as well as for all participating firms. The cost of the study ranges from \$550 to \$850 per report on CD-ROM for members, based on the number of employees; non-members can obtain a copy of this report ON CD-ROM for \$1,500. Purchasers and participants can obtain additional copies for \$100 each.

***Office Salaries in the Securities Industry - 2001*** – Issued annually, this report presents comprehensive information on the compensation for 90 non-exempt level positions within the industry. These positions are grouped into eleven functional categories, as follows: Accounting; Administration & Finance; Compliance; Floor/Trading; Human Resources Management; Internal Audit; Legal; Miscellaneous; Operations; New Business Development; and, Systems/Technology. Data for each position includes current-year weekly base salary (as of May 1st), prior-year base salary and prior-year bonus. Summary tables are included in the Highlights section that show average salary and bonus information as well as the number of firms reporting data and the number of positions included in each calculation. In addition, detailed firm-by-firm data are presented for each position. Summary statistics include the 10th, 25th, 75th, and 90th percentiles; the median; and mean. In addition, positions are grouped based on their location into: Based in the New York City Metropolitan Area and Based Outside the New York City Metropolitan Area. Data are also presented for each of 36 individual metropolitan areas. The data in this report are segmented into several firm-size groups. The data are presented for each firm-size group as well as for all participating firms. The cost of the study ranges from \$550 to \$850 per report on CD-ROM for members, based on the number of employees; non-members can obtain a copy of this report on CD-ROM for \$1,500. Purchasers and participants can obtain additional copies for \$100 each.

***Regional Firms' Retail Sales Management Report*** – This proprietary report, which is available only to participating firms, provides participants with a comprehensive array of retail sales-related data that each firm can use to benchmark their firm against the entire group. The report includes rankings and averages on such benchmark elements as revenues by product line, revenues per RR, total production, branch support personnel, and balance sheet data.

***Report on Asset Management Accounts - 2001*** – Conducted for the first time in 1997, this report presents a comprehensive set of data related to Asset Management Accounts, including: average number of accounts; average account asset value; features offered as part of the AMA; annual and feature-specific fees; risk management practices and procedures; marketing initiatives; and operational information. Where applicable, the data in this report are segmented into several firm-size groups; however, much of the information is presented for all participating firms. The cost of the report on CD-ROM is \$500 for members; \$900 for non-members. Purchasers and participants can obtain additional copies for \$50 each.

***Report on Institutional Business Activity - 2000*** – This report, first issued for calendar year 1997, has become a valuable companion to the Report on Production and Earnings of RRs. Providing an in-depth perspective on Institutional Business Activity, this report presents detailed information on topics, such as: production and earnings of Institutional Sales People and Traders; ticket size; payout rates; length of employment; turnover rates. The report also presents detailed data on firm revenue and expenses, operating profit margins, clearing arrangements, and web site offerings. The data in this report are segmented into several firm-size groups. The data are presented for each firm-size group as well as for all participating firms. The report contains numerous summary tables as well as extensive data arrays, which present non-identifying, firm-by-firm data. The cost of the study ranges from \$350 to \$850 per report on CD-ROM for members, based on the number of employees; non-members can obtain a copy of this report on CD-ROM for \$1,500. Purchasers and participants can obtain additional copies for \$100 each.

***Report on Operations in the Securities Industry - 2001*** – The 2001 Report on Operations in the Securities Industry is based on input from 49 participating member firms, employing more than 92,000 full time individuals, representing more than 50,000 registered representatives, covering nearly 13,000 branch offices, and handling more than 20 million trades each month. This study was developed in conjunction with SIA's Operations Committee and is SIA's second effort at developing a comprehensive set of metrics related to operations. The first report on Operations was issued in 1999. This report includes a comprehensive set of information about various aspects of operations in the securities industry, including: Firm Information, Financial Information, Trading, Account Information, Fees and Charges, Information Technology; Management Policies & Practices; and Miscellaneous Information. Each section includes a variety of summary tables followed by a series of Data Arrays, which present detailed data. The cost of the study ranges from \$250 - \$850 per report on CD-ROM for member firms, based on the number of employees; non-members can obtain a copy of this report on CD-ROM for \$1,500. Purchasers and participants can obtain additional copies for \$100 each.

***Report on Prices Charged Retail Clients - 2001*** – Issued approximately every three years, this report presents comprehensive retail pricing information, including: commissions for stocks and options; discounting practices and policies; set-up and maintenance fees for retirement accounts; interest charged on margin accounts; and, interest paid on free credit balances. The report also includes detailed information on a range of fees, such as: legal transfers; returned checks; postage and handling; transfers; safekeeping; reorganization; and bond redemption. Also included is information about Wrap Accounts, as well as data about other services, such as Asset Management Accounts, providing the cost basis of client account holdings on monthly statements, and electronic trading. The data in this report are segmented into several firm-size groups. The data are presented for each firm-size group as well as for all participating firms. The report contains numerous summary tables as well as extensive data arrays, which present non-identifying, firm-by-firm data. The cost for the study ranges from \$325 to \$700 per report on CD-ROM for members, based on the number of RRs; non-members can obtain a copy on CD-ROM for \$1,425. Purchasers and participants can obtain additional copies for \$60 each.

**Report on Production and Earnings of RRs - 2000** – This annual report (first issued in the early 1970's) provides in-depth information on Retail Registered Representatives (RRs), including: production, earnings, payout rates, ticket size, turnover rates, length of employment, stock options, employment contracts, and Sales Assistants. In addition, this report also provides information on earnings of both producing and non-producing Branch Managers; average branch size; earnings of Trainees; production and earnings for First-year RRs; and, training costs. Also included is information on production, earnings, and turnover for Institutional RRs. The data in this report are segmented into several firm-size groups. The data are presented for each firm-size group as well as for all participating firms. The report contains numerous summary tables as well as extensive data arrays, which present non-identifying, firm-by-firm data. The cost for the study ranges from \$350 to \$850 per report on CD-ROM for members, based on the number of RRs; non-members can obtain a copy of this report on CD-ROM for \$1,500. Purchasers and participants can obtain additional copies for \$100 each.

**Salary and Bonus Increases** – Issued every year, this report provides industry firms with a measure of how much salaries and bonuses are expected to change in the coming year. The report presents data on anticipated salary increases for both exempt and non-exempt employees. Also provided is information about anticipated changes in the size of the bonus pool. Results are available during the first or second week of September. The data in this report are segmented into several firm-size groups. The data are presented for each firm-size group as well as for all participating firms. This study is free for participating member firms; \$75 for member firms that do not participate; \$150 per report for non-members.

**Technology Trends in the Securities Industry 2001: Investing in Tomorrow's Infrastructure** – This report takes an in-depth look at major technology initiatives in the North American securities industry. The analysis focuses on the industry's push into the Internet, their STP focus, their IT expenditures, their staffing levels and their infrastructure initiatives. This analysis was undertaken jointly by the Securities Industry Association and TowerGroup, in collaboration with SIA's Technology Management Committee. The report is available through TowerGroup by contacting Larry Tabb at (781) 292-5205 or [ltabb@towergroup.com](mailto:ltabb@towergroup.com).

## Other Publications

**Capital Markets Handbook** – The new Second Edition of the Capital Markets Handbook is indispensable for anyone dealing in today's fast changing capital markets. Designed as an all-purpose desk reference, training manual, and tactical handbook, this updated edition is the most complete and current reference of its kind. It explains all the latest rules, practices, jargon, and strategies from the essentials of U.S. securities laws to the latest stipulations for online offerings or pricing strategies for afterhours trading. The new Second Edition covers the following new trends and developments in capital markets: Financial Services Modernization Act of 1999 (Gramm-Leach-Bliley Act); deal pricing in an afterhours trading environment and T+1 settlement; new types of institutional pot-equity offerings such as incentive or performance pot; private placements under Rule 144A; Rule 144 and the sale of unregistered securities; corporate repurchase of equity securities; and online Dutch auctions. The price is \$140 for members; \$185 for non-members. Available at [www.aspenpublishers.com/pg16421.html](http://www.aspenpublishers.com/pg16421.html)

# Order Form

## Research Publications

Make checks payable to the Securities Industry Association. New York State residents please include 8.25% sales tax. Canadian and foreign amounts must be in U.S. dollars and drawn on a U.S. bank. Please enclose your completed order form together with your check and mail to:

### Securities Industry Association

Attention: Candace Carr  
120 Broadway - 35th Floor  
New York, NY 10271-0080

Name: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

City/State/Zip: \_\_\_\_\_

Telephone: \_\_\_\_\_

Fax: \_\_\_\_\_ e-mail: \_\_\_\_\_

Publication	Quantity	Unit Amount	Total

Amount Subtotal

NY Residents add 8.25% NY sales tax

TOTAL AMOUNT ENCLOSED

**All Orders Must Be Prepaid**

Method of Payment:  Check (make payable to Securities Industry Association)

Credit Card Type \_\_\_\_\_

Credit Card Number \_\_\_\_\_ Exp. date \_\_\_\_\_

Signature \_\_\_\_\_







**Securities Industry Association**

---

120 Broadway, New York, NY 10271-0080

(212) 608-1500 • Fax (212) 968-0703 • [info@sia.com](mailto:info@sia.com) • [www.sia.com](http://www.sia.com)