



• **U.S. Securities Industry
Financial Results: 2007**

By: Paul Rainy

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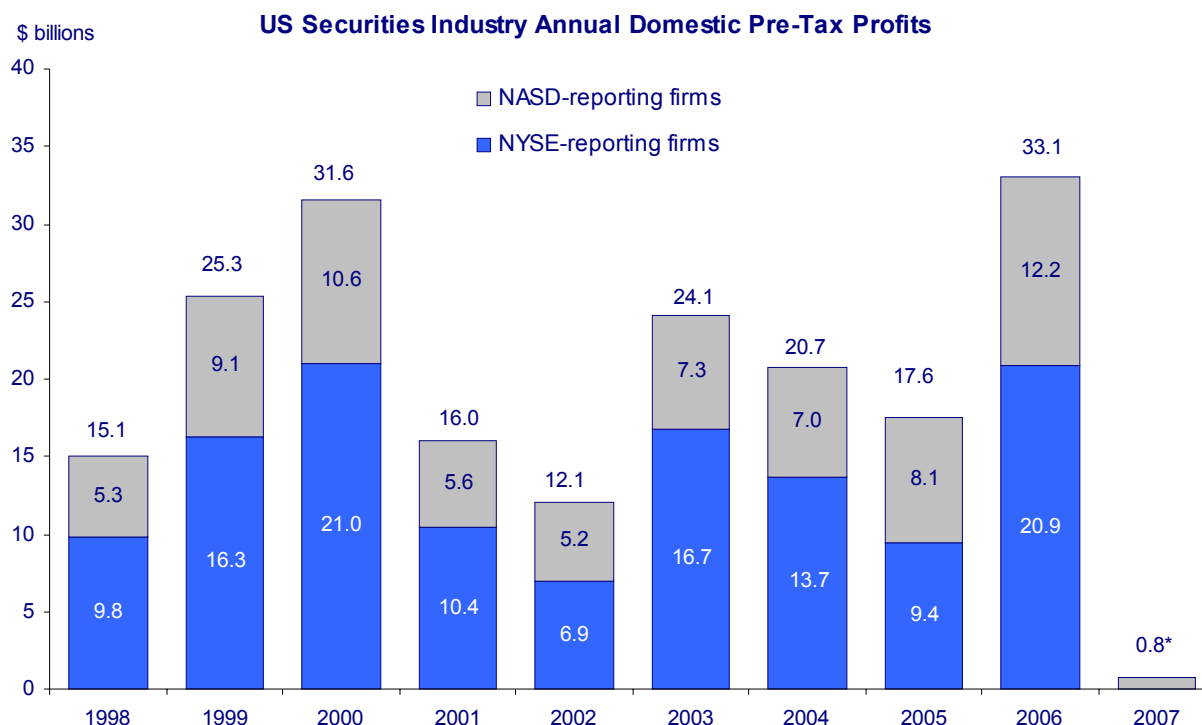
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- 4 **U.S. Securities Industry Financial Results: 2007**, by Paul Rainy. In line with 2007 public company annual reports, U.S. broker dealers reported full-year financial results well below 2006 levels. While total, or gross, revenues reached a record high \$474.2 billion (up 8.6 percent from 2006) total expenses grew even faster, up 17.3 percent to a record high \$473.4 billion. Net revenues (total revenues less interest expense) fell 7.7 percent to \$204.0 billion and pre-tax profits fell 97.7 percent to \$777.4 million compared to the \$33.1 billion earned in 2006.

U.S. SECURITIES INDUSTRY FINANCIAL RESULTS: 2007

Summary

The U.S. securities industry began 2007 on a strong note, but buffeted by the subprime mortgage meltdown and subsequent credit market dislocations, finished the year in a weaker condition.¹ Total revenues reached a record high of \$474.2 billion in 2007, an increase of 8.6 percent from 2006. However total expenses grew even faster, reaching a record \$473.4 billion, 17.3 percent above the previous full-year record high set the year before. Net revenues (total revenues minus interest expense), which provide a better measurement of industry revenue performance, declined to \$204.0, 7.7 percent below the \$221.1 billion record high set in 2006. There is vigorous debate over whether the worst of the market adjustments are already completed. The continuing overhang of troubled assets, persistent illiquidity in some markets, weakness in a variety of business lines and a slowing U.S. economy do not bode well for the year ahead.



Subtotals may not add to totals due to independent rounding.

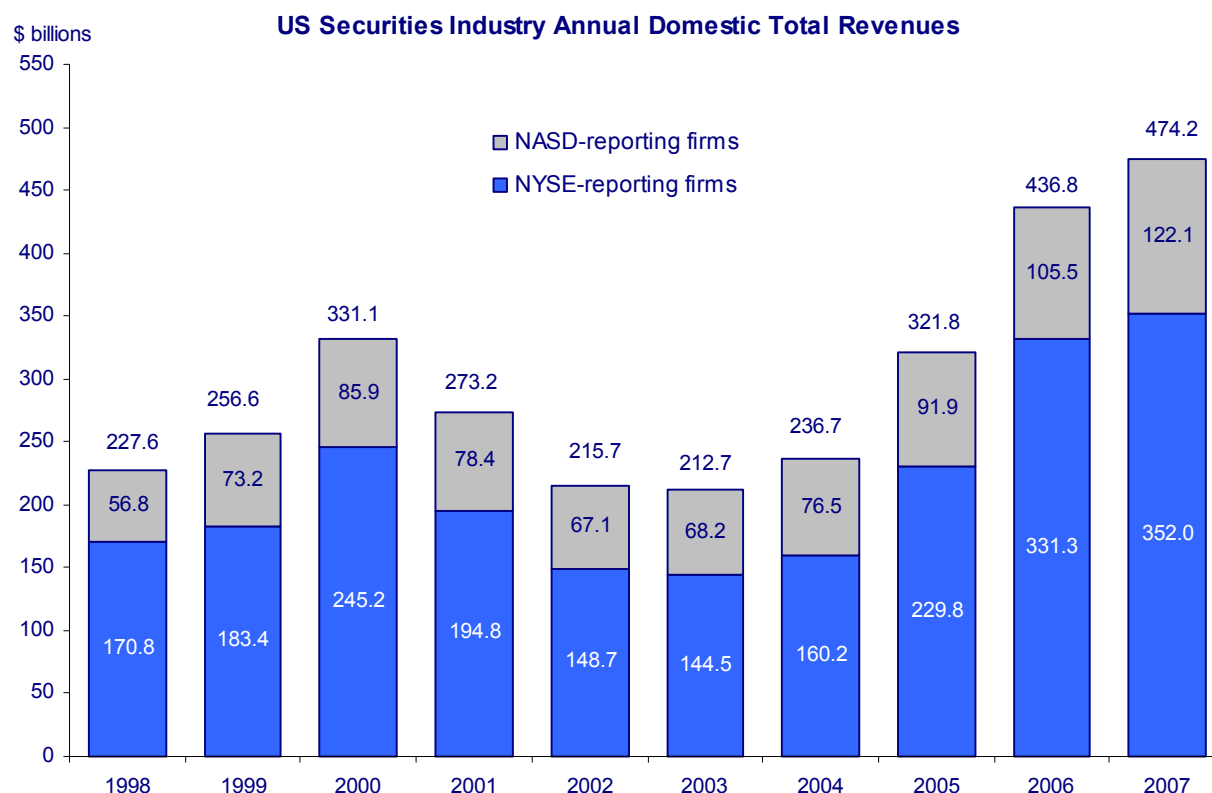
* NASD-reporting firms recorded pre-tax profits of \$12.1 billion, while NYSE-reporting firms recorded a loss of \$11.3 billion for a total industry profit of \$0.8 billion.

Source: SIFMA DataBank

¹ The results for the U.S. securities industry discussed herein are the aggregated results (unconsolidated revenues and expenses) for all broker-dealers doing a public business in the U.S.. This is as reported in the Financial and Operation Combined Uniform Single (FOCUS) Reports broker-dealers file with the U.S. Securities and Exchange Commission (SEC) and their self-regulatory organization. Please see (www.sifma.org/research/statistics/databank.html) for NYSE data and (www.sifma.org/research/statistics/expanded_databank.html) for NASD data.

Revenues

Total revenues reached a record high of \$474.2 billion in 2007, an increase of 8.6 percent from 2006. Although many revenue lines showed solid growth in 2007, trading and investment account losses were substantial. Net revenues (total revenues minus interest expense) were \$204.0 billion in 2007, a decline of 7.7 percent from the record high \$221.1 billion in 2006 and just above the previously second highest result, \$203.9 billion recorded in 2000.²



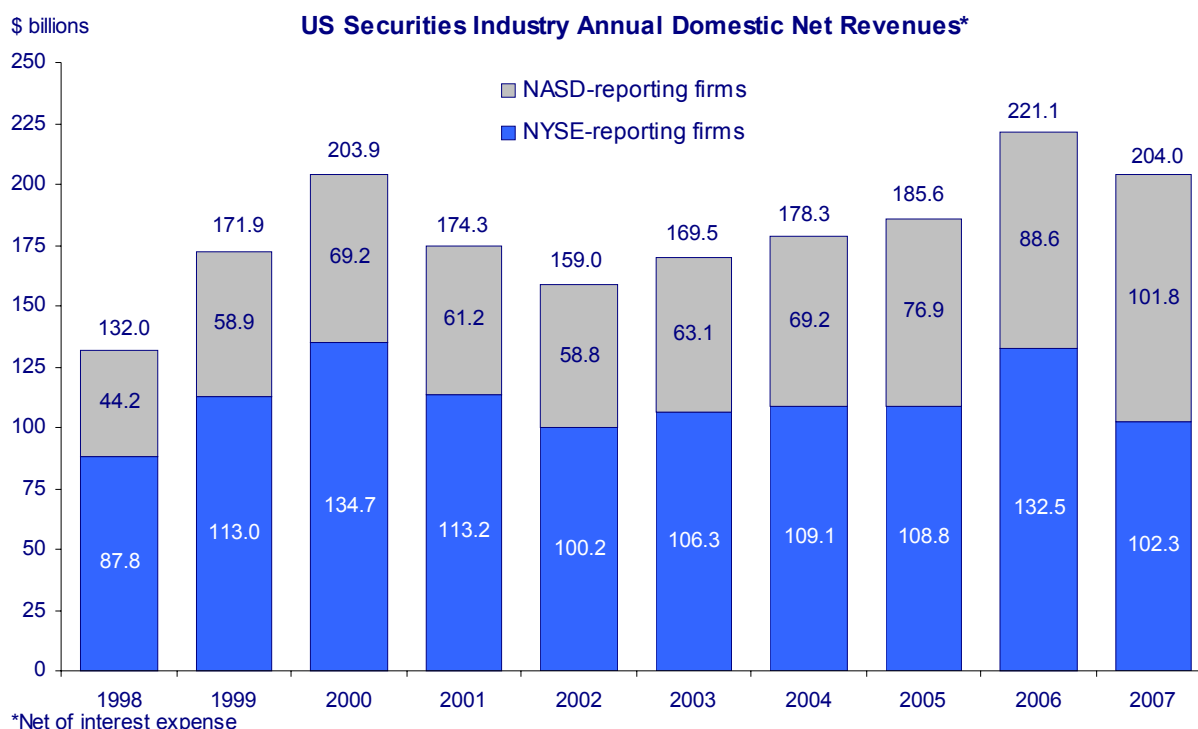
Subtotals may not add to totals due to independent rounding.

Source: SIFMA DataBank

The 25 largest firms recorded net revenues of \$72.4 billion in 2007, down 29.2 percent from 2006³. These firms accounted for 35.5 percent of the U.S. securities industry-wide net revenues, down from a 46.2 percent share in 2006. The net revenues of all other firms (4,944 at end-2007) grew solidly, but more slowly than in 2006, increasing 10.7 percent. The 25 largest firms saw profits plummet, with pre-tax net income recording a loss of \$16.4 billion in 2007 after a gain of \$15.9 billion in 2006.

² Net revenues provide a better summary gauge of industry performance than total, or gross, revenues. Gross revenues include gross interest revenues, which in substantial part reflect the prevailing level of nominal interest rates. They are largely offset by similar growth of interest expenses, thus underscoring the industry's role as a financial intermediary, but not illuminating revenue performance.

³ Largest in terms of capitalization.

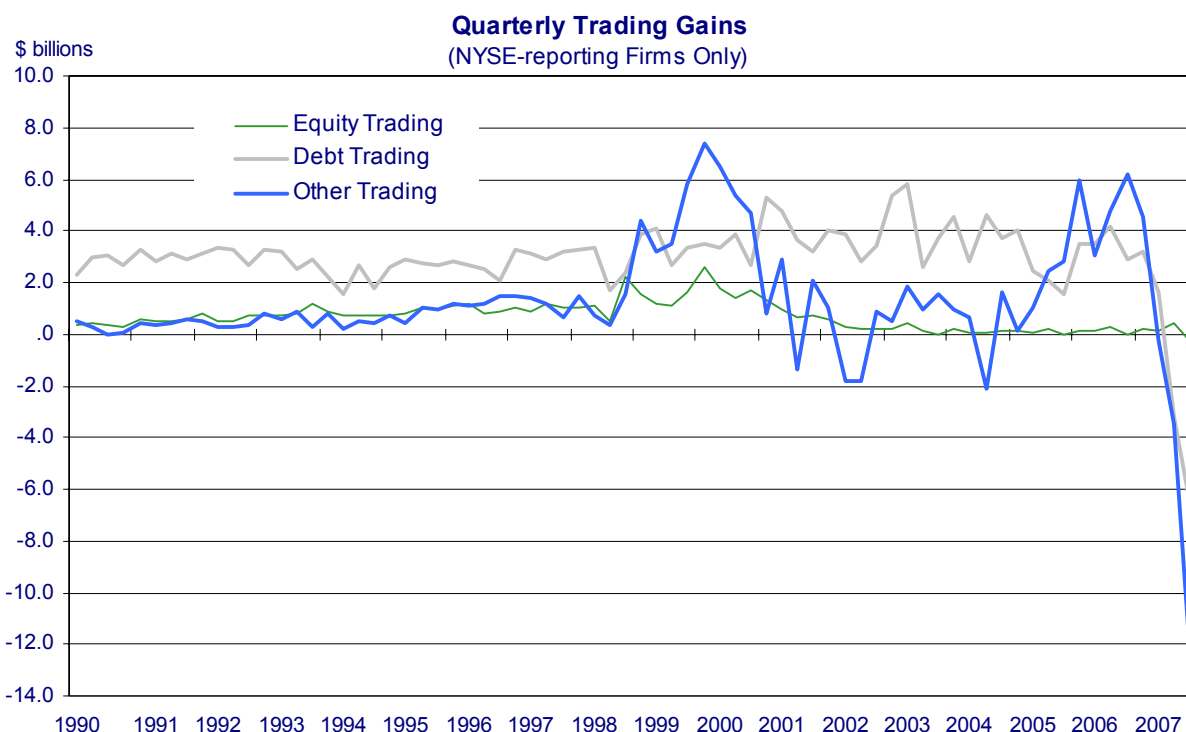


Subtotals may not add to totals due to independent rounding.
Source: SIFMA DataBank

Commission and fee income, the level of which is largely a reflection of the volume of secondary market securities trading, reached \$54.5 billion in 2007. This represented an 11.5 percent increase over the prior year, and was the highest annual total for commission and fee income, surpassing the previous record of \$53.2 billion set in 2000. Transaction volume rose on both the NYSE and NASDAQ in 2007. NYSE average daily dollar volume of \$86.8 billion was 27.1 percent above that in 2006, while on the NASDAQ daily dollar volume averaged \$60.0 billion, up 29.0 percent from the 2006 level, but still well below the record \$80.9 billion pace set in 2000. NYSE average daily share volume rose 15.6 percent to 2.11 billion shares per day, while NASDAQ volume was up 6.5 percent to 2.13 billion shares per day.

A core business line of traditional brokerage activity, commission and fee income has been steadily declining in relative importance to the industry as a whole. Changes in order-handling rules and a technological revolution led to intensified competition and a steady long-term reduction in profit margins. In 2007, because of weakness in some of the recently higher margin business lines, commission and fee income accounted for a larger percentage of net revenues; 26.7 percent of total net revenues in 2007, up from 22.1 percent in the prior year and above the average of 25.3 percent recorded over the six-year period 2001-2006.

Securities firms designated NASD-reporting are generally more dependent on revenue from commission and fee income, whereas NYSE-reporting firms generate more of their income from investment banking operations, such as underwriting and other corporate finance work. NYSE-reporting firms, which generate most of their commission and fee income from institutional accounts, with retail operations largely catering to high and ultra-high net worth individuals, saw commission and fee income rise 8.2 percent in 2007 compared to the year before.



Source: SIFMA DataBank

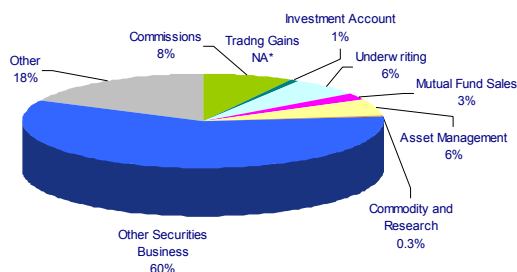
In 2007, commission and fee income represented 28.2 percent of total net revenues for NYSE-reporting firms, up from 20.1 percent the year before. NASD-reporting firms, which rely more heavily on retail brokerage activity, saw commission and fee income rise 15.5 percent in 2007 compared to a rise of 8.3 percent in 2006. For these firms, commission and fee income represented 25.2 percent of net revenue in 2007, nearly unchanged from last year's 25.1 percent.

Trading revenues (largely, revenue earned from proprietary trading activities) experienced the worst annual performance in the SIFMA DataBank's history,⁴ recording a loss of \$6.0 billion in 2007 compared to a gain of \$43.0 billion in 2006. In 2007, trading revenues for NASD-reporting firms decreased 48.9 percent compared to 2006, while NYSE-reporting firms accounted for the overall losses of trading revenue. A large portion of the losses came from debt trading by NYSE-reporting firms, which was \$4.7 billion in 2007, while NASD-reporting firms had positive trading revenues across the board. NYSE-reporting firms have much larger trading operations taking positions in a wide variety of securities and other assets, both for proprietary trading and client facilitation compared with NASD-reporting firms which concentrate more on agency-only trading.

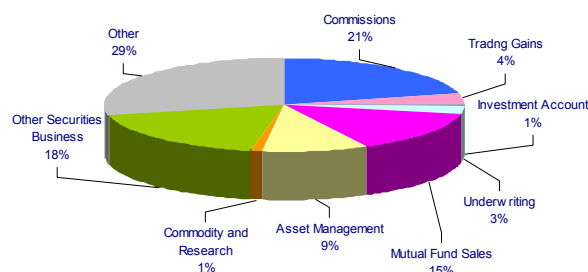
OTC market making gains, once an important source of industry revenues, accounted for only \$852.9 million in 2007, a 13.3 percent increase over the prior year. Debt trading in 2007 recorded a loss of \$1.9 billion compared to a gain of \$17.8 billion in 2006. The reporting category "gains from all other trading", which recorded a gain of \$24.5 billion in 2006, experienced a \$10.2 billion loss in 2007.

⁴ Trading gains (or losses) include net gains or losses from proprietary trading and holding dealer (inventory) positions to accommodate customer demand.

**NYSE-Reporting Firms Composition of Total Revenues
2007**



**NASD-Reporting Firms Composition of Total Revenues
2007**



Subtotals may not add to totals due to independent rounding.

* NYSE-reporting firms recorded a trading loss of \$10.3 billion.

Source: SIFMA DataBank

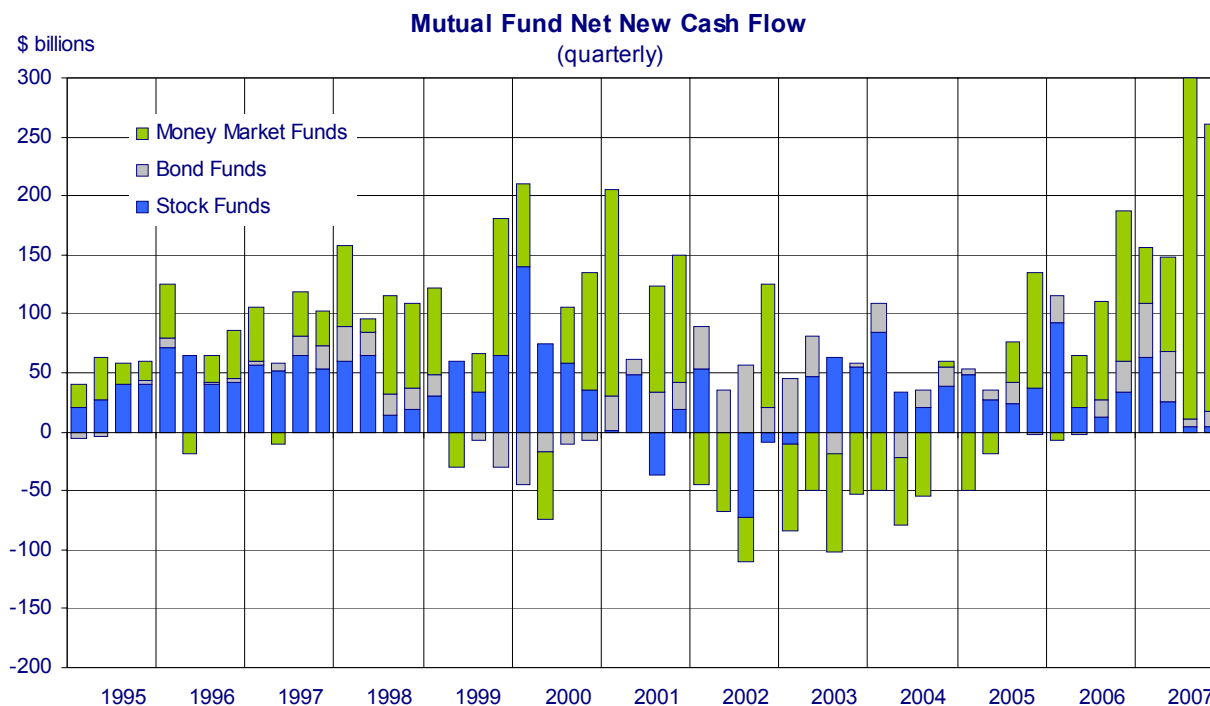
Underwriting revenue, which has been rising since 2003, had another strong year in 2007, eclipsing the previous record high set in 2006. Underwriting revenue reached \$26.5 billion, rising 12.3 percent from the previous record of \$23.6 billion earned the year before. Equity underwriting revenue reached a record high \$6.9 billion, \$1.7 billion or 32.7 percent above the prior year's level. In 2007, underwriting revenues for NYSE-reporting firms and NASD-reporting firms increased 11.0 percent and 21.8 percent, respectively, compared to 2006. Unsurprisingly, total equity issuance also reached a record high of \$247.5 billion in 2007, up 29.9 percent compared to 2006, surpassing the previous record of \$204.5 billion set in 2000. True IPOs, which command the highest fees, reached \$50.7 billion, a 10.0 percent gain over the prior year, while secondary issuance totaled \$96.4 billion, down 2.9 percent from 2006.

Overall corporate debt issuance decreased in 2007 to \$2.8 trillion, a 12.2 percent decline from the record high \$3.1 trillion recorded in 2006. Corporate straight bond underwriting reached \$1.1 trillion, an increase of 6.6 percent from the year before, while placement of asset-backed securities declined 28.1 percent to \$901.2 billion and non-agency mortgage-backed securities issuance declined 14.8 percent to \$658.6 billion. Other underwriting fees (which is mainly debt underwriting) set a record in 2007, rising to \$19.6 billion, up 6.5 percent from the previous record of \$18.4 billion set the year before, reflecting strong issuance volume in higher margin products.

In 2007, **margin interest revenue** surged to \$32.3 billion in 2007, up 35.5 percent over the 2006 level and surpassing the previous annual record of \$24.3 billion set in 2000. Margin interest rose due to rising interest rates in the beginning of 2007, a trend that reversed in August 2007 with interest rates on a falling trajectory since.

Mutual fund sales revenue reached \$25.8 billion in 2007, also a new record, up 12.2 percent from the previous record \$23.0 billion in 2006. This reflected strong net new cash flows into mutual funds in 2007, which reached a total of \$865.7 billion, 84.5 percent above the level in the prior year.⁵ Most of the increase was in short-term money market mutual funds (MMMFs), which carry very low charges. Inflows into long-term funds (which carry higher charges) with net new cash inflows into long-term funds reaching \$226.4 billion in 2007, a decrease of 0.6 percent from 2006.

⁵ Net new cash flow equals net sales (excluding reinvested dividends) minus redemptions, combined with net exchanges.



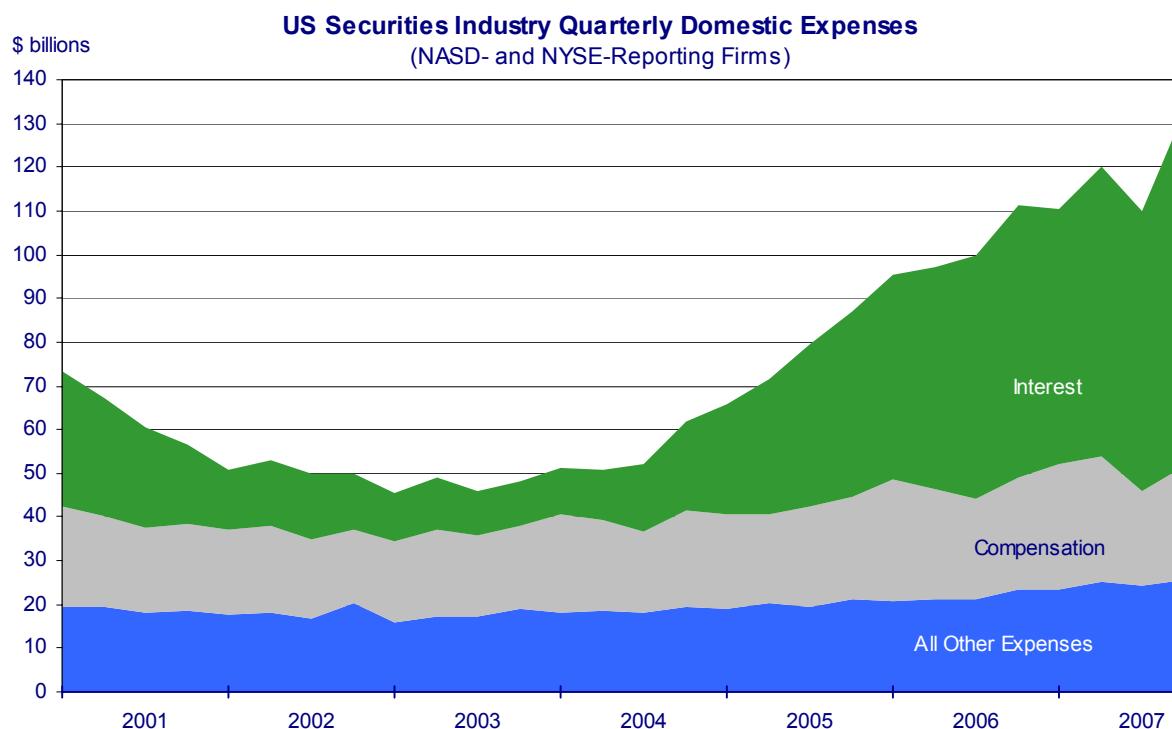
Source: Investment Company Institute

Asset management fees also set a record, reaching \$33.1 billion in 2007, 18.6 percent over the \$27.9 billion earned in the preceding year. This growth reflected the increase in the value of mutual fund assets under management, which rose to over \$12.0 trillion in 2007, 15.6 percent above the \$10.4 trillion recorded in 2006.

Other revenues and Other Revenue Related to the Securities Business showed strong growth as well, rising a combined 25.2 percent in 2007 from 2006 levels. This growth rate was just below the 25.3 percent increase in the growth of interest expenses, a large portion of which is incurred to support the product and service lines included in this catch-all category, such as securities lending. Also included here are fees earned from a variety of activities (including prime brokerage and corporate financial advisory work other than underwriting) such as mergers and acquisitions (M&A) and leveraged buyout (LBO) activity. M&A activities surged in 2007, as announced deals in the U.S. reached \$1.6 trillion for full-year, the third best annual total for this highly cyclical sector of the industry.

Expenses

Total expenses reached an annual record of \$473.4 billion in 2007, an increase of 17.3 percent over the previous high set in 2006. Interest expenses accounted for 57.1 percent of total annual expense in 2007 compared to 53.4 percent in 2006. Total compensation expenses, the second largest expense item, accounted for 22.1 percent of total expenses in 2007, down from 25.2 percent in 2006.

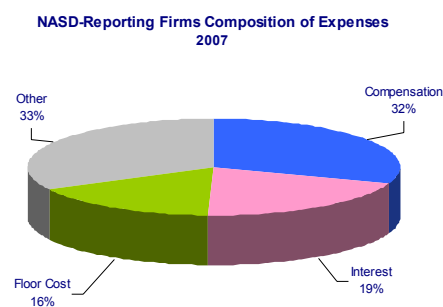
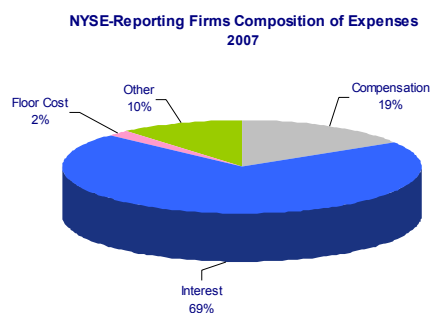


Source: SIFMA DataBank

Interest expenses reached \$270.2 billion in 2007, an increase of 25.3 percent from the previous record level of \$215.7 billion set in the preceding year. Reflecting different business mixes, interest expense for NYSE-reporting firms increased 25.6 percent, while rising 20.8 percent in NASD-reporting firms.

Total compensation expense overall reached \$104.7 billion in 2007, an increase of 2.8 percent from the prior year. Compensation trends did not follow the usual pattern in 2007 as compensation increased at a greater rate at smaller firms, rather than at the larger firms. Total compensation at regional firms increased 24.4 percent while the 25 largest firms, which are national firms, experienced a 1.6 percent decrease in 2007.⁶ For the industry as a whole, total revenue per employee increased 4.4 percent in 2007, surpassing \$1 million for the second consecutive year.

⁶ Regional firms are full-service broker-dealers based outside of the New York City area, offering a wide range of financial services and products to both retail and institutional clients, but without a nationwide franchise.



Subtotals may not add to totals due to independent rounding.
Source: SIFMA DataBank

Other expenses increased 14.4 percent in 2007 after rising 8.2 percent in 2006.⁷ Over the last five years “other expenses”, which were slashed along with compensation expense during the previous industry downturn, have increased as the industry recovered. The largest expense line in this “other” category, total floor costs (commissions and clearance paid by brokers to other brokers), also set a record of \$25.5 billion in 2007, an increase of 20.3 percent from 2006. Communications expense rose 8.2 percent to \$6.0 billion and occupancy and equipment expenses rose 3.4 percent to \$6.6 billion. Data-processing costs were \$3.8 billion in 2007, 1.6 percent above levels from the prior year.

⁷ “Other expenses” includes all expenses other than compensation and interest expenses.

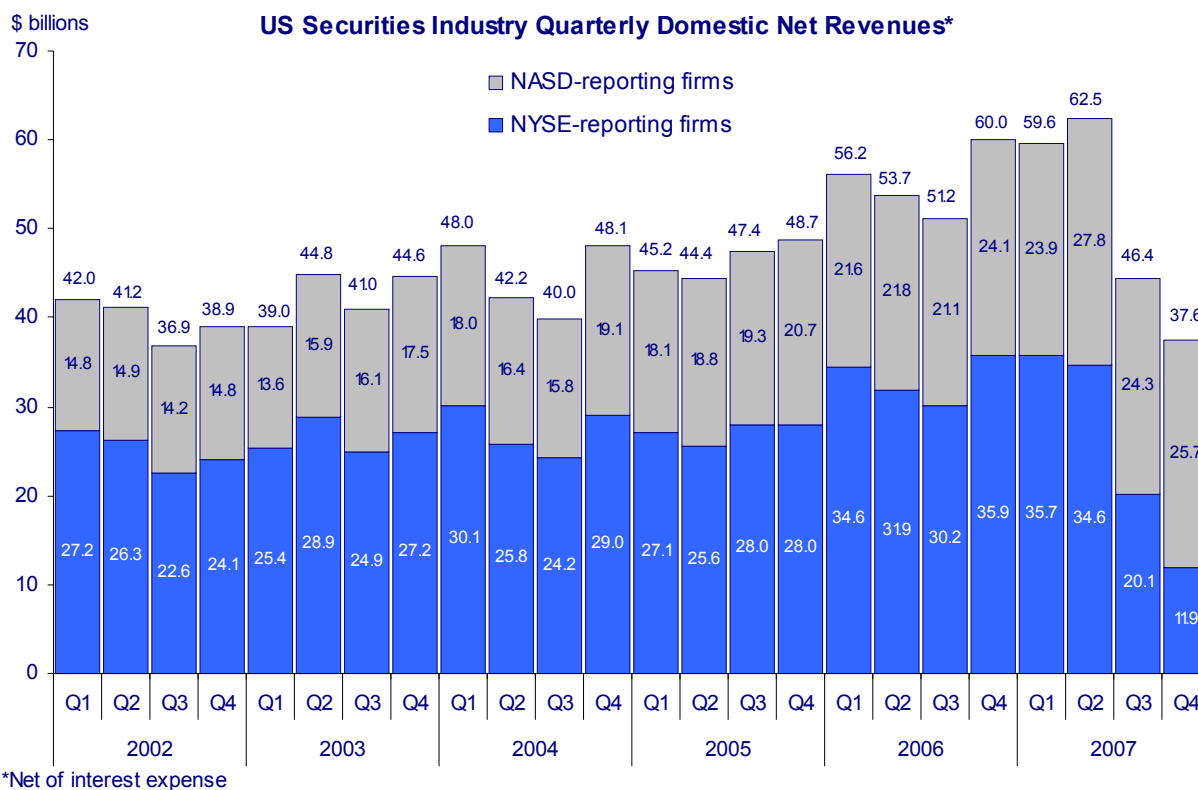
Quarterly Results

The U.S. securities industry reported record quarterly losses in the fourth quarter of 2007 due to continued problems in the housing and mortgage industry coupled with tighter credit markets. Pre-tax profits declined \$1.4 billion in 3Q'07 and another \$14.1 billion in 4Q'07.

Although actual aggregate first quarter 2008 FOCUS data are not expected until June, based on publicly reported 1Q'08 quarterly earnings, broker dealer results are not expected to be much better than in recent quarters. Writedowns, credit valuation adjustments and challenging trading markets will likely continue in the coming quarters, and a slowing U.S. economy may add to the stresses in some fragile market segments.

Revenues

Total revenues were \$118.7 billion in 4Q'07, up 9.2 percent from 3Q'07, but 2.7 percent below the same year-earlier period. Net revenues were \$37.6 billion, a 15.4 percent decline from 3Q'07 and 37.4 percent lower than results for 4Q'06.



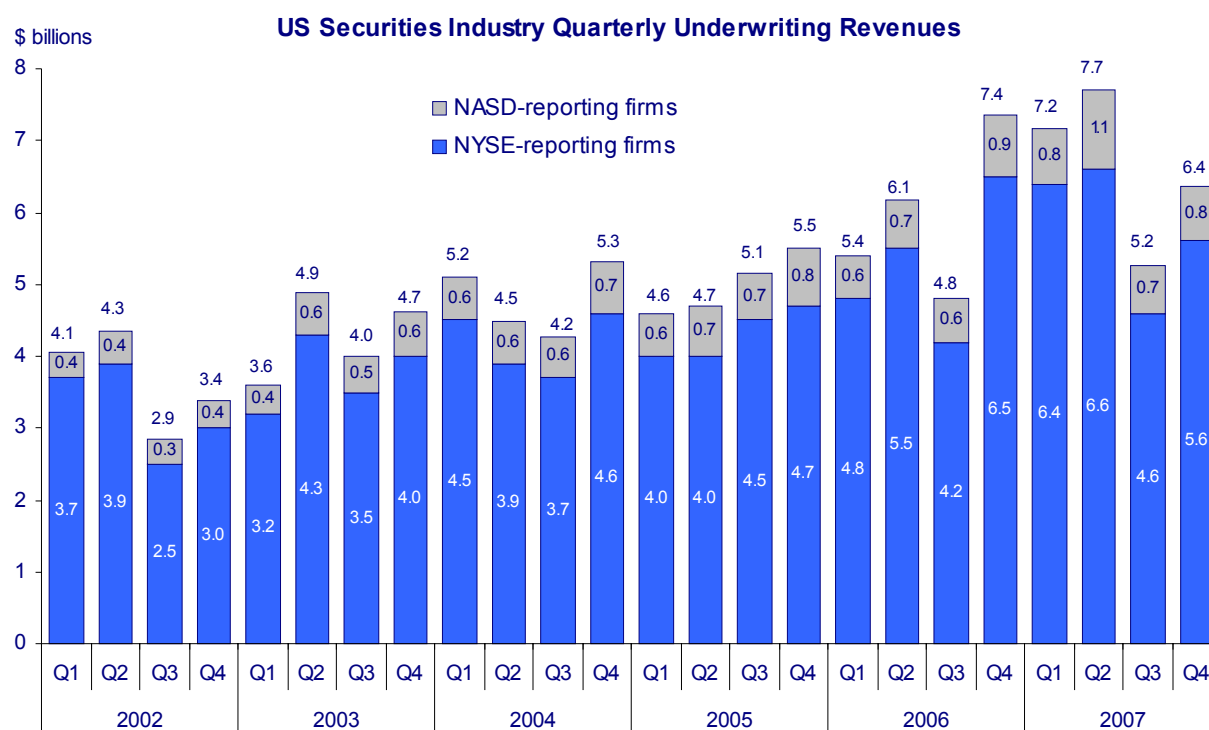
Source: SIFMA DataBank

Commission and fee income of \$14.4 billion in 4Q'07 represented an increase of 6.3 percent from the immediately preceding quarter and 17.0 percent from 4Q'06. The increase in commission and fee revenues was related to the high average daily transaction volume in 4Q'07 on the NYSE and NASDAQ, \$87.1 billion and \$68.6 billion, respectively. At the same time, average daily dollar value of trading decreased 8.8 percent on the NYSE while rising 10.8 percent on NASDAQ relative to the preceding quarter.

Trading revenues continued to decline in 4Q'07 reaching a record quarterly loss of \$17.9 billion. The majority of the decrease in trading revenue in 3Q'07 was attributable to debt while in the fourth quarter "all other trading" was the worst performing area with losses of \$11.8 billion.

Gains from investment accounts also recorded weak fourth quarter results, reaching \$406.1 million, down 54.3 percent and 78.1 percent from 3Q'07 and 4Q'06, respectively. **Commodities revenue**, however, had a better quarter, with gains of \$703.0 million in 4Q'07, compared to a gain of \$457.1 million in 3Q'07 and a loss of \$1.5 billion in 4Q'06.

Underwriting revenue increased in the fourth quarter to \$6.4 billion, up 22.5 percent compared to the prior quarter but 13.1 percent below that in 4Q'06. Equity underwriting revenues were \$1.8 billion in 4Q'07, up 21.5 percent over 3Q'07. Contributing to this fourth quarter gain was the 36.5 percent increase in value of IPOs⁸, the most lucrative type of equity underwriting. The value of all IPO's in 1Q'08 dropped to \$4.4 billion, down 78.6 percent from 4Q'07 and 82.9 percent from 4Q'06, which does not bode well for this revenue line.



Subtotals may not add to totals due to independent rounding.
Source: SIFMA DataBank

Margin interest revenue was a record \$9.1 billion in 4Q'07, 1.8 percent higher than the immediately preceding quarter, and 14.5 percent higher than in the same year-earlier period.

Fund management operations put in a steady performance in the final quarter of 2007, reflecting increased net asset values and net inflows into mutual funds. **Asset management fees** of \$8.8 billion, a quarterly record, were 4.9 percent higher in 4Q'07 than in 3Q'07, which was the previous record, and 16.2 percent above that in 4Q'06. **Mutual fund sales revenue** of \$6.5 billion was up a more modest 2.3 percent from 3Q'07, and was 10.5 percent higher than in 4Q'06.

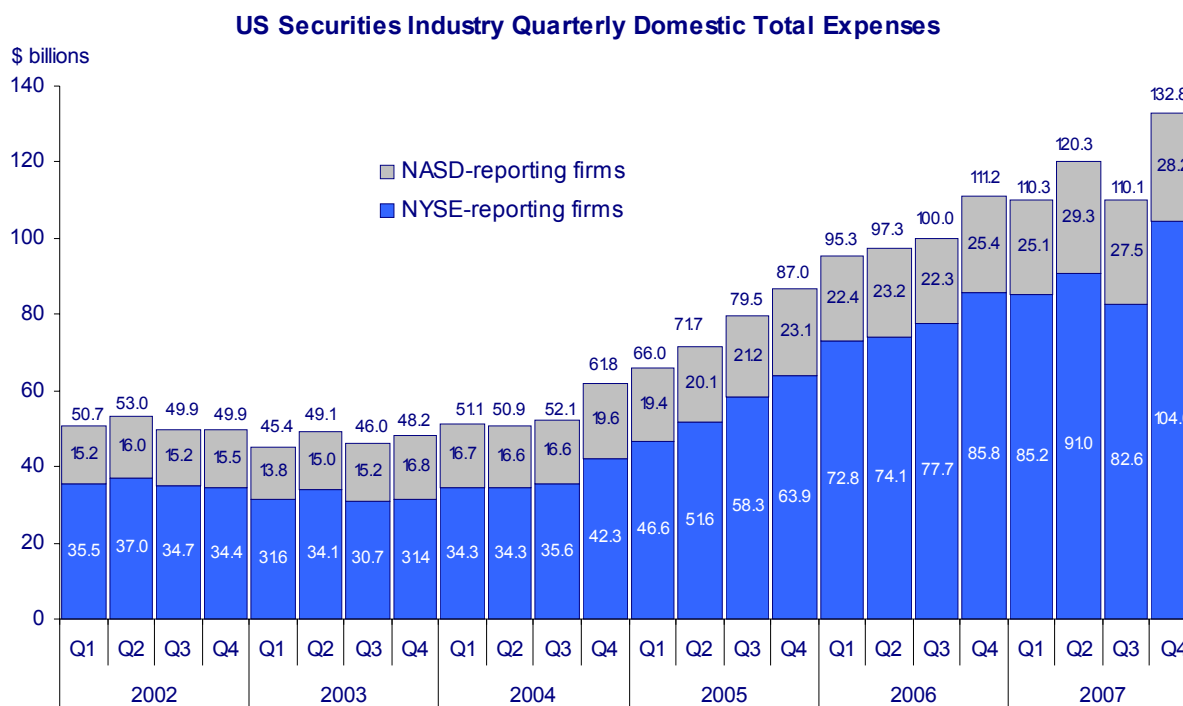
Other revenues related to the securities business increased to a record \$72.3 billion in 4Q'07, up 31.9 percent from 3Q'07 and 33.5 percent above results in 4Q'06. Merger and acquisition activity contributed heavily to the increase in revenue and the 2,803 deals in the pipeline in the fourth quarter of 2007 bode well for this business line. Other securities business-related

⁸ "True" IPOs, which exclude closed-end funds.

revenues accounted for 55.9 percent of total industry revenue in the second half of 2007 compared with 43.7 percent in the first half of the year, reflecting the weakness of the previously strong revenues recorded in trading and investment earlier in the year.

Expenses

Total expenses rose to a quarterly record \$132.8 billion in 4Q'07, 20.6 percent above 3Q'07 levels and 19.4 percent higher than in 4Q'06. Compensation expenses (a highly seasonal expense) reached \$26.0 billion in 4Q'07, an increase of 20.2 percent relative to 3Q'07, but only 0.2 percent relative to the same year-earlier period.



Source: SIFMA DataBank

Interest expense reached a quarterly record of \$81.1 billion in 4Q'07, up 26.1 percent from 3Q'07 and 30.8 percent above the same year-earlier period. Interest expense, the largest single expense item, accounted for 61.1 percent of total industry expenses in the fourth quarter after not rising above 55.8 percent any quarter in 2006.

Other expenses grew more modestly in 4Q'07, up 6.2 percent from the immediately preceding quarter and 10.4 percent from the same year-earlier period.⁹ Much of the pickup in growth of other expenses was due to an 8.3 percent quarterly jump billion in commissions and clearance paid to other brokers to \$2.1, which was 34.8 percent higher than in the same year-earlier period. Increases were also seen in promotional costs and losses from error accounts and bad debts which increased 19.7 percent and 14.9 percent, respectively.

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⁹ Expenses other than compensation and interest expenses.

NASD-Reporting Firms Other Than NYSE-Reporting Firms
INCOME STATEMENT & SELECTED ITEMS
\$ Millions

	ANNUAL DATA								
	2004	2005	2006	2007	06:Q4	07:Q1	07:Q2	07:Q3*	07:Q4
REVENUE:									
Commissions	20,801.1	20,532.3	22,243.4	25,694.8	5,796.3	5,954.8	6,636.3	6,347.5	6,756.1
- Commissions - Listed Equity on an Exchange	4,971.5	4,828.7	4,904.1	5,621.9	1,253.0	1,219.4	1,341.5	1,499.0	1,562.0
- Commissions - Listed Equity OTC	1,058.7	1,318.0	1,182.9	1,152.3	263.7	351.0	305.7	247.9	247.8
- Commissions - Listed Options	747.3	644.0	780.2	1,121.4	212.7	213.8	270.2	304.5	332.8
- Commissions - All Other	14,023.4	13,741.6	15,376.2	17,799.3	4,066.9	4,170.7	4,718.9	4,296.2	4,613.5
Trading Gain (Loss)	6,137.6	6,303.1	8,527.1	4,355.7	3,052.9	1,727.6	1,911.1	-144.6	861.6
- Gain from OTC Market Making	532.3	274.8	239.0	241.2	55.0	52.0	76.0	32.6	80.7
- Gain from OTC Market Making in Listed Equity	25.7	19.6	16.8	4.2	3.7	2.8	3.1	3.5	-5.2
- Gain from Debt Trading	1,678.8	2,652.8	3,670.9	2,826.9	933.2	1,107.2	930.8	384.6	404.2
- Gain from Listed Options Market Making	113.2	1.0	21.8	75.5	19.1	24.7	17.6	16.4	16.8
- Gain from All Other Trading	3,813.3	3,374.6	4,595.4	1,212.1	2,045.6	543.8	886.6	-578.1	359.8
Investment Account Gain (Loss)	1,013.3	1,297.0	2,230.7	792.5	789.4	213.2	589.2	66.5	-76.4
- Realized Gain	311.9	642.4	1,145.7	223.9	327.1	78.3	68.2	26.0	51.4
- Unrealized Gain	79.1	106.6	275.3	245.5	77.6	88.6	88.2	83.8	-15.2
Underwriting Revenue	2,465.2	2,726.3	2,745.1	3,343.9	859.6	756.7	1,147.2	671.6	768.4
- Equity Underwriting Revenue	30.9	67.0	244.3	218.8	64.0	51.7	67.7	48.3	51.1
Margin Interest	804.1	1,985.1	3,049.6	3,102.9	800.2	781.5	800.5	788.8	732.2
Mutual Fund Sale Revenue	11,817.3	13,493.8	15,155.9	17,756.2	3,933.3	4,324.2	4,608.6	4,372.9	4,450.5
Fees, Asset Management	6,905.8	8,008.0	9,695.9	11,501.5	2,637.4	2,696.4	2,886.6	2,947.1	2,971.4
Research Revenue	3.4	5.9	15.9	34.4	8.0	1.8	28.4	1.6	2.7
Commodities Revenue	556.1	191.3	-621.5	1,168.0	-1,097.1	177.4	73.1	741.8	175.7
Other Revenue Related to the Securities Business	8,359.7	14,781.3	18,388.9	22,423.5	4,989.1	5,020.7	5,854.2	6,025.5	5,523.1
Other Revenue	17,643.4	22,624.2	24,029.4	31,969.7	6,856.4	6,469.5	9,060.3	8,098.1	8,341.9
TOTAL REVENUE	76,507.1	91,948.3	105,460.5	122,143.2	28,625.4	28,123.8	33,595.4	29,916.9	30,507.1
Net Revenue	69,177.8	76,862.3	88,591.9	101,772.7	24,099.8	23,932.6	27,840.0	24,327.1	25,673.0
EXPENSES:									
Total Compensation	25,313.9	28,426.3	30,776.8	35,075.0	8,320.2	8,315.1	9,156.5	8,415.4	9,188.1
- Registered Representative Compensation	7,941.9	8,882.4	9,491.4	10,966.9	2,492.7	2,669.4	2,926.2	2,614.2	2,757.1
- Clerical Employee Compensation	3,611.8	4,955.3	5,149.6	5,595.5	1,286.1	1,370.9	1,430.7	1,332.7	1,461.1
- Voting Officer Compensation	2,386.9	2,330.2	2,236.3	2,473.8	655.2	529.5	604.0	586.3	754.0
- Other Employee Compensation (FOCUS IIA Only)	11,373.0	12,258.4	13,899.4	16,038.8	3,886.3	3,745.2	4,195.5	3,882.2	4,215.9
Total Floor Costs	11,910.3	12,805.7	14,743.5	18,045.3	4,047.5	4,344.2	4,984.4	4,430.4	4,286.4
- Floor Brokerage Paid to Brokers	212.9	235.6	321.2	275.9	78.7	62.8	79.4	69.6	64.0
- Commissions & Clearance Paid to Other Brokers	1,504.9	1,588.7	2,517.7	3,051.1	727.8	784.5	822.5	668.2	775.9
- Clearance Paid to Non-Brokers	366.9	517.6	474.0	344.7	119.1	72.2	91.8	93.4	87.3
- Commissions Paid to Broker-Dealers (FOCUS IIA Only)	9,825.6	10,463.8	11,430.6	14,373.7	3,121.9	3,424.6	3,990.7	3,599.1	3,359.3
Communications Expense	502.9	651.8	623.6	670.5	157.8	163.7	172.6	164.3	170.0
Occupancy & Equipment Costs	896.7	1,253.3	1,177.5	1,181.1	299.9	291.8	297.3	287.3	304.7
Promotional Costs	687.0	933.1	963.4	1,145.9	245.4	282.0	275.9	259.5	328.6
Interest Expense	7,329.2	15,086.0	16,868.6	20,370.6	4,525.6	4,191.3	5,755.4	5,589.9	4,834.0
Losses from Error Accounts & Bad Debts	58.6	63.6	112.9	92.0	19.9	17.3	19.4	27.4	27.8
Data Processing Costs	804.4	781.4	780.6	812.7	199.2	195.3	205.4	197.1	214.9
Regulatory Fees & Expenses	307.9	358.3	344.5	352.7	92.2	77.5	84.7	85.8	104.6
Non-Recurring Charges	203.5	9.5	7.3	14.4	4.3	0.7	1.4	10.9	1.4
Other Expenses	21,453.8	23,448.0	26,871.3	32,303.4	7,481.1	7,206.9	8,314.8	8,010.5	8,771.2
TOTAL EXPENSES	69,468.3	83,817.0	93,269.9	110,063.5	25,393.0	25,085.8	29,267.7	27,478.4	28,231.6
PRE-TAX NET INCOME	7,038.8	8,131.3	12,190.6	12,079.7	3,232.4	3,038.0	4,327.7	2,438.5	2,275.5
TOTAL ASSETS	782,433.2	827,576.0	857,479.9	903,947.2	857,479.9	1,012,950.5	1,034,682.4	1,035,040.8	903,947.2
TOTAL LIABILITIES	732,392.8	779,938.7	803,461.5	845,116.9	803,461.5	956,857.4	974,495.4	976,597.7	845,116.9
TOTAL OWNERSHIP EQUITY	50,040.4	47,637.3	54,018.4	58,830.1	54,018.4	56,093.2	60,187.0	58,783.4	58,830.1
TOTAL NET CAPITAL	25,925.7	26,714.4	27,630.6	32,441.0	27,630.6	28,960.9	31,495.2	31,132.5	32,441.0
NUMBER OF FIRMS IN CATEGORY	4,990	4,917	4,848	4,774	4,848	4,856	5,178	4,865	4,774
PERSONNEL - INCOME PRODUCING	58,562	59,648	57,228	60,075	57,228	56,865	59,988	59,868	60,075
PERSONNEL - ALL OTHER	37,622	37,155	36,226	36,323	36,226	36,515	37,605	37,346	36,323
PERSONNEL - TOTAL	96,184	96,803	93,454	96,398	93,454	93,380	97,593	97,214	96,398

* Third quarter 2007 data revised by FINRA.

Source: SIFMA DataBank

NYSE-Reporting Firms
INCOME STATEMENT & SELECTED ITEMS
\$ Millions

	ANNUAL DATA									
	2004	2005	2006	2007	06:Q4	07:Q1	07:Q2	07:Q3	07:Q4	
REVENUE:										
Commissions	26,339.8	25,612.2	26,665.0	28,846.4	6,481.1	7,112.7	6,957.4	7,163.5	7,612.8	
- Commissions - Listed Equity on an Exchange	13,937.4	13,592.3	13,706.4	14,467.3	3,356.3	3,653.7	3,536.5	3,771.4	3,505.7	
- Commissions - Listed Equity OTC	2,014.2	1,951.3	1,919.9	2,418.9	418.4	468.8	512.4	647.1	790.6	
- Commissions - Listed Options	1,215.0	1,134.0	1,394.8	1,884.2	339.8	391.6	445.9	535.9	510.8	
- Commissions - All Other	9,173.2	8,934.6	9,644.1	10,076.0	2,366.6	2,598.6	2,462.6	2,209.1	2,805.7	
Trading Gain (Loss)	17,363.6	17,006.5	34,522.5	-10,334.3	9,093.2	8,033.6	6,558.6	-6,117.3	-18,809.2	
- Gain from OTC Market Making	447.6	480.5	513.6	611.7	-37.3	230.8	143.8	463.4	-226.3	
- - Gain from OTC Market Making in Listed Equity	-7.6	-17.3	-1.4	0.0	-0.1	-0.1	0.1	0.0	0.0	
- Gain from Debt Trading	15,754.5	10,076.3	14,112.0	-4,738.9	2,927.3	3,224.0	1,622.7	-3,121.7	-6,463.9	
- Gain from Listed Options Market Making	154.0	203.3	38.0	165.1	-84.2	302.5	80.0	-220.9	3.5	
- Gain from All Other Trading	1,007.5	6,006.0	19,858.9	-11,423.7	6,287.4	4,276.3	-339.4	-3,238.1	-12,122.5	
Investment Account Gain (Loss)	1,656.1	1,559.4	3,306.6	3,183.6	1,068.8	844.3	1,035.6	821.2	482.5	
- Realized Gain	1,205.8	1,218.5	1,316.5	1,742.3	343.0	467.8	556.5	403.8	314.2	
- Unrealized Gain	414.4	-178.8	655.5	-271.1	220.5	-72.2	-159.6	32.2	-71.5	
Underwriting Revenue	16,658.9	17,261.2	20,884.4	23,182.3	6,519.0	6,399.8	6,580.1	4,560.1	5,642.3	
- Equity Underwriting Revenue	4,204.2	4,135.8	4,972.2	6,705.3	1,840.9	1,519.6	2,092.1	1,392.9	1,700.7	
Margin Interest	6,146.0	11,272.0	20,777.4	29,179.3	7,136.0	5,431.6	7,257.7	8,136.1	8,353.9	
Mutual Fund Sale Revenue	6,838.5	7,163.0	7,843.5	8,050.2	1,926.1	2,180.8	1,895.1	1,951.8	2,022.5	
Fees, Asset Management	13,941.6	15,268.0	18,195.1	21,587.7	4,961.0	4,838.3	5,418.8	5,471.7	5,858.9	
Research Revenue	207.8	131.6	206.2	45.6	59.8	9.0	8.1	11.6	16.9	
Commodities Revenue	930.3	1,052.6	54.8	580.2	-411.2	451.4	-113.8	-284.7	527.3	
Other Revenue Related to the Securities Business	59,260.4	111,762.2	175,354.4	212,554.3	49,150.3	46,656.4	50,385.2	48,765.8	66,746.9	
Other Revenue	10,854.3	21,730.3	23,525.6	35,174.2	7,397.8	7,876.0	9,259.1	8,312.8	9,726.3	
TOTAL REVENUE	160,197.3	229,819.1	331,335.7	352,048.4	93,381.9	89,834.0	95,240.5	78,792.8	88,181.1	
Net Revenue	109,113.1	108,757.8	132,531.5	102,260.4	35,864.5	35,691.3	34,627.6	20,056.6	11,884.9	
EXPENSES:										
Total Compensation	57,851.1	59,953.4	71,104.2	69,610.3	17,594.9	20,134.7	19,503.9	13,186.7	16,785.0	
- Registered Representative Compensation	22,301.5	23,156.2	26,873.6	27,394.1	6,944.1	7,465.9	7,436.3	5,676.2	6,815.7	
- Clerical Employee Compensation	32,874.4	34,308.4	41,664.3	40,434.9	10,011.2	12,250.8	11,638.3	7,049.9	9,495.9	
- Voting Officer Compensation	1,222.4	1,145.9	1,437.8	1,029.0	339.5	241.0	248.8	259.8	279.4	
- Other Employee Compensation (FOCUS IIA Only)	1,452.8	1,342.9	1,128.5	752.2	300.0	177.0	180.4	200.8	194.0	
Total Floor Costs	4,839.0	5,233.5	6,444.4	7,439.0	1,570.9	1,652.9	1,670.3	2,025.7	2,090.1	
- Floor Brokerage Paid to Brokers	1,258.3	1,346.5	1,481.0	1,401.3	337.2	349.9	326.0	365.4	360.0	
- Commissions & Clearance Paid to Other Brokers	2,167.1	2,430.9	3,421.2	4,550.4	817.8	989.0	997.7	1,255.8	1,307.9	
- Clearance Paid to Non-Brokers	876.9	965.9	1,152.5	1,439.7	303.4	302.5	335.6	392.6	409.0	
- Commissions Paid to Broker-Dealers (FOCUS IIA Only)	536.7	490.2	389.6	47.8	112.4	11.6	11.1	11.9	13.2	
Communications Expense	4,170.9	4,343.8	4,918.5	5,328.3	1,312.3	1,249.6	1,338.3	1,325.1	1,415.3	
Occupancy & Equipment Costs	5,577.2	5,086.8	5,211.4	5,423.1	1,328.1	1,291.5	1,346.4	1,341.6	1,443.6	
Promotional Costs	1,653.2	1,511.5	1,541.3	1,532.0	417.1	382.9	364.9	365.0	419.2	
Interest Expense	51,084.2	121,061.3	198,804.2	249,788.0	57,517.4	54,142.7	60,612.9	58,736.2	76,296.2	
Losses from Error Accounts & Bad Debts	274.8	305.5	276.8	134.8	79.1	48.2	-173.2	119.2	140.6	
Data Processing Costs	2,422.5	2,724.8	2,926.4	2,952.7	764.4	695.6	706.1	734.2	816.8	
Regulatory Fees & Expenses	1,150.0	1,193.4	1,266.2	1,405.9	336.1	317.8	344.9	369.2	374.0	
Non-Recurring Charges	477.2	274.5	118.0	104.4	14.0	11.6	-4.7	0.1	97.4	
Other Expenses	17,017.3	18,684.3	17,831.1	19,632.0	4,884.8	5,243.4	5,299.6	4,416.9	4,672.1	
TOTAL EXPENSES	146,517.4	220,372.8	310,442.2	363,350.6	85,819.0	85,170.8	91,009.5	82,620.0	104,550.3	
PRE-TAX NET INCOME	13,679.9	9,446.3	20,893.6	-11,302.3	7,562.9	4,663.2	4,231.0	-3,827.3	-16,369.2	
TOTAL ASSETS	3,841,155.7	4,211,633.2	5,019,451.2	5,459,435.0	5,019,451.2	5,510,798.5	5,870,865.3	5,650,068.0	5,459,435.0	
TOTAL LIABILITIES	3,745,006.8	4,110,979.4	4,909,210.0	5,350,716.7	4,909,210.0	5,395,520.2	5,752,060.3	5,532,844.1	5,350,716.7	
TOTAL OWNERSHIP EQUITY	96,148.9	100,653.8	110,241.2	108,718.3	110,241.2	115,278.3	118,805.0	117,224.0	108,718.3	
TOTAL NET CAPITAL	61,201.0	74,619.6	75,338.3	95,802.7	75,338.3	79,953.2	79,108.5	98,587.2	95,802.7	
NUMBER OF FIRMS IN CATEGORY	229	217	204	195	204	199	193	196	195	
PERSONNEL - INCOME PRODUCING	139,118	131,119	131,457	143,361	131,457	138,465	146,706	147,496	143,361	
PERSONNEL - ALL OTHER	160,935	155,359	162,464	174,285	162,464	167,460	168,047	167,784	174,285	
PERSONNEL - TOTAL	300,053	286,478	293,921	317,646	293,921	305,925	314,753	315,281	317,646	

Source: SIFMA DataBank

NASD- and NYSE-Reporting Firms
INCOME STATEMENT & SELECTED ITEMS
\$ Millions

	ANNUAL DATA								
	2004	2005	2006	2007	06:Q4	07:Q1	07:Q2	07:Q3*	07:Q4
REVENUE:									
Commissions	47,140.9	46,144.5	48,908.4	54,541.2	12,277.4	13,067.5	13,593.7	13,511.0	14,368.9
- Commissions - Listed Equity on an Exchange	18,908.9	18,421.0	18,610.5	20,089.2	4,809.3	4,873.1	4,878.0	5,270.4	5,067.7
- Commissions - Listed Equity OTC	3,072.9	3,269.3	3,102.8	3,571.2	682.1	819.8	818.1	895.0	1,038.4
- Commissions - Listed Options	1,962.3	1,778.0	2,175.0	3,005.6	552.5	605.4	716.1	840.4	843.6
- Commissions - All Other	23,196.6	22,676.2	25,020.3	27,875.3	6,433.5	6,769.3	7,181.5	6,505.3	7,419.2
Trading Gain (Loss)	23,501.2	23,309.6	43,049.6	-5,978.6	12,146.1	9,761.2	8,469.7	-6,261.9	-17,947.6
- Gain from OTC Market Making	979.9	755.3	752.6	852.9	17.7	282.8	219.8	496.0	-145.7
- - Gain from OTC Market Making in Listed Equity	18.1	2.3	15.4	4.2	3.6	2.7	3.2	3.5	-5.2
- Gain from Debt Trading	17,433.3	12,729.1	17,782.9	-1,912.0	3,860.5	4,331.2	2,553.5	-2,737.1	-6,059.7
- Gain from Listed Options Market Making	267.2	204.3	59.8	240.6	-65.1	327.2	97.6	-204.5	20.3
- Gain from All Other Trading	4,820.8	9,380.6	24,454.3	-10,211.6	8,333.0	4,820.1	547.2	-3,816.2	-11,762.7
Investment Account Gain (Loss)	2,669.4	2,856.4	5,537.3	3,976.1	1,858.2	1,057.5	1,624.8	887.7	406.1
- Realized Gain	1,517.7	1,860.9	2,462.2	1,966.2	670.1	546.1	624.7	429.8	365.6
- Unrealized Gain	493.5	-72.2	930.8	-25.6	298.1	16.4	-71.4	116.0	-86.7
Underwriting Revenue	19,124.1	19,987.5	23,629.5	26,526.2	7,378.6	7,156.5	7,727.3	5,231.7	6,410.7
- Equity Underwriting Revenue	4,235.1	4,202.8	5,216.5	6,924.1	1,904.9	1,571.3	2,159.8	1,441.2	1,751.8
Margin Interest	6,950.1	13,257.1	23,827.0	32,282.2	7,936.2	6,213.1	8,058.2	8,924.9	9,086.1
Mutual Fund Sale Revenue	18,655.8	20,656.8	22,999.4	25,806.4	5,859.4	6,505.0	6,503.7	6,324.7	6,473.0
Fees, Asset Management	20,847.4	23,276.0	27,891.0	33,089.2	7,598.4	7,534.7	8,305.4	8,418.8	8,830.3
Research Revenue	211.2	137.5	222.1	80.0	67.8	10.8	36.5	13.2	19.6
Commodities Revenue	1,486.4	1,243.9	-566.7	1,748.2	-1,508.3	628.8	-40.7	457.1	703.0
Other Revenue Related to the Securities Business	67,620.1	126,543.5	193,743.3	234,977.8	54,139.4	51,677.1	56,239.4	54,791.3	72,270.0
Other Revenue	28,497.7	44,354.5	47,555.0	67,143.9	14,254.2	14,345.5	18,319.4	16,410.9	18,068.2
TOTAL REVENUE	236,704.4	321,767.4	436,796.2	474,191.6	122,007.3	117,957.8	128,835.9	108,709.7	118,688.2
Net Revenue	178,290.9	185,620.1	221,123.4	204,033.1	59,964.3	59,623.9	62,467.6	44,383.7	37,557.9
EXPENSES:									
Total Compensation	83,165.0	88,379.7	101,881.0	104,685.3	25,915.1	28,449.8	28,660.4	21,602.1	25,973.1
- Registered Representative Compensation	30,243.4	32,038.6	36,365.0	38,361.0	9,436.8	10,135.3	10,362.5	8,290.4	9,572.8
- Clerical Employee Compensation	36,486.2	39,263.7	46,813.9	46,030.4	11,297.3	13,621.7	13,069.0	8,382.6	10,957.0
- Voting Officer Compensation	3,609.3	3,476.1	3,674.1	3,502.8	994.7	770.5	852.8	846.1	1,033.4
- Other Employee Compensation (FOCUS IIA Only)	12,825.8	13,601.3	15,027.9	16,791.0	4,186.3	3,922.2	4,375.9	4,083.0	4,409.9
Total Floor Costs	16,749.3	18,039.2	21,187.9	25,484.3	5,818.4	5,997.1	6,654.7	6,456.1	6,376.5
- Floor Brokerage Paid to Brokers	1,471.2	1,582.1	1,802.2	1,677.2	415.9	412.7	405.4	435.0	424.0
- Commissions & Clearance Paid to Other Brokers	3,672.0	4,019.6	5,938.9	7,601.5	1,545.6	1,773.5	1,820.2	1,924.0	2,083.8
- Clearance Paid to Non-Brokers	1,243.8	1,483.5	1,626.5	1,784.4	422.5	374.7	427.4	486.0	496.3
- Commissions Paid to Broker-Dealers (FOCUS IIA Only)	10,362.3	10,954.0	11,820.2	14,421.5	3,234.3	3,436.2	4,001.8	3,611.0	3,372.5
Communications Expense	4,673.8	4,995.6	5,542.1	5,998.8	1,470.1	1,413.3	1,510.9	1,489.4	1,585.3
Occupancy & Equipment Costs	6,473.9	6,340.1	6,388.9	6,604.2	1,628.0	1,583.3	1,643.7	1,628.9	1,748.3
Promotional Costs	2,340.2	2,444.6	2,504.7	2,677.9	662.5	664.9	640.8	624.5	747.8
Interest Expense	58,413.4	136,147.3	215,672.8	270,158.6	62,043.0	58,334.0	66,368.3	64,326.1	81,130.2
Losses from Error Accounts & Bad Debts	333.4	369.1	389.7	226.8	99.0	65.5	-153.8	146.6	168.4
Data Processing Costs	3,226.9	3,506.2	3,707.0	3,765.4	963.6	890.9	911.5	931.3	1,031.7
Regulatory Fees & Expenses	1,457.9	1,551.7	1,610.7	1,758.6	428.3	395.3	429.6	455.0	478.6
Non-Recurring Charges	680.7	284.0	125.3	118.8	18.3	12.3	-3.3	11.0	98.8
Other Expenses	38,471.1	42,132.3	44,702.4	51,935.4	12,365.9	12,450.3	13,614.4	12,427.4	13,443.3
TOTAL EXPENSES	215,985.7	304,189.8	403,712.1	473,414.1	111,212.0	110,256.6	120,277.2	110,098.4	132,781.9
PRE-TAX NET INCOME	20,718.7	17,577.6	33,084.2	777.4	10,795.3	7,701.2	8,558.7	-1,388.8	-14,093.7
TOTAL ASSETS	4,623,588.9	5,039,209.2	5,876,931.1	6,363,382.2	5,876,931.1	6,523,749.0	6,905,547.7	6,685,108.8	6,363,382.2
TOTAL LIABILITIES	4,477,399.6	4,890,918.1	5,712,671.5	6,195,833.6	5,712,671.5	6,352,377.6	6,726,555.7	6,509,441.8	6,195,833.6
TOTAL OWNERSHIP EQUITY	146,189.3	148,291.1	164,259.6	167,548.4	164,259.6	171,371.5	178,992.0	176,007.4	167,548.4
TOTAL NET CAPITAL	87,126.7	101,334.0	102,968.9	128,243.7	102,968.9	108,914.1	110,603.7	129,719.7	128,243.7
NUMBER OF FIRMS IN CATEGORY	5,219	5,134	5,052	4,969	5,052	5,055	5,371	5,061	4,969
PERSONNEL - INCOME PRODUCING	197,680	190,767	188,685	203,436	188,685	195,330	206,694	207,364	203,436
PERSONNEL - ALL OTHER	198,557	192,514	198,690	210,608	198,690	203,975	205,652	205,130	210,608
PERSONNEL - TOTAL	396,237	383,281	387,375	414,044	387,375	399,305	412,346	412,495	414,044

* Third quarter 2007 data revised by FINRA.

Source: SIFMA DataBank

