SIFMA

Securities Industry and
Financial Markets Association

RESEARCH REPORT

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- **Securities Industry Financial Results: 2006**
  By: Frank A. Fernandez

- **Securities Industry Employment and Compensation Trends**
  By: Paul R. Rainy

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Prepared by SIFMA Research Department

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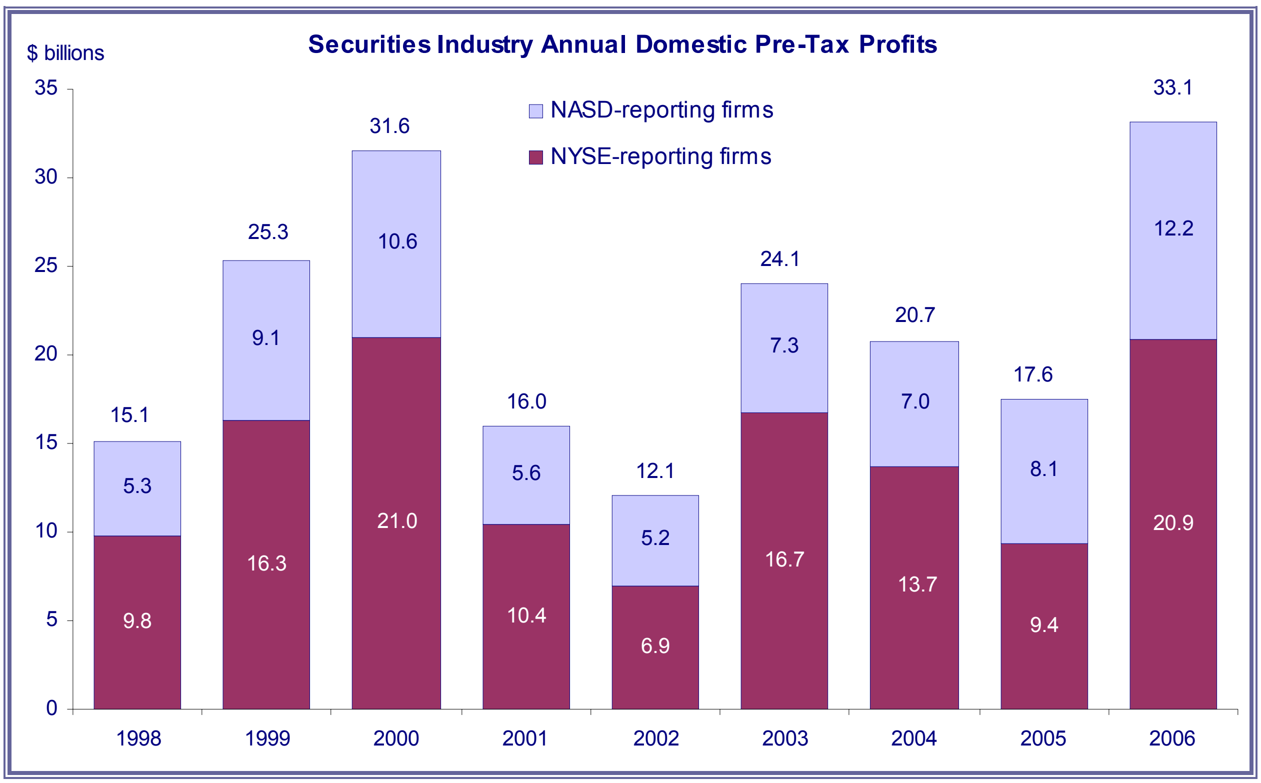
22 ..... **Securities Industry Employment and Compensation Trends**, by Paul R. Rainy. As of March 2007, 92.3% of the jobs lost during the US securities industry's 31-month cyclical retrenchment, which occurred from March 2001 through October 2003, have been recovered. Although securities industry employment increased overall, according to the most recent detailed data available for 2005, gains were mainly seen in mid-level occupations, whereas senior- and lower-level positions experienced relatively minor gains or a decline. Changes in employment were due to the industry's ongoing structural adjustments driven by a variety of trends, including the consolidation of the industry, redesign of trading exchanges, revamping of market infrastructure, automation of trade execution, and new regulatory and compliance frameworks. Compensation growth in the securities industry increased in 2004 but was significantly scaled back in 2005. The largest compensation increases were seen by mid-level professionals, with accountants, auditors, financial examiners, financial analysts and market research analysts receiving the largest pay increases.

SECURITIES INDUSTRY FINANCIAL RESULTS: 2006

Summary

For the US securities industry, 2006 was a record year.[1] The industry reported financial returns that, for most indicators, matched or exceeded records set during the previous industry peak in 2000 and completed a three-year recovery from the sharp downturn that extended from the spring of 2001 to the fall of 2003. Total (gross) revenues in 2006 reached $436.8 billion, an increase of 35.7% from 2005 and 31.9% above the previous annual record set in 2000. Total expenses were $403.7 billion, also a record, an increase of 32.7% from 2005, which was the previous annual high, and 34.8% above 2000 levels. Net revenues (total revenues minus interest expense), which provide a better summary gauge of industry revenue performance, also set a new annual record, reaching $221.1 billion, a rise of 19.1% from the $185.6 billion recorded in 2005 and 8.5% above the previous high of $203.9 billion in 2000. With total revenue growth outpacing the growth of total expenses, and net revenue growth accelerating, the industry enjoyed record profits in 2006, exceeding analysts' expectations. Pretax profits (net income before taxes) reached $33.1 billion for all of 2006, which was 88.2% above the $17.6 billion earned in 2005 and 4.7% above the previous record of $31.6 billion set in 2000. Growth of profits and net revenues was led by the largest firms, as trading gains and revenues from investment banking surged, activities in which large firms dominate the market.

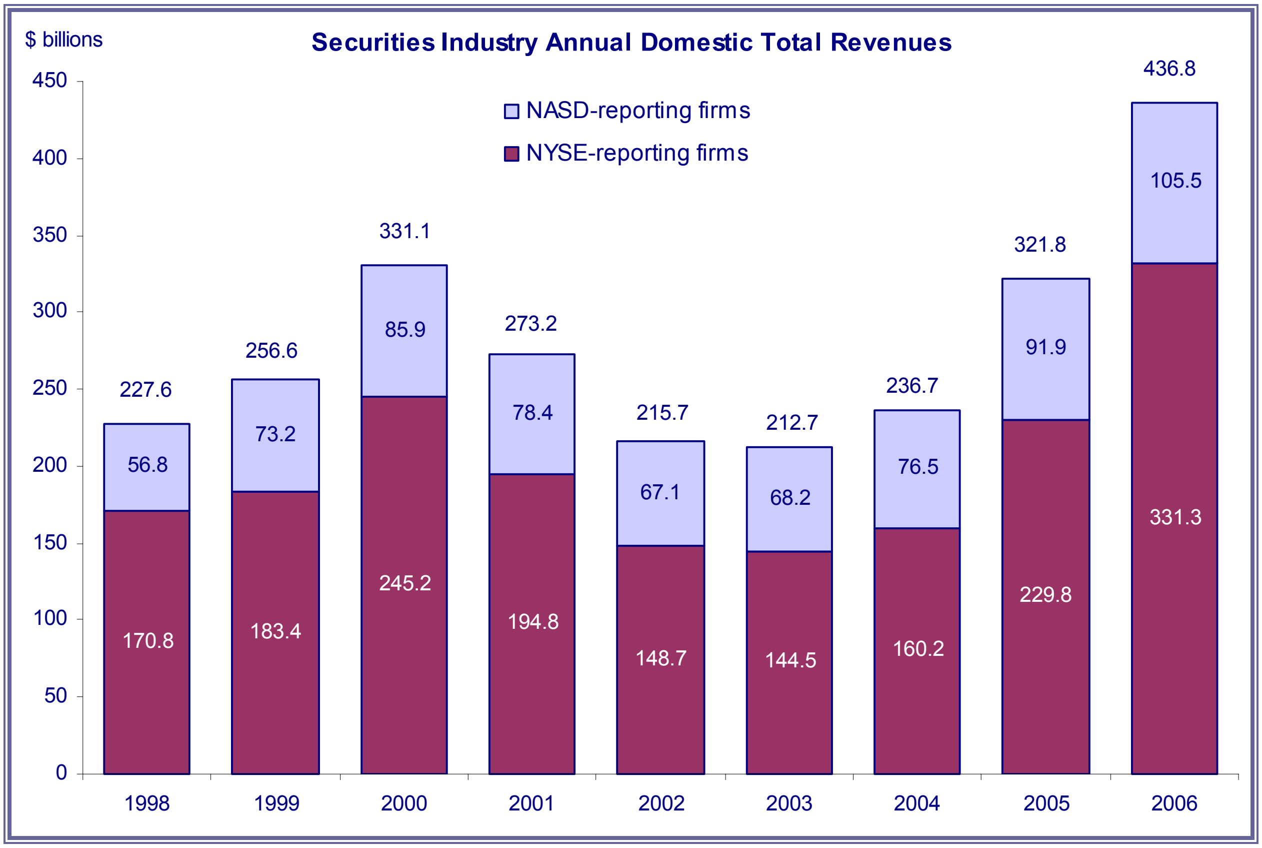


Subtotals may not add to totals due to independent rounding.
Source: SIFMA DataBank

[1] The results for the US securities industry discussed herein are the aggregated results (unconsolidated revenues and expenses) for all broker-dealers doing a public business in the US as reported in the Financial and Operation Combined Uniform Single (FOCUS) Reports that broker-dealers file with the US Securities and Exchange Commission (SEC) and their chosen self-regulatory organization (NASD or NYSE). FOCUS data aggregated quarterly by SIFMA beginning in 2001, along with analytical subgroups of firms, are available to subscribers (http://www.sia.com/research/html/databank.html). Annual data discussed herein is aggregated by SIFMA for 2001-2006 and by the SEC for 2000 and prior years.

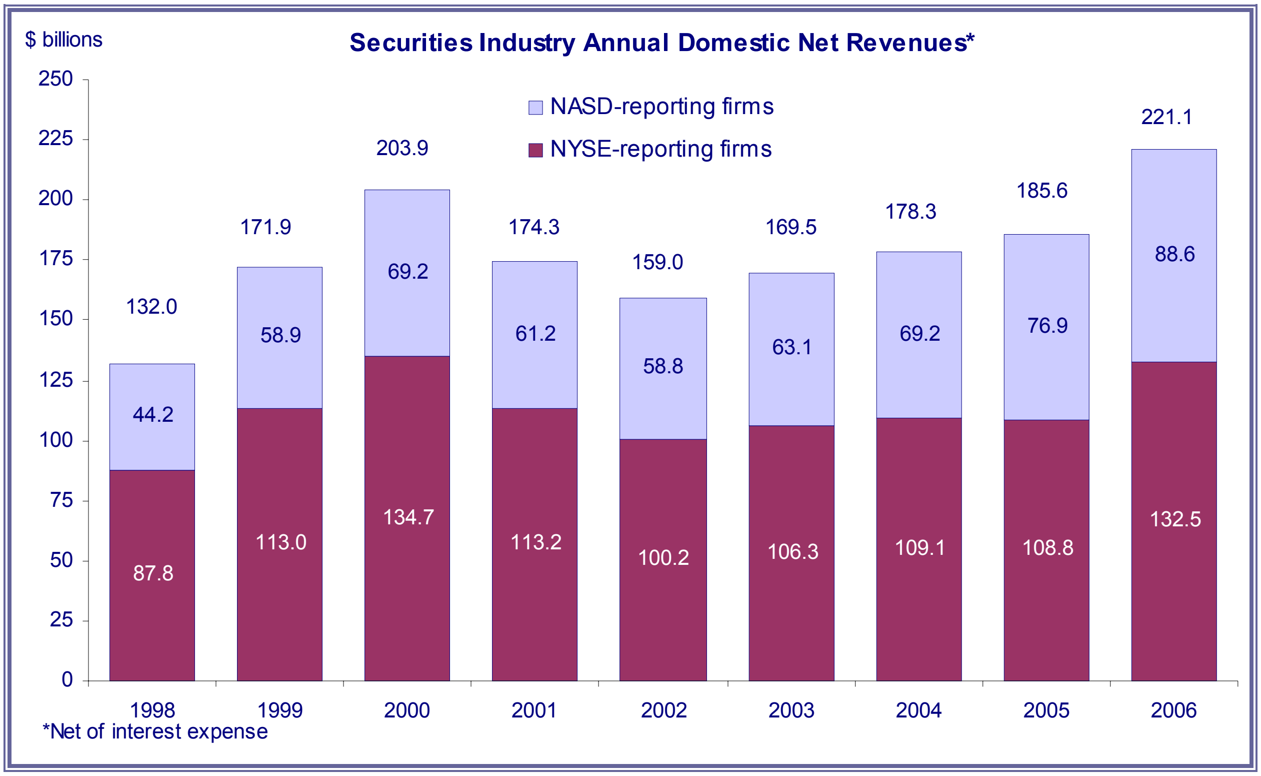
Revenues

Total revenues reached $436.8 billion in 2006, an increase of 35.7% from 2005 and 31.9% above the previous annual record set in 2000. Total, or gross, revenue growth is not the most illuminating indicator of the industry's financial health since it includes the growth of gross interest revenues, which in substantial part reflects the prevailing level of nominal interest rates (which had been steadily rising until mid-2006) and which is largely offset by similar growth of interest expenses, underscoring the industry's role as a financial intermediary. Net revenues, or total revenues minus interest expense, provide a better summary gauge of industry performance.



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

Net revenues also set a new annual record in 2006, reaching $221.1 billion, a rise of 19.1% from the $185.6 billion recorded in 2005 and 8.5% above the previous high of $203.9 billion in 2000, and 27.6% above their average over the immediately preceding five-year period, 2001-2005. Although virtually every revenue line showed solid growth in 2006, the jump in industry net revenues was led by a strong pickup in proprietary trading and investment gains; fees derived from corporate financial advisory, such as mergers and acquisition (M&A) activity; and income from the issuance and trading of a variety of products such as commodities futures and options, credit derivatives, indexed products and exchange-traded funds. Similarly, results for the largest firms, which dominate these areas of activity, accounted for most of the growth in net revenues.



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

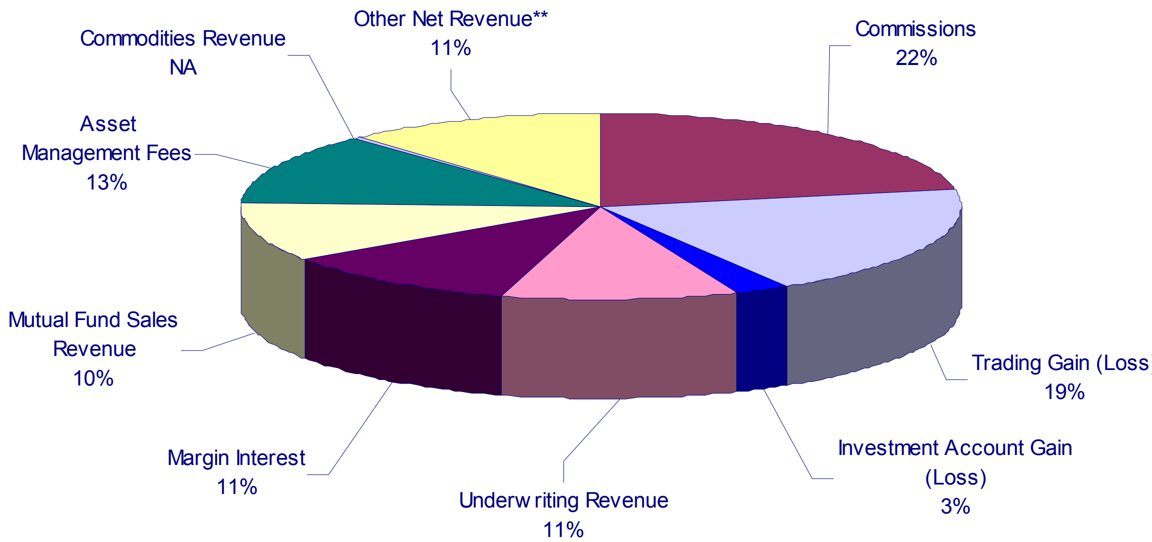
The 25 largest firms accounted for 46.2% of the US industry's total net revenues in 2006, up from a 44.1% share in 2005.[2] For these firms, net revenues increased 24.8% to $102.2 billion in 2006. Net revenues of all other firms (5,027 at end-2006) grew solidly, but more slowly, increasing 14.6% last year. Reflecting this stronger revenue growth, the 25 largest firms saw profits more than double in 2006, with pre-tax net income increasing 142.6%, and virtually all the firms in this group reported record individual results last year. All other firms in aggregate enjoyed an increase in profits of 55.9% last year.

These large firms accounted for a disproportionate share of revenues derived from investment banking activities, such as: proprietary trading (72.9% of the industry total); underwriting (78.9%); margin lending (72.5%); and "other revenues related to the securities business" (82.6%), which includes other corporate financial advisory services, such as for M&A, leveraged buyouts (LBOs), structured transactions, and derivative products. Revenues from each of these activities surged in 2006, and in each of these revenue lines the 25 largest firms garnered an increased market share last year relative to 2005.

This contrasts with more modest growth in revenues and relatively stable market shares observed in non-investment banking businesses, where the largest firms account for a disproportionately smaller share of activity. In 2006, the top 25 firms accounted for 38.5% of commission and fee income, 21.1% of mutual fund sales revenue, and 53.3% of asset management fees earned. In each of these revenue lines, these market share percentages were virtually unchanged from 2005, when they stood at 38.6%, 20.9% and 54.3%, respectively.

[2] Largest in terms of capitalization.

Composition of US Securities Industry Domestic Net Revenues*
2006



Composition of US Securities Industry Domestic Net Revenues*

	06:Q1	06:Q2	06:Q3	06:Q4	2001	2002	2003	2004	2005	2006
Commissions	22.9%	23.6%	21.7%	20.5%	25.3%	28.0%	26.6%	26.4%	24.9%	22.1%
Trading Gain (Loss)	20.6%	15.5%	21.5%	20.3%	18.5%	12.1%	18.1%	13.2%	12.6%	19.5%
Investment Account Gain (Loss)	3.2%	1.3%	2.3%	3.1%	0.9%	0.7%	1.8%	1.5%	1.5%	2.5%
Underwriting Revenue	9.5%	11.4%	9.3%	12.3%	9.8%	9.3%	10.2%	10.7%	10.8%	10.7%
Margin Interest	8.9%	8.7%	12.1%	13.2%	7.9%	4.1%	3.1%	3.9%	7.1%	10.8%
Mutual Fund Sale Revenue	10.4%	10.8%	10.7%	9.8%	9.5%	10.0%	9.6%	10.5%	11.1%	10.4%
Asset Management Fees	11.4%	12.7%	13.8%	12.7%	10.9%	11.4%	10.6%	11.7%	12.5%	12.6%
Commodities Revenue	0.5%	2.1%	-0.8%	-2.5%	3.1%	3.9%	-1.1%	0.8%	0.7%	-0.3%
Other Net Revenue**	12.7%	14.0%	9.4%	10.7%	14.1%	20.7%	21.2%	21.3%	18.8%	11.7%

Note: Total NASD- and NYSE-member firms encompassing all broker-dealers doing a public business in the US
* Gross revenues net of interest expense
** Includes all other revenue not included elsewhere, minus total interest expense
Source: SIFMA DataBank

Commission and fee income, the level of which is largely a reflection of the volume of secondary market trading of securities, reached $48.9 billion in 2006. This represented a 6.0% increase over the prior year, more than reversing the dip in revenue for this line item seen in 2005. This was the second highest annual total for commission and fee income, as 2006's result was 8.0% short of the record mark of $53.2 billion set in 2000 but still 7.8% higher than the average for the period 2001-2005. Transaction volume rose on all markets. NYSE average daily dollar volume of $68.3 billion was 21.7% above the 2005 average. NASDAQ daily dollar volume averaged $46.5 billion in 2006, up 17.7% from the 2005 level, but still well below the record $80.9 billion pace set in 2000. In 2006, NYSE average daily share volume rose 13.9% to 1.83 billion shares per day, while NASDAQ volume was up 12.6% to 2.0 billion shares per day.

The rebound in commission and fee income reflected both continued strong growth in trading volume on behalf of institutional customers in equities, derivative and structured products and a revival in retail brokerage activity, particularly late in the year. In addition, the rally in equity prices and a commodity price boom lifted the value of contracts traded. These positive trends more than offset a slight decline in commission and fee income earned from trading fixed-income instruments, an increase in the percentage of all trades accounted for by institutional accounts, and the associated rise in the importance of algorithmic or program trading.

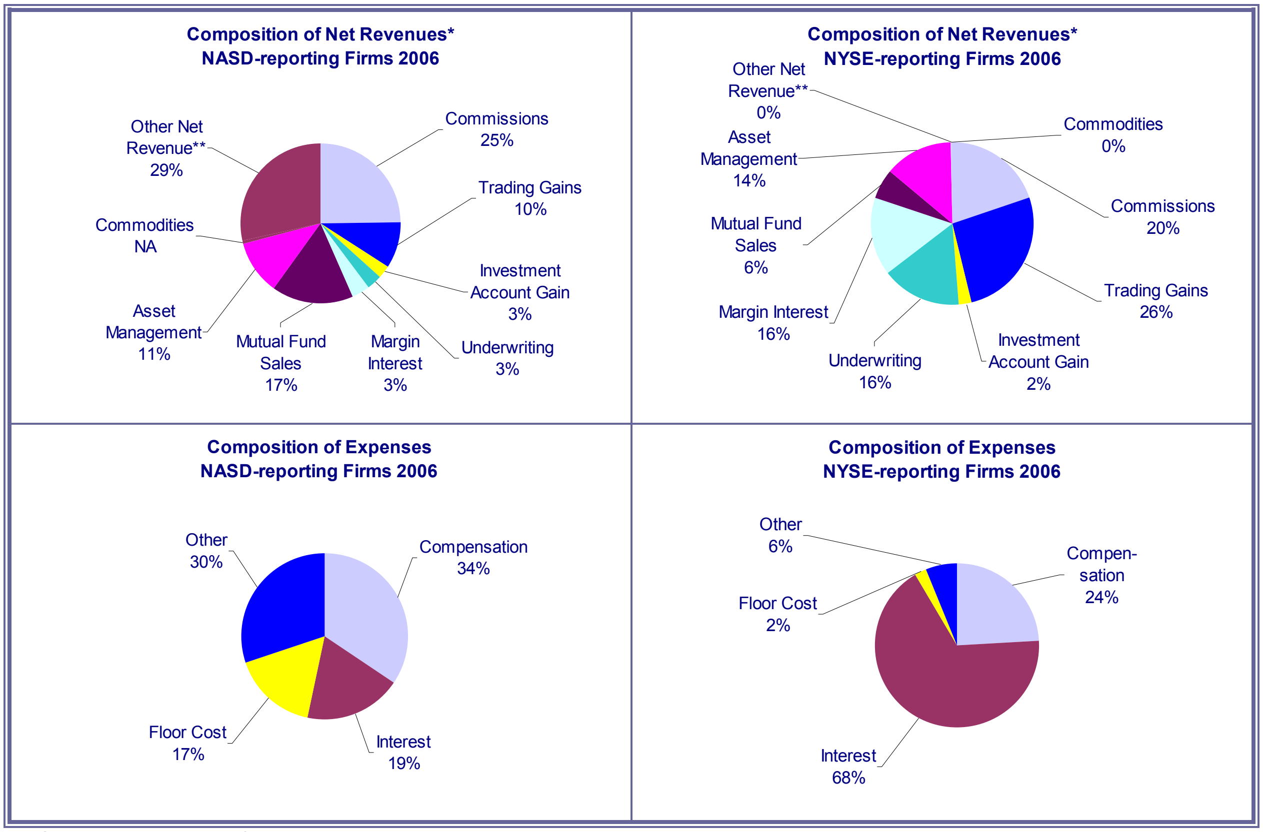
The recovery of retail brokerage activity reflected a pickup in growth in the number of new accounts and in average account size, which accelerated as year-end approached, and from the continued rise of fee-based accounts as a percentage of total client assets. New account growth resumed, after a culling of largely inactive and least productive accounts, and accelerated across the course of the year, owing as much to rising market prices and demographics as to the success of asset gathering and cross-selling efforts. Solid personal income growth enjoyed by brokerage customers and rising market values accounted for most of the improvement. Meanwhile, growth of fee-based accounts, which have been rising as a share of all accounts since late 2003, helped mitigate the effect on earnings of the long-term trend of declining commission rates.[3] However, this retail revival was overshadowed by still stronger growth in institutional brokerage, and the share of all commission and fee income generated by institutional client accounts rose.[4] Average commission and fee rates per transaction, or per-dollar traded, fell yet again last year, reflecting continued efficiencies, intense competition and the increased relative importance of institutional accounts.

Commission and fee income, long a core business line of traditional brokerage activity, has been steadily declining in relative importance to the industry as a whole for the last quarter of a century, as changes in order-handling rules and a technological revolution led to sharpened competition and a steady long-term reduction in average unit revenues, expenses and profit margins as this business line became increasingly "commoditized." Its declining relative importance continued last year despite solid growth in income. In 2006, commission and fee income accounted for 22.1% of total net revenues, down from 24.9% in the prior year and from an average of 26.2% over the five-year period 2001-2005.

Securities firms showed markedly different results for this line item last year, in part depending on the relative importance of retail and institutional commissions and fees in their overall revenue mix. For example, 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 only 4.1% in 2006, after a fall of 2.8% in the prior year. These relatively large firms also derive a substantially smaller share of their net revenues from commission and fee income and a larger share from investment banking operations, such as underwriting and other corporate financial advisory work, than do smaller firms that report solely to the NASD.

[3] Fee-based accounts industry-wide are currently estimated to represent roughly 26% of the value of all client accounts, up from 21% in 2002.

[4] The value of client assets in institutional accounts represented an estimated 61% of the value of all client accounts at end-2006, compared with 52% four years earlier.



* Gross revenues net of interest expense
** Includes all other revenue not included elsewhere, minus total interest expense.
Note: Individual components may not add to 100% due to independent rounding.
Source: SIFMA DataBank

In 2006, commission and fee income represented only 20.1% of total net revenues for NYSE-reporting firms, down from 23.5% the year before. NASD-reporting firms, which rely more heavily on retail brokerage activity, saw commission and fee income rise 8.3% in 2006 after falling only 1.3% the year before. For these firms, commission and fee income still represented 25.1% of net revenue in 2006, down 26.7% from 2005. For a subset of these firms that rely principally on retail brokerage, such as many regional firms and discounters, and for which commission and fee income represents half or more of revenues, commission and fee income grew 10.0% in 2006.

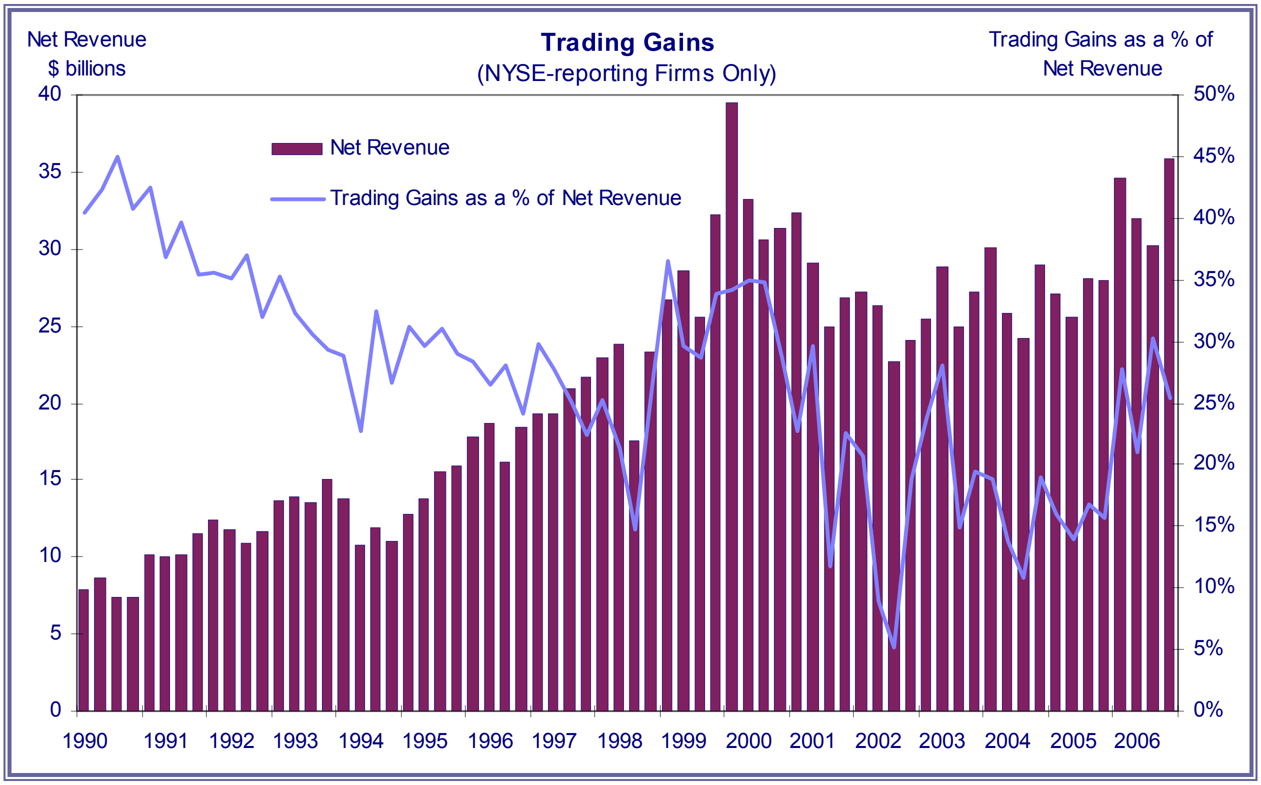
Trading gains (largely, revenue earned from proprietary trading activities of securities firms) surged to $43.0 billion in 2006, an increase of 84.7% from the $23.3 billion earned in 2005 and 66.9% higher than the annual average of $25.8 billion over the previous five years, 2001-2005.[5] Trading gains in 2006 approached the total for 2004 and 2005 combined and represented the industry's second best annual trading performance ever.

While this stellar performance was still well below record trading gains seen in 2000, results in 2000 are considered "abnormal," e.g., inflated by high securities prices, high volatility and high average account activity (driven by high-frequency trading and day trading) that characterized that period and the speculative "bubble" that formed in equity markets at the end of the last decade.[6] When compared to any normal standard, the securities industry's trading

5 Trading gains (or losses) also include net gains or losses from holding dealer (inventory) positions to accommodate customer demand.

6 In 2000, gains in trading and investment accounts were reported as $60.7 billion by the SEC. The comparable figure for 2006 was $48.6 billion, according to SIFMA data, 20.0% below that recorded in 2000.

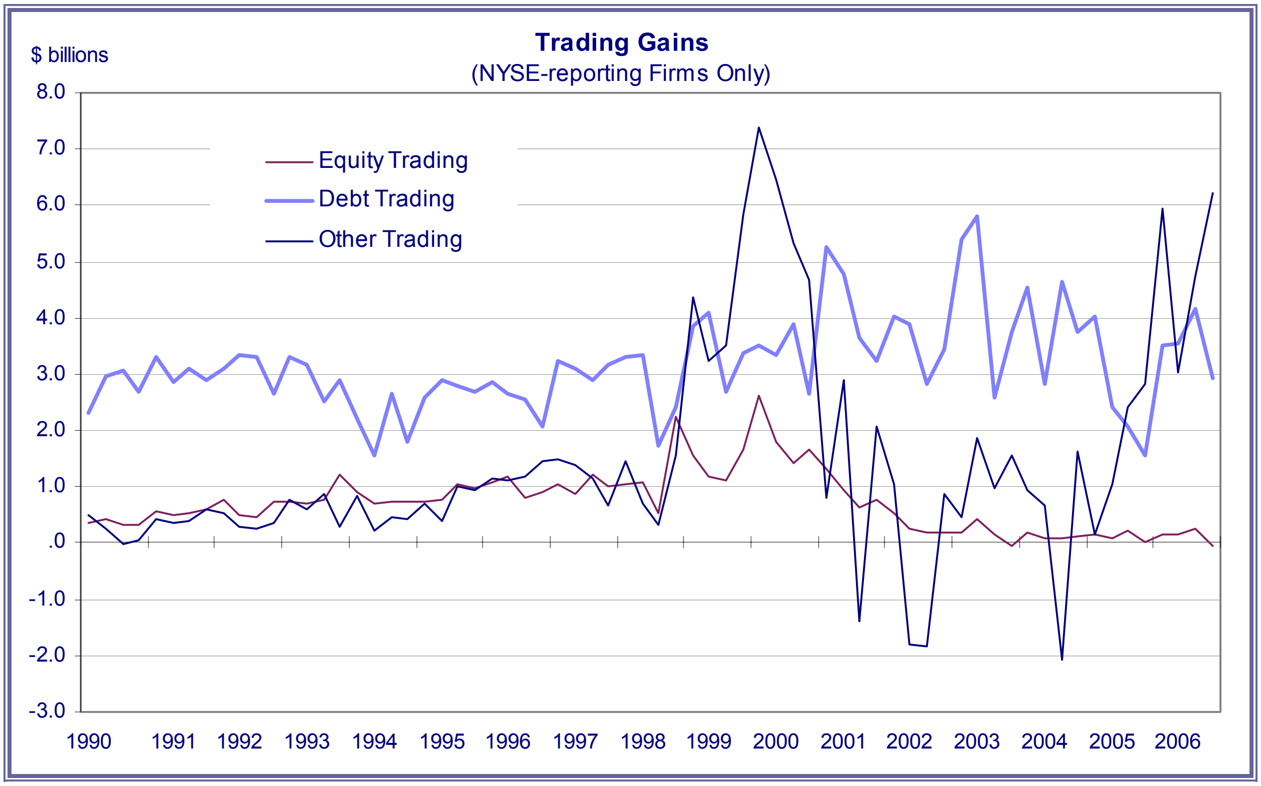
performance in 2006 was noteworthy, if not a record. This performance is even more impressive when one considers that these figures include only the trading gains realized in the US broker dealers. It does not include trading gains realized outside the US by the major multinational firms that increasingly dominate this activity in global financial markets, which grew even faster than gains realized in the US. The share of global trading gains of securities firms that is accounted for by non-US hubs, particularly London and Hong Kong, has risen steadily in recent years.



Source: SIFMA DataBank

During 2006, trading gains grew in importance to the industry as a whole, rising as a share of profits and revenues (both gross and net). For the industry as a whole, trading gains accounted for 19.5% of total net revenues in 2006, up from 12.6% in 2005 and an average of 14.9% during the five-year period 2001-2005. Most of this shift reflected activity of the largest firms. The ten largest firms recorded $23.4 billion in trading gains in 2006, an increase of 154.1% from the $9.2 billion earned in 2005. These firms accounted for more than half, specifically 54.4%, of the industry total for this line item in 2006, up from a 39.6% share in 2005. For the sake of comparison, the ten largest firms accounted for just over a third (34.0%) of total industry net revenues and a slightly larger share of total industry profits (36.1%) in 2006. For the rest of the industry, trading gains accounted for 13.4% of their total net revenue in 2006, up from an average of 12.1% during the period 2001-2005.

Changes in the composition of trading gains, apparent in recent years, continued in 2006. ***Gains from OTC market making***, once an important source of industry revenues, accounting for $4.0 billion in earnings as recently as 2001, continued to decline in both relative and absolute terms, dropping to only $752.6 million in 2006. After slumping in 2005 to $12.7 billion, ***gains from debt trading*** picked up, rebounding to $17.8 billion in 2006, just above levels seen in 2004, but still below the average of the prior three years, 2001-2003. While most of this rebound reflects renewed interest in bonds as the Fed's interest rate "escalator" came to a halt last June, a part of the upturn in gains from debt trading reflects reporting discrepancies, such as firms' inclusion of a larger amount of gains from trading in structured fixed-income products and debt derivatives. Gains from fixed-income and credit derivatives "spilled over" into this subcategory, which largely represents the trading gains from bonds and notes. The more common practice is to include these more esoteric products in "gains from all other trading." That reporting category, ***gains from all other trading***, rose to $24.5 billion in 2006, an increase of 160.7% from $9.4 billion earned in 2005 and 246.3% from an average of $7.1 billion during the period 2001-2005.



Source: SIFMA DataBank

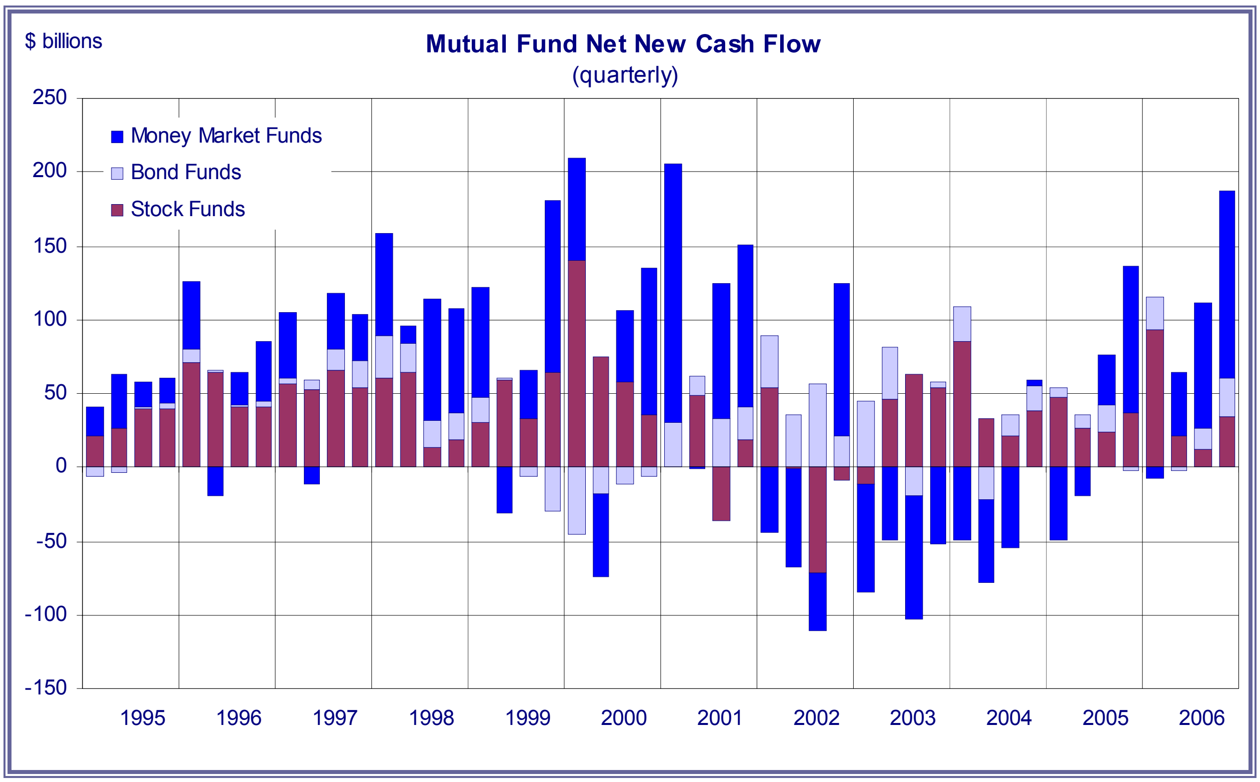
Investment account gains also surged in 2006, nearly doubling (up 93.9%) to more than $5.5 billion from just under $2.9 billion in 2005 and setting a record for this line item. In part, this jump in this item reflected the greater willingness of firms to commit capital to, for example, private equity deals.

Underwriting revenue also showed a sharp increase, setting new highs in the process last year. Underwriting revenue reached $23.6 billion in 2006, rising 18.2% from the previous record $20.0 billion earned the year before. ***Equity underwriting revenue*** reached $5.2 billion, an increase of $1.0 billion, or 24.1%, from 2005 levels, but still below record equity underwriting fees realized in 2000. During 2006, total equity issuance reached $189.7 billion, down a slight 0.3% compared to 2005, but the drop was due solely to lower issuance of closed-end funds, which generate relatively small underwriting fees. On the other hand, true IPOs, which command the highest fees, reached $45.9 billion, 16.1% higher than in 2005. Secondary common stock issuance was $99.1 billion in 2006, up slightly (1.5%) from the prior year.

Other underwriting fees, however, did set a record, rising to $18.4 billion in 2006, up 16.7% from the previous record of $15.8 billion set just the year before, reflecting strong issuance volume in higher margin products. Overall corporate debt underwriting in 2006 topped $3 trillion for the first time and rose 21.0% compared to the preceding year. Corporate straight bond underwriting reached nearly $1.1 trillion, an increase of 41.0% from 2005, while placement of asset-backed securities rose 6.7% to nearly $1.3 trillion and non-agency mortgage-backed securities issuance rose 19.7% to $773.1 billion.

Margin interest revenue surged to $23.8 billion in 2006 from $13.3 billion in 2005, an increase of 79.7%. Margin interest rose due to both higher base interest rates as well as higher margin account balances outstanding, amounts that reached record levels in 1Q'07. While up sharply, margin interest revenue in 2006 was still below the annual record of $24.3 billion for this service line set in 2000.

Mutual fund sales revenue reached $23.0 billion in 2006, also a new record, up 11.3% from the record of $20.7 billion set just the year before. This reflected strong net new cash flows into mutual funds in 2006, which in total reached $414.8 billion, more than doubling from $202.0 billion in 2005.[7] While 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, showed solid increases as well. Net new cash inflows into long-term funds reached $208.6 billion, an increase of 12.3% from 2005. Most of this increase was accounted for by net inflows into equity funds, which increased 19.8% in 2006 to $150.6 billion, as increased inflows into bond funds were largely offset by net outflows registered by hybrid funds.



Source: Investment Company Institute

Asset management fees also set a record, reaching $27.9 billion in 2006, an increase of 19.8% over the $23.3 billion earned in the preceding year. This growth reflected both the increase in the value of mutual fund assets under management, which rose to over $10.4 trillion last year from $8.9 trillion in 2005, an increase of 16.9%, and an increase in average fees charged, reflecting a shift in the composition of assets under management towards higher margin products, such as equity mutual funds. The growth in the value of mutual fund assets in turn largely reflected both the strong net new cash inflows discussed immediately above and solid

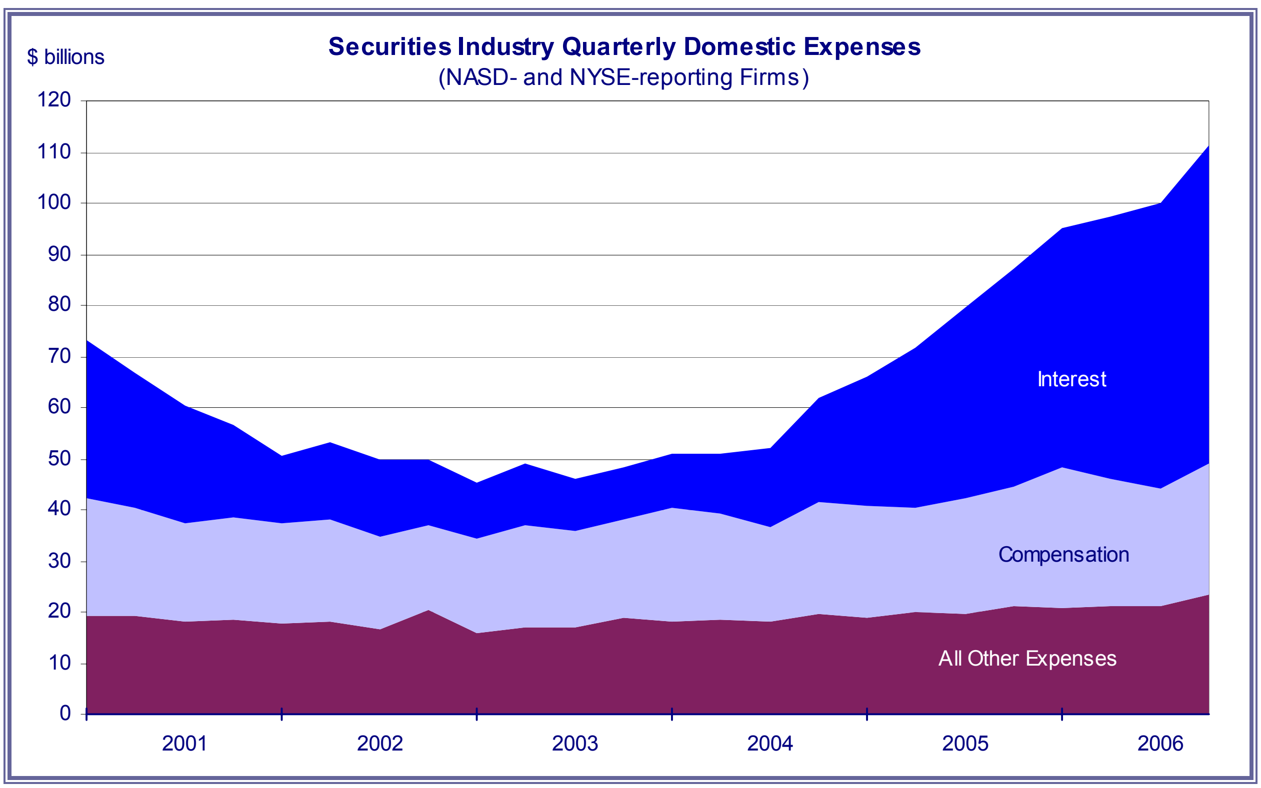
[7] Net new cash flow equals net sales (excluding reinvested dividends) minus redemptions, combined with net exchanges.

asset price appreciation in 2006. As in the case of inflows, it was equity mutual funds that led growth in the value of mutual fund assets. The value of equity mutual funds rose to $5.8 trillion, up 20.0% from 2005, outpacing growth in other types of mutual funds, such as MMMFs, hybrid funds and bond funds, which showed increases of 16.0%, 15.0% and 10.3%, respectively, in the value of their assets.

Other revenues, as a group, showed strong growth as well, rising 41.2% in 2006 from 2005 levels.[8] However, this growth rate was below the 58.4% 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 for M&A and LBO activity. These lines surged, particularly M&A activities, as announced deals in the US reached $1.48 trillion, the fourth best annual total for this highly cyclical sector of the industry, and prime brokerage, reflecting the strong growth of hedge funds.

Expenses

Total expenses were $403.7 billion in 2006, also a record, an increase of $99.5 billion, or 32.7% from 2005, which was the previous annual high, and 34.8% from 2000 levels. Interest expenses accounted for more than half (53.4%) of this total and 80.0% of the increase in total annual expenses. Total compensation expenses, the second largest expense item, accounted for a quarter of total expenses in 2006.



Source: SIFMA DataBank

[8] Includes the sum of two line items in FOCUS reporting, specifically "Other Revenue Related to the Securities Business" and "Other Revenues."

Interest expenses reached $215.7 billion in 2006, an increase of 58.4% from the previous record level of $136.1 billion set in the preceding year. Interest expense in 2006 rose slightly faster than the increase in average short-term rates during the year, indicating increased levels of borrowing to support a variety of activity, including margin lending, repurchase/reverse repurchase operations and other securities lending activities, trading, and corporate finance operations. These expenses were more than offset by interest-related revenues. The rise in short-term interest rates that continued to drive interest expense steadily higher can be seen in the increase in average rates on 3-month Treasury bills, which rose to 4.73% in 2006 from 3.15% in 2005, an increase of 50.3%.

Total compensation expense reached $101.9 billion in 2006, an increase of 15.3% from the prior year. Compensation paid to clerical employees led the increase, rising 19.2% and outpacing 13.5% growth in total compensation paid to registered representatives and a 10.5% rise in compensation paid to other employees. This outcome reflects both increases in the number of non-income producing personnel (including clerical personnel) employed in the industry, which rose 3.2% across the course of 2006, reversing cuts of comparable magnitude the year before, and a 2.4% decline in the average number of income-producing personnel during 2006, which fell for the second year in a row.

Non-income producers on average command substantially smaller bonuses, and a substantially greater share of their total compensation is fixed. The bulk of income producers' compensation comes from variable payouts, including both discretionary, largely annual, bonuses and more formulaic production payouts, which occur quarterly or monthly, based on revenue generated by income-producing personnel. Discretionary bonuses, on average, rose an estimated 19.8% in 2006, followed closely by the increase in estimated production credits, as those business lines that have the highest payouts to income-producers, such as underwriting, M&A advisory and proprietary trading, surged last year. Total fixed compensation grew at a substantially slower rate in 2006, in part reflecting a number of changes in the composition of the industry workforce.

Most of the increase in compensation in 2006 was attributable to the largest firms, whose compensation patterns are distinctly different from those of their smaller brethren. Total compensation at the 25 largest firms increased 21.9% in 2006, compared to a 7.9% increase in compensation paid by all other firms, as the former group had substantially stronger revenue growth. For the industry as whole, net revenue per income-producing employee increased 21.8% in 2006, surpassing $1 million for the first time, with the strongest increase seen at the largest firms. Average net revenue per income producer rose 26.4% for the 25 largest firms as a group, while, on average, the comparable increase was only 11.8% for all other firms. The 25 largest firms also showed more rapid growth in compensation for all non-income producing personnel.

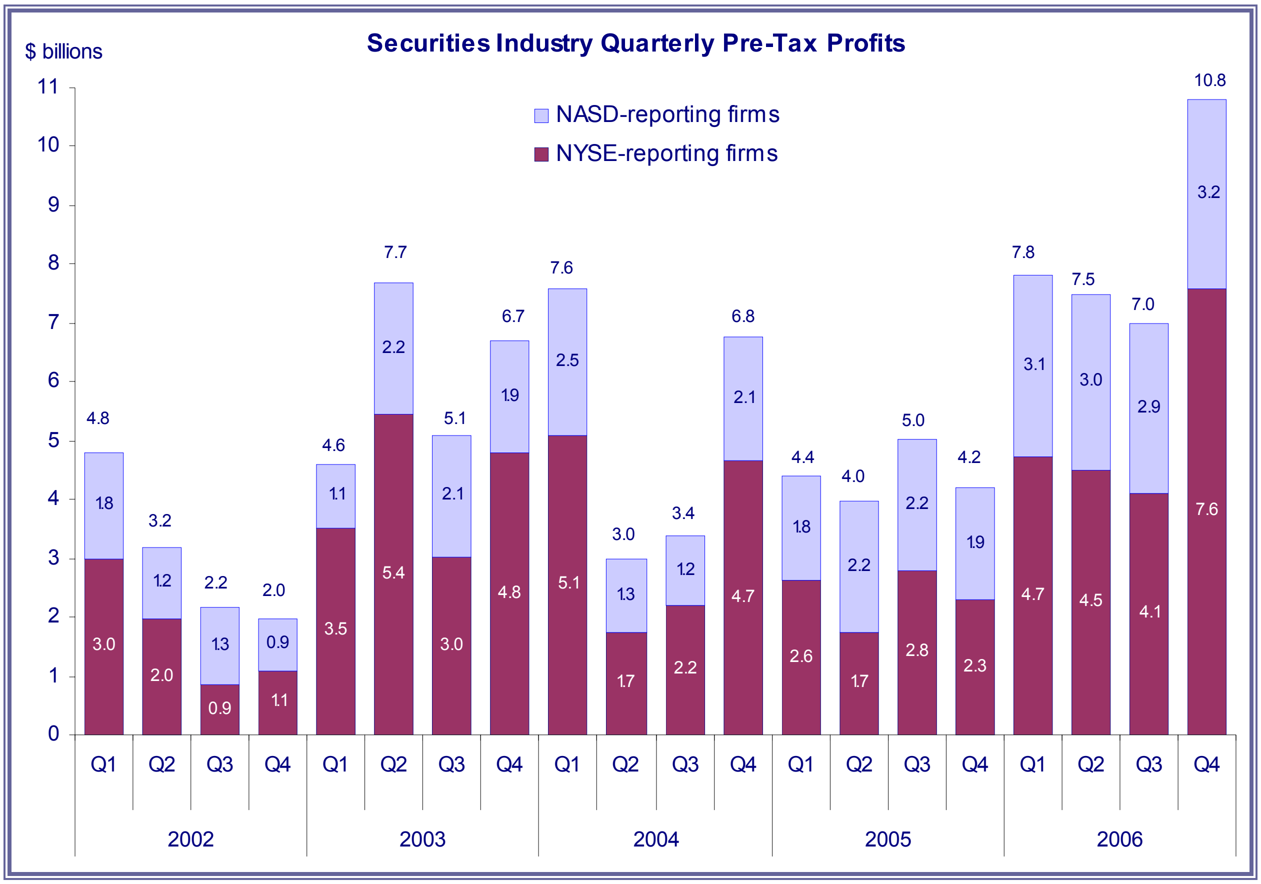
Other expenses[9] increased 8.2% in 2006 after rising 7.1% in 2005. Other expenses that were slashed, along with compensation expense during the industry downturn, have increased over the last three years as the industry recovered, but at less than an 8% compound annual rate, well below the pace of revenue or compensation growth. Other expenses fell 14.5% from 2000 to 2003, as industry compensation was slashed 19.4%. In 2004, other expenses rose 8.4% as business expanded and net new hiring resumed.

[9] "Other expenses" includes all expenses other than compensation and interest expenses.

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 $21.2 billion in 2006, an increase of 17.5% from 2005. Communications expense rose 10.9% to $5.5 billion. Occupancy and equipment expenses rose only fractionally, up 0.8% to $6.4 billion. Data-processing costs were $3.7 billion in 2006, 5.7% above levels in the prior year.

Quarterly Results

The US securities industry reported 4Q'06 profits of $10.8 billion, the best fourth quarter result ever, but still short of the record quarterly result achieved at the peak of the previous market cycle in 1Q'00.[10] Profits, which had been strong throughout 2006, grew further in the final quarter, rising 54.9% in 4Q'06 from the immediately preceding quarter and 156.8% above results in the same year-earlier period.



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

Although many firms have not yet reported results for 1Q'07, and actual aggregate FOCUS data are not expected until June, it is possible to estimate the industry's performance, however imprecisely, based on income statements of a sample of firms and activity indicators for the quarter as a whole. It appears that strong growth in profits continued into 1Q'07, although at a slower pace sequentially after the surge in 4Q'06. Even so, when final results are available for 1Q'07, industry profits may well have set a new quarterly record, led as they were in 4Q'06 by

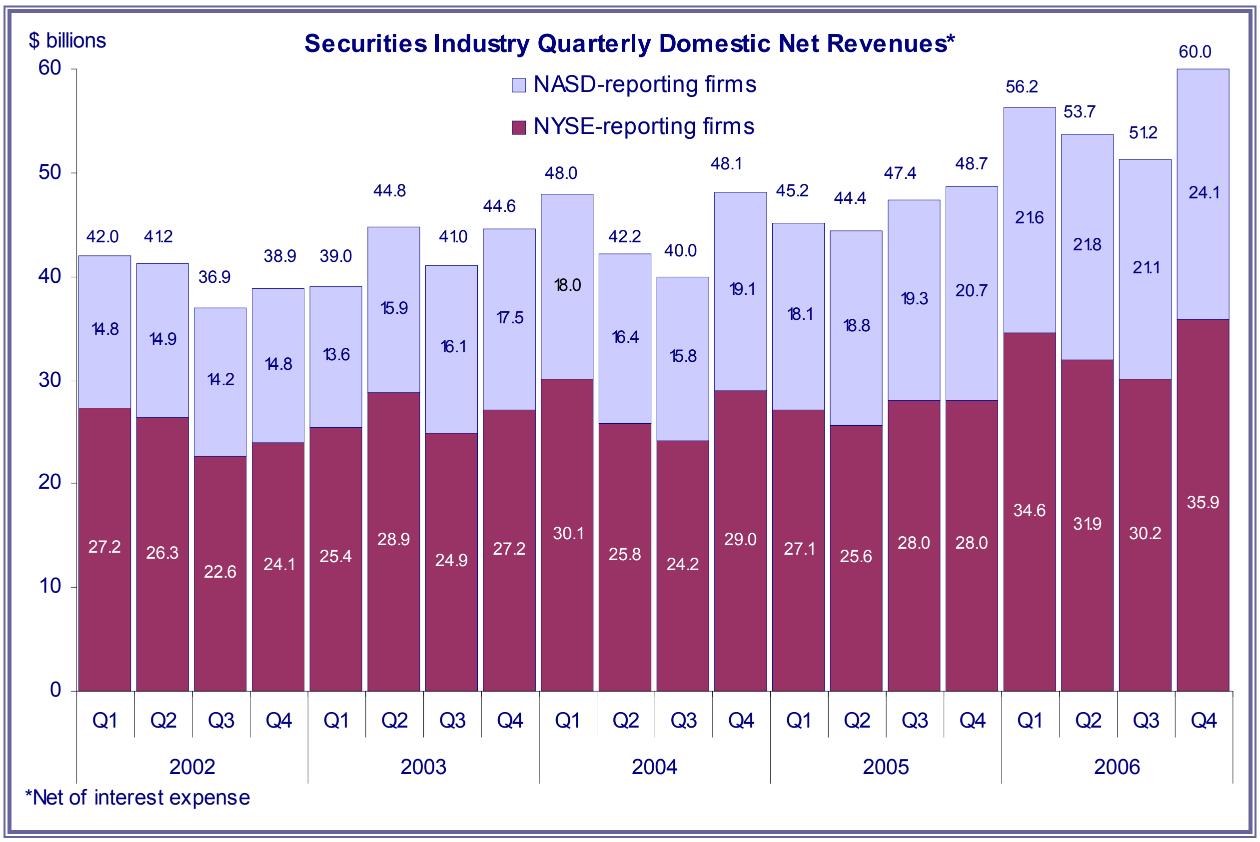
[10] Profits for 1Q'00 are estimated at $11.86 billion, using complete quarterly data for NYSE-reporting firms and partial quarterly and complete full-year annual income statements for NASD-reporting firms. These results are 9.9% and nearly $1.1 billion higher than profits in 4Q'06.

outsized trading gains and solid growth in investment banking revenues, with most other revenues lines showing positive, albeit more modest, increases.

The increase in profits in 4Q'06 occurred while both quarterly revenues and expenses hit record high levels, a performance expected to have been repeated in 1Q'07. Total revenues were $122.0 billion in 4Q'06, up 14.1% from 3Q'06, the previous record, and 33.8% above the same year-earlier period. Total expenses of $111.2 billion were 11.2% above 3Q'06 levels and 27.9% higher than in 4Q'05. Interest expense in 4Q'06 reached $62.0 billion, up 11.4% from 3Q'06 and 45.9% from 4Q'05. Net revenues in 4Q'06 were $60.0 billion, up 17.0% from 3Q'06 and 23.2% above results in the same year-earlier period. Net revenues also set a record, fractionally eclipsing the previous record set in 1Q'00 by 0.2%.

Revenues

Total revenues were $122.0 billion in 4Q'06, up 14.1% from 3Q'06 and 33.8% above the same year-earlier period, while ***net revenues*** were $60.0 billion, up 17.0% from 3Q'06 and 23.2% above results for 4Q'05. In 1Q'07, net revenues continued to expand, rising an estimated 9.9% with respect to 4Q'06 levels and 17.3% relative to 1Q'06.



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

Commission and fee income of $12.3 billion in 4Q'06 represented an increase of 10.3% from the immediately preceding quarter and 3.7% from 4Q'05. During 1Q'07, commission and fee income reached an estimated $13.1 billion, 2% higher than the same year-earlier period and 6.7% higher than 4Q'06. In 1Q'07, average daily share volume rose 0.3% on the NYSE and 11.6% on the NASDAQ, relative to 4Q'06, while the average daily dollar value of trading rose 18.1% and 15.7%, respectively, on the two major exchanges.

Trading gains rose to $12.1 billion in 4Q'06, a 10.3% increase from 3Q'06 and 106.4% from 4Q'05. Trading gains in 4Q'06 were the fifth highest quarterly total for this line item, following the four quarters between 4Q'99 and 3Q'00. Trading gains are estimated to have risen further in 1Q'07. Both trading gains and commission and fee income showed surprisingly strong sequential quarterly increases during 4Q'06, but both remained well below records for quarterly results set in 1Q'00.

Gains from investment accounts also had a strong fourth quarter, reaching $1.9 billion, up 56.4% and 166.1% over the previous quarter and same year-earlier period, respectively. ***Commodities revenue***, however, had a weak quarter, with losses of $1.5 billion in 4Q'06, compared to a loss of $0.4 billion in 3Q'06 and a gain of $0.2 billion in 4Q'05.

Underwriting revenue surged, reaching a record $7.4 billion in 4Q'06, 55.2% higher than in the immediately preceding quarter, 33.5% above results in the same year-earlier period, and more than 19% above the previous record level set in 1Q'00. During 1Q'07, total underwriting revenue is estimated to have remained strong, still well above results in the same year-earlier period, but just short of surpassing the record results enjoyed in 4Q'06.

Although the total value of equity underwriting declined only fractionally in 1Q'07 relative to the immediately preceding quarter, the number of completed deals dropped 19.8%. Average deal size rose, and larger deals command lower percentage fees than smaller ones. The most lucrative equity underwriting deals are IPOs. The value of all IPOs in 1Q'07 was off sharply relative to the record set in 4Q'06, dropping some 52% and falling back to slightly above levels seen in 1Q'06, while the total number of deals fell 44% sequentially.

The value of total corporate debt underwriting during 1Q'07 declined 3.8% relative to 4Q'06 but remained 11.0% above levels during 1Q'06, as a 4.9% sequential rise in straight corporate debt underwriting failed to fully offset a 12.0% sequential drop in the asset-backed debt underwriting.

Margin interest revenue of $7.9 billion jumped in 4Q'06, 27.5% higher than the immediately preceding quarter, the previous record, and more than twice (an increase of 102.5%) the level seen in the same year-earlier period. The increase in margin interest revenue reflected both higher base interest rates as well as higher margin account balances outstanding, balances that went on to reach reportedly record levels in 1Q'07, along with total margin interest revenue earned by firms.

Fund management operations put in a steady performance in the final quarter of 2006, as asset-gathering efforts continue to show growing momentum. The better performance of fund management operations reflected increasing net asset values of and net inflows into mutual funds during 4Q'06, and both total management fees and sales revenue set new quarterly records. Similar performance is estimated for 1Q'07. ***Asset management fees*** of $7.6 billion in 4Q'06 were 7.2% higher than in 3Q'06, which was the previous record, and 21.3% above that in 4Q'05. ***Mutual fund sales revenue*** of $5.9 billion was up a more modest 6.9% from 3Q'06, 7.8% higher than during 4Q'05 and fractionally (0.4%) over the previous record set in 1Q'06.

Other revenues remained strong as well, in particular those earned from M&A advisory. During 1Q'07 there were 2,670 deals announced, an increase of 3.8% compared to 4Q'06 and 4.6% relative to 1Q'06. The total value of announced deals during 1Q'07 was $449.9 billion, an amount 6.4% below that in 4Q'06 but still 34.7% above the same year-earlier period. While quarterly results for announced deals for 4Q'06 and 1Q'07 were exceptionally strong, neither surpassed the record set in 1Q'00, when 3,108 deals worth a total of $576.7 billion were announced. However, with the long lag between the announcement of an M&A deal and its completion and the realization of fees, and given the high level of announced deals in each of the past two quarters, it is expected that M&A fees will have risen solidly on a sequential quarterly basis during 1Q'07.

Expenses

Total expenses of $111.2 billion in 4Q'06 reached record levels as well, rising 11.2% above 3Q'06 levels and 27.9% higher than in 4Q'05, a record expected to have been surpassed in 1Q'07. ***Compensation expenses***, which have a strong seasonal component, reached $25.9 billion in 4Q'06, an increase of 11.3% relative to 3Q'06 and 11.4% relative to the same year-earlier period, as employment rose slightly. This was the highest fourth-quarter level ever, but still 6.1% below record quarterly compensation paid in 1Q'06. This record is believed to have been exceeded in the quarter just ended, as annual bonus payments, most of which occur in the first quarter of each year, are estimated to have increased 21%.

Interest expense in 4Q'06 reached $62.0 billion, up 11.4% from 3Q'06 and 45.9% from 4Q'05, and continued to rise in 1Q'07, despite a relatively stable interest rate environment.

Other expenses[11] remained largely under control, but grew at an accelerating pace in 4Q'06, rising 10.8% from the immediately preceding quarter and 9.6% from the same year-earlier period. Much of the pickup in growth of other expenses was due to a jump to $5.6 billion in floor costs in 4Q'06, a level 11.8% above 3Q'06 and 18.9% above 4Q'05. Excluding floor costs, other expenses increased 10.4% vis-à-vis the immediately preceding quarter and 7.0% higher than in the same year-earlier period. During 1Q'07, other expenses are believed to have fallen somewhat when compared to 4Q'06 but are expected to have remained higher than in the same year-earlier period.

Frank A. Fernandez
Guest Analyst

[11] Expenses other than compensation and interest expenses.

NASD-MEMBER FIRMS Other Than NYSE-member Firms
INCOME STATEMENT & SELECTED ITEMS
$ Millions

	ANNUAL DATA								
	2003	2004	2005	2006	05:Q4	06:Q1	06:Q2	06:Q3	06:Q4
REVENUE:									
Commissions	19,399.3	20,801.1	20,532.3	22,243.4	5,266.7	5,679.5	5,676.6	5,091.0	5,796.3
- Commissions - Listed Equity on an Exchange	4,731.4	4,971.5	4,828.7	4,904.1	1,203.3	1,250.7	1,253.6	1,146.9	1,253.0
- Commissions - Listed Equity OTC	998.4	1,058.7	1,318.0	1,182.9	336.6	350.4	342.6	226.3	263.7
- Commissions - Listed Options	495.5	747.3	644.0	780.2	171.3	190.9	192.9	183.7	212.7
- Commissions - All Other	13,174.0	14,023.4	13,741.6	15,376.2	3,555.6	3,887.6	3,887.6	3,534.1	4,066.9
Trading Gain (Loss)	7,603.6	6,137.6	6,303.1	8,527.1	1,488.0	2,010.0	1,598.0	1,866.2	3,052.9
- Gain from OTC Market Making	311.1	532.3	274.8	239.0	62.0	84.3	62.6	37.1	55.0
- - Gain from OTC Market Making in Listed Equity	13.2	25.7	19.6	16.8	3.3	4.5	4.4	4.2	3.7
- Gain from Debt Trading	2,218.5	1,678.8	2,652.8	3,670.9	674.3	930.3	805.7	1,001.7	933.2
- Gain from Listed Options Market Making	54.0	113.2	1.0	21.8	25.0	-8.3	5.4	5.7	19.1
- Gain from All Other Trading	5,019.9	3,813.3	3,374.6	4,595.4	726.8	1,003.7	724.4	821.8	2,045.6
Investment Account Gain (Loss)	904.6	1,013.3	1,297.0	2,230.7	490.7	583.3	364.0	494.0	789.4
- Realized Gain	137.4	311.9	642.4	1,145.7	213.8	261.5	278.1	278.9	327.1
- Unrealized Gain	54.2	79.1	106.6	275.3	48.1	104.5	19.0	74.2	77.6
Underwriting Revenue	2,114.4	2,465.2	2,726.3	2,745.1	794.9	600.1	682.4	603.1	859.6
- Equity Underwriting Revenue	17.5	30.9	67.0	244.3	15.0	56.9	67.6	55.7	64.0
Margin Interest	454.1	804.1	1,985.1	3,049.6	623.2	709.7	797.8	741.8	800.2
Mutual Fund Sale Revenue	10,132.5	11,817.3	13,493.8	15,155.9	3,673.1	3,774.8	3,773.6	3,674.2	3,933.3
Fees, Asset Management	6,176.0	6,905.8	8,008.0	9,695.9	2,233.0	2,328.2	2,362.8	2,367.4	2,637.4
Research Revenue	2.0	3.4	5.9	15.9	1.4	5.7	1.1	1.2	8.0
Commodities Revenue	44.0	556.1	191.3	-621.5	65.7	191.3	368.6	-84.2	-1,097.1
Other Revenue Related to the Securities Business	6,396.4	8,359.7	14,781.3	18,388.9	4,284.6	4,102.0	4,778.1	4,519.7	4,989.1
Other Revenue	14,983.2	17,643.4	22,624.2	24,029.4	6,121.3	5,529.2	5,739.0	5,904.7	6,856.4
TOTAL REVENUE	**68,210.1**	**76,507.1**	**91,948.3**	**105,460.5**	**25,042.5**	**25,513.9**	**26,142.0**	**25,179.2**	**28,625.4**
Net Revenue	63,121.3	69,177.8	76,862.3	88,591.9	20,682.3	21,635.3	21,802.5	21,054.3	24,099.8
EXPENSES:									
Total Compensation	22,603.6	25,313.9	28,426.3	30,776.8	7,742.7	7,745.3	7,497.7	7,213.7	8,320.2
- Registered Representative Compensation	7,132.6	7,941.9	8,882.4	9,491.4	2,242.2	2,519.3	2,318.0	2,161.5	2,492.7
- Clerical Employee Compensation	3,061.7	3,611.8	4,955.3	5,149.6	1,303.0	1,365.1	1,236.8	1,261.6	1,286.1
- Voting Officer Compensation	2,186.2	2,386.9	2,330.2	2,236.3	731.6	525.0	527.3	528.8	655.2
- Other Employee Compensation (FOCUS IIA Only)	10,223.1	11,373.0	12,258.4	13,899.4	3,466.0	3,335.8	3,415.6	3,261.7	3,886.3
Total Floor Costs	10,648.5	11,910.3	12,805.7	14,743.5	3,330.1	3,452.0	3,690.1	3,554.0	4,047.5
- Floor Brokerage Paid to Brokers	209.2	212.9	235.6	321.2	80.7	81.8	82.6	78.0	78.7
- Commissions & Clearance Paid to Other Brokers	1,242.7	1,504.9	1,588.7	2,517.7	400.1	432.2	698.3	659.5	727.8
- Clearance Paid to Non-Brokers	312.7	366.9	517.6	474.0	140.4	119.2	129.2	106.5	119.1
- Commissions Paid to Broker-Dealers (FOCUS IIA Only)	8,883.8	9,825.6	10,463.8	11,430.6	2,708.8	2,818.7	2,780.0	2,709.9	3,121.9
Communications Expense	422.9	502.9	651.8	623.6	160.8	159.7	155.9	150.2	157.8
Occupancy & Equipment Costs	764.2	896.7	1,253.3	1,177.5	317.1	300.7	289.0	287.9	299.9
Promotional Costs	535.3	687.0	933.1	963.4	293.1	280.5	237.4	200.1	245.4
Interest Expense	5,088.8	7,329.2	15,086.0	16,868.6	4,360.2	3,878.6	4,339.5	4,124.9	4,525.6
Losses from Error Accounts & Bad Debts	50.2	58.6	63.6	112.9	-9.5	24.7	29.5	38.7	19.9
Data Processing Costs	722.5	804.4	781.4	780.6	213.6	210.7	190.9	179.8	199.2
Regulatory Fees & Expenses	317.2	307.9	358.3	344.5	95.0	77.3	97.9	77.1	92.2
Non-Recurring Charges	21.5	203.5	9.5	7.3	6.9	1.0	1.2	0.8	4.3
Other Expenses	19,730.8	21,453.8	23,448.0	26,871.3	6,625.1	6,293.2	6,649.1	6,447.9	7,481.1
TOTAL EXPENSES	**60,905.5**	**69,468.3**	**83,817.0**	**93,269.9**	**23,135.1**	**22,423.7**	**23,178.2**	**22,275.0**	**25,393.0**
PRE-TAX NET INCOME	**7,304.6**	**7,038.8**	**8,131.3**	**12,190.6**	**1,907.5**	**3,090.2**	**2,963.8**	**2,904.1**	**3,232.4**
Federal Income Tax (Tax Benefit)	1,332.1	1,312.4	1,737.0	2,330.9	412.3	571.6	593.8	558.5	607.0
Income (Loss) from Unconsolidated Subsidiaries	405.6	519.7	145.0	207.3	32.4	38.4	25.2	12.9	130.8
Extraordinary Gain (Loss)	-150.6	-92.4	-3.6	-0.7	0.1	-0.1	-0.5	0.4	-0.5
Cumulative Effect of Accounting Changes	0.1	0.2	-9.3	2.7	-9.2	2.1	0.0	-0.2	0.7
NET INCOME	**6,227.6**	**6,154.2**	**6,526.3**	**10,069.0**	**1,518.5**	**2,559.0**	**2,394.7**	**2,358.7**	**2,756.5**
TOTAL ASSETS	**597,009.1**	**782,433.2**	**827,576.0**	**857,479.9**	**827,576.0**	**973,192.6**	**813,515.8**	**920,536.4**	**857,479.9**
TOTAL LIABILITIES	**554,601.3**	**732,392.8**	**779,938.7**	**803,461.5**	**779,938.7**	**925,695.3**	**763,269.4**	**868,967.8**	**803,461.5**
TOTAL OWNERSHIP EQUITY	**42,407.8**	**50,040.4**	**47,637.3**	**54,018.4**	**47,637.3**	**47,497.3**	**50,246.4**	**51,568.6**	**54,018.4**
TOTAL NET CAPITAL	**20,708.3**	**25,925.7**	**26,714.4**	**27,630.6**	**26,714.4**	**26,547.6**	**26,231.8**	**26,786.6**	**27,630.6**
NUMBER OF FIRMS IN CATEGORY	**5,053**	**4,990**	**4,917**	**4,848**	**4,917**	**4,911**	**4,909**	**4,914**	**4,848**
PERSONNEL - INCOME PRODUCING	**51,299**	**58,562**	**59,648**	**57,228**	**59,648**	**59,269**	**52,079**	**54,441**	**57,228**
PERSONNEL - ALL OTHER	**29,208**	**37,622**	**37,155**	**36,226**	**37,155**	**38,532**	**33,694**	**35,721**	**36,226**
PERSONNEL - TOTAL	**80,507**	**96,184**	**96,803**	**93,454**	**96,803**	**97,801**	**85,773**	**90,162**	**93,454**

Source: SIFMA DataBank

NYSE-MEMBER FIRMS
INCOME STATEMENT & SELECTED ITEMS
$ Millions

	ANNUAL DATA								
	2003	2004	2005	2006	05:Q4	06:Q1	06:Q2	06:Q3	06:Q4
REVENUE:									
Commissions	25,661.4	26,339.8	25,612.2	26,665.0	6,571.8	7,164.1	6,977.5	6,042.3	6,481.1
- Commissions - Listed Equity on an Exchange	14,426.0	13,937.4	13,592.3	13,706.4	3,364.2	3,562.1	3,481.6	3,306.4	3,356.3
- Commissions - Listed Equity OTC	1,642.1	2,014.2	1,951.3	1,919.9	531.8	547.4	507.0	447.1	418.4
- Commissions - Listed Options	1,270.6	1,215.0	1,134.0	1,394.8	302.9	354.5	365.6	334.9	339.8
- Commissions - All Other	8,322.7	9,173.2	8,934.6	9,644.1	2,372.9	2,700.1	2,623.4	1,954.0	2,366.6
Trading Gain (Loss)	23,136.5	17,363.6	17,006.5	34,522.5	4,396.6	9,577.6	6,704.0	9,147.7	9,093.2
- Gain from OTC Market Making	742.6	447.6	480.5	513.6	20.8	146.2	155.9	248.8	-37.3
- - Gain from OTC Market Making in Listed Equity	-14.8	-7.6	-17.3	-1.4	-4.4	-1.7	0.3	0.1	-0.1
- Gain from Debt Trading	17,522.1	15,754.5	10,076.3	14,112.0	1,552.8	3,497.5	3,531.0	4,156.2	2,927.3
- Gain from Listed Options Market Making	-170.0	154.0	203.3	38.0	5.3	133.3	36.7	-47.8	-84.2
- Gain from All Other Trading	5,041.8	1,007.5	6,006.0	19,858.9	2,817.7	5,800.6	2,980.4	4,790.5	6,287.4
Investment Account Gain (Loss)	2,115.7	1,656.1	1,559.4	3,306.6	207.8	1,189.4	354.6	693.8	1,068.8
- Realized Gain	480.7	1,205.8	1,218.5	1,316.5	332.7	445.8	320.1	207.6	343.0
- Unrealized Gain	1,574.2	414.4	-178.8	655.5	-202.9	462.1	-153.3	126.2	220.5
Underwriting Revenue	15,090.0	16,658.9	17,261.2	20,884.4	4,732.3	4,759.1	5,454.4	4,151.9	6,519.0
- Equity Underwriting Revenue	3,697.8	4,204.2	4,135.8	4,972.2	1,099.6	1,126.3	1,236.1	768.9	1,840.9
Margin Interest	4,776.9	6,146.0	11,272.0	20,777.4	3,296.7	4,304.4	3,854.5	5,482.5	7,136.0
Mutual Fund Sale Revenue	6,064.9	6,838.5	7,163.0	7,843.5	1,764.5	2,061.4	2,051.0	1,805.0	1,926.1
Fees, Asset Management	11,761.6	13,941.6	15,268.0	18,195.1	4,031.7	4,073.4	4,440.8	4,719.9	4,961.0
Research Revenue	170.0	207.8	131.6	206.2	25.8	54.6	52.1	39.7	59.8
Commodities Revenue	-1,902.4	930.3	1,052.6	54.8	146.9	80.5	735.8	-350.3	-411.2
Other Revenue Related to the Securities Business	47,898.3	59,260.4	111,762.2	175,354.4	30,675.4	40,519.6	41,761.4	43,923.1	49,150.3
Other Revenue	9,743.1	10,854.3	21,730.3	23,525.6	10,297.5	3,779.0	6,245.5	6,103.3	7,397.8
TOTAL REVENUE	**144,516.0**	**160,197.3**	**229,819.1**	**331,335.7**	**66,147.0**	**77,563.1**	**78,631.6**	**81,759.1**	**93,381.9**
Net Revenue	106,331.6	109,113.1	108,757.8	132,531.5	27,987.3	34,562.1	31,920.5	30,184.4	35,864.5
EXPENSES:									
Total Compensation	54,125.0	57,851.1	59,953.4	71,104.2	15,514.1	19,845.5	17,600.3	16,063.5	17,594.9
- Registered Representative Compensation	21,588.5	22,301.5	23,156.2	26,873.6	5,814.8	6,916.8	6,714.9	6,297.8	6,944.1
- Clerical Employee Compensation	29,107.1	32,874.4	34,308.4	41,664.3	9,058.3	12,263.4	10,298.0	9,091.7	10,011.2
- Voting Officer Compensation	1,925.7	1,222.4	1,145.9	1,437.8	302.1	295.3	288.0	515.0	339.5
- Other Employee Compensation (FOCUS IIA Only)	1,503.7	1,452.8	1,342.9	1,128.5	338.9	370.1	299.3	159.1	300.0
Total Floor Costs	4,962.9	4,839.0	5,233.5	6,444.4	1,394.6	1,629.0	1,774.8	1,469.7	1,570.9
- Floor Brokerage Paid to Brokers	1,119.4	1,258.3	1,346.5	1,481.0	383.9	365.3	411.7	366.8	337.2
- Commissions & Clearance Paid to Other Brokers	2,514.0	2,167.1	2,430.9	3,421.2	644.0	868.0	942.7	792.7	817.8
- Clearance Paid to Non-Brokers	849.9	876.9	965.9	1,152.5	246.7	248.7	304.5	295.9	303.4
- Commissions Paid to Broker-Dealers (FOCUS IIA Only)	479.6	536.7	490.2	389.6	120.0	147.0	115.9	14.3	112.4
Communications Expense	3,952.7	4,170.9	4,343.8	4,918.5	1,117.0	1,190.1	1,197.0	1,219.1	1,312.3
Occupancy & Equipment Costs	6,028.8	5,577.2	5,086.8	5,211.4	1,281.2	1,228.6	1,263.2	1,391.5	1,328.1
Promotional Costs	1,499.4	1,653.2	1,511.5	1,541.3	376.1	367.6	428.9	327.7	417.1
Interest Expense	38,184.4	51,084.2	121,061.3	198,804.2	38,159.7	43,001.0	46,711.1	51,574.7	57,517.4
Losses from Error Accounts & Bad Debts	305.4	274.8	305.5	276.8	114.4	72.3	58.9	66.5	79.1
Data Processing Costs	2,312.8	2,422.5	2,724.8	2,926.4	764.2	698.7	715.2	748.1	764.4
Regulatory Fees & Expenses	979.6	1,150.0	1,193.4	1,266.2	355.0	289.2	328.0	312.9	336.1
Non-Recurring Charges	252.4	477.2	274.5	118.0	27.3	51.0	38.8	14.2	14.0
Other Expenses	15,163.0	17,017.3	18,684.3	17,831.1	4,746.8	4,455.8	3,982.3	4,508.2	4,884.8
TOTAL EXPENSES	**127,766.4**	**146,517.4**	**220,372.8**	**310,442.2**	**63,850.4**	**72,828.7**	**74,098.4**	**77,696.1**	**85,819.0**
PRE-TAX NET INCOME	**16,749.6**	**13,679.9**	**9,446.3**	**20,893.6**	**2,296.6**	**4,734.5**	**4,533.2**	**4,063.0**	**7,562.9**
Federal Income Tax (Tax Benefit)	4,578.5	852.6	2,149.3	5,799.7	596.9	1,019.7	1,192.5	1,304.1	2,283.4
Income (Loss) from Unconsolidated Subsidiaries	895.9	1,063.8	1,812.0	2,073.8	562.9	658.4	409.2	294.5	711.7
Extraordinary Gain (Loss)	-30.6	-7,521.1	-637.0	-4.2	-0.1	-0.2	-4.1	-0.1	0.2
Cumulative Effect of Accounting Changes	0.0	0.0	38.0	23.7	32.4	22.4	0.0	0.0	1.3
NET INCOME	**13,036.4**	**6,370.1**	**8,480.7**	**17,187.0**	**2,294.9**	**4,395.3**	**3,745.8**	**3,053.3**	**5,992.6**
TOTAL ASSETS	**3,174,801.0**	**3,841,155.7**	**4,211,633.2**	**5,019,451.2**	**4,211,633.2**	**4,504,236.2**	**4,584,732.5**	**4,838,610.7**	**5,019,451.2**
TOTAL LIABILITIES	**3,084,881.8**	**3,745,006.8**	**4,110,979.4**	**4,909,210.0**	**4,110,979.4**	**4,394,639.4**	**4,476,091.4**	**4,728,178.2**	**4,909,210.0**
TOTAL OWNERSHIP EQUITY	**89,919.2**	**96,148.9**	**100,653.8**	**110,241.2**	**100,653.8**	**109,596.8**	**108,641.1**	**110,432.5**	**110,241.2**
TOTAL NET CAPITAL	**57,711.8**	**61,201.0**	**74,619.6**	**75,338.3**	**74,619.6**	**73,448.9**	**78,379.6**	**84,236.7**	**75,338.3**
NUMBER OF FIRMS IN CATEGORY	**234**	**229**	**217**	**204.0**	**217**	**216**	**213**	**206**	**204**
PERSONNEL - INCOME PRODUCING	**134,550**	**139,118**	**131,119**	**131,457.0**	**131,119**	**129,807**	**129,308**	**130,841**	**131,457**
PERSONNEL - ALL OTHER	**159,439**	**160,935**	**155,359**	**162,464.0**	**155,359**	**157,010**	**160,092**	**161,326**	**162,464**
PERSONNEL - TOTAL	**293,989**	**300,053**	**286,478**	**293,921.0**	**286,478**	**286,817**	**289,400**	**292,167**	**293,921**

Source: SIFMA DataBank

NASD- AND NYSE-MEMBER FIRMS
INCOME STATEMENT & SELECTED ITEMS
$ Millions

	ANNUAL DATA								
	2003	**2004**	**2005**	**2006**	**05:Q4**	**06:Q1**	**06:Q2**	**06:Q3**	**06:Q4**
REVENUE:									
Commissions	45,060.7	47,140.9	46,144.5	48,908.4	11,838.5	12,843.6	12,654.1	11,133.3	12,277.4
- Commissions - Listed Equity on an Exchange	19,157.4	18,908.9	18,421.0	18,610.5	4,567.5	4,812.8	4,735.2	4,453.3	4,609.3
- Commissions - Listed Equity OTC	2,640.5	3,072.9	3,269.3	3,102.8	868.4	897.8	849.6	673.4	682.1
- Commissions - Listed Options	1,766.1	1,962.3	1,778.0	2,175.0	474.2	545.4	558.5	518.6	552.5
- Commissions - All Other	21,496.7	23,196.6	22,676.2	25,020.3	5,928.5	6,587.7	6,511.0	5,488.1	6,433.5
Trading Gain (Loss)	30,740.1	23,501.2	23,309.6	43,049.6	5,884.6	11,587.6	8,302.0	11,013.9	12,146.1
- Gain from OTC Market Making	1,053.7	979.9	755.3	752.6	82.8	230.5	218.5	285.9	17.7
- - Gain from OTC Market Making in Listed Equity	-1.6	18.1	2.3	15.4	-1.1	2.8	4.7	4.3	3.6
- Gain from Debt Trading	19,740.6	17,433.3	12,729.1	17,782.9	2,227.1	4,427.8	4,336.7	5,157.9	3,860.5
- Gain from Listed Options Market Making	-116.0	267.2	204.3	59.8	30.3	125.0	42.1	-42.1	-65.1
- Gain from All Other Trading	10,061.7	4,820.8	9,380.6	24,454.3	3,544.5	6,804.3	3,704.8	5,612.3	8,333.0
Investment Account Gain (Loss)	3,020.3	2,669.4	2,856.4	5,537.3	698.5	1,772.7	718.6	1,187.8	1,858.2
- Realized Gain	618.1	1,517.7	1,860.9	2,462.2	546.5	707.3	598.2	486.5	670.1
- Unrealized Gain	1,628.4	493.5	-72.2	930.8	-154.8	566.6	-134.3	200.4	298.1
Underwriting Revenue	17,204.4	19,124.1	19,987.5	23,629.5	5,527.2	5,359.2	6,136.8	4,755.0	7,378.6
- Equity Underwriting Revenue	3,715.3	4,235.1	4,202.8	5,216.5	1,114.6	1,183.2	1,303.7	824.6	1,904.9
Margin Interest	5,231.0	6,950.1	13,257.1	23,827.0	3,919.9	5,014.1	4,652.3	6,224.3	7,936.2
Mutual Fund Sale Revenue	16,197.4	18,655.8	20,656.8	22,999.4	5,437.6	5,836.2	5,824.6	5,479.2	5,859.4
Fees, Asset Management	17,937.6	20,847.4	23,276.0	27,891.0	6,264.7	6,401.6	6,803.6	7,087.3	7,598.4
Research Revenue	172.0	211.2	137.5	222.1	27.2	60.3	53.2	40.9	67.8
Commodities Revenue	-1,858.4	1,486.4	1,243.9	-566.7	212.6	271.8	1,104.4	-434.5	-1,508.3
Other Revenue Related to the Securities Business	54,294.7	67,620.1	126,543.5	193,743.3	34,960.0	44,621.6	46,539.5	48,442.8	54,139.4
Other Revenue	24,726.3	28,497.7	44,354.5	47,555.0	16,418.8	9,308.2	11,984.5	12,008.0	14,254.2
TOTAL REVENUE	**212,726.1**	**236,704.4**	**321,767.4**	**436,796.2**	**91,189.5**	**103,077.0**	**104,773.6**	**106,938.3**	**122,007.3**
Net Revenue	169,452.9	178,290.9	185,620.1	221,123.4	48,669.6	56,197.4	53,723.0	51,238.7	59,964.3
EXPENSES:									
Total Compensation	76,728.6	83,165.0	88,379.7	101,881.0	23,256.8	27,590.8	25,098.0	23,277.2	25,915.1
- Registered Representative Compensation	28,721.1	30,243.4	32,038.6	36,365.0	8,057.0	9,436.1	9,032.9	8,459.3	9,436.8
- Clerical Employee Compensation	32,168.8	36,486.2	39,263.7	46,813.9	10,361.3	13,628.5	11,534.8	10,353.3	11,297.3
- Voting Officer Compensation	4,111.9	3,609.3	3,476.1	3,674.1	1,033.7	820.3	815.3	1,043.8	994.7
- Other Employee Compensation (FOCUS IIA Only)	11,726.8	12,825.8	13,601.3	15,027.9	3,804.9	3,705.9	3,714.9	3,420.8	4,186.3
Total Floor Costs	15,611.4	16,749.3	18,039.2	21,187.9	4,724.7	5,081.0	5,464.9	5,023.7	5,618.4
- Floor Brokerage Paid to Brokers	1,328.6	1,471.2	1,582.1	1,802.2	464.6	447.1	494.3	444.8	415.9
- Commissions & Clearance Paid to Other Brokers	3,756.7	3,672.0	4,019.6	5,938.9	1,044.1	1,300.2	1,641.0	1,452.2	1,545.6
- Clearance Paid to Non-Brokers	1,162.6	1,243.8	1,483.5	1,626.5	387.1	367.9	433.7	402.4	422.5
- Commissions Paid to Broker-Dealers (FOCUS IIA Only)	9,363.4	10,362.3	10,954.0	11,820.2	2,828.8	2,965.7	2,895.9	2,724.2	3,234.3
Communications Expense	4,375.6	4,673.8	4,995.6	5,542.1	1,277.8	1,349.8	1,352.9	1,369.3	1,470.1
Occupancy & Equipment Costs	6,793.0	6,473.9	6,340.1	6,388.9	1,598.3	1,529.3	1,552.2	1,679.4	1,628.0
Promotional Costs	2,034.7	2,340.2	2,444.6	2,504.7	669.2	648.1	666.3	527.8	662.5
Interest Expense	43,273.2	58,413.4	136,147.3	215,672.8	42,519.9	46,879.6	51,050.6	55,699.6	62,043.0
Losses from Error Accounts & Bad Debts	355.6	333.4	369.1	389.7	104.9	97.0	88.4	105.2	99.0
Data Processing Costs	3,035.3	3,226.9	3,506.2	3,707.0	977.8	909.4	906.1	927.9	963.6
Regulatory Fees & Expenses	1,296.8	1,457.9	1,551.7	1,610.7	450.0	366.5	425.9	390.0	428.3
Non-Recurring Charges	273.9	680.7	284.0	125.3	34.2	52.0	40.0	15.0	18.3
Other Expenses	34,893.8	38,471.1	42,132.3	44,702.4	11,371.9	10,749.0	10,631.4	10,956.1	12,365.9
TOTAL EXPENSES	**188,671.9**	**215,985.7**	**304,189.8**	**403,712.1**	**86,985.5**	**95,252.4**	**97,276.6**	**99,971.1**	**111,212.0**
PRE-TAX NET INCOME	**24,054.2**	**20,718.7**	**17,577.6**	**33,084.2**	**4,204.1**	**7,824.7**	**7,497.0**	**6,967.1**	**10,795.3**
Federal Income Tax (Tax Benefit)	5,910.6	2,165.0	3,886.3	8,130.6	1,009.2	1,591.3	1,786.3	1,862.6	2,890.4
Income (Loss) from Unconsolidated Subsidiaries	1,301.5	1,583.5	1,957.0	2,281.1	595.3	696.8	434.4	307.4	842.5
Extraordinary Gain (Loss)	-181.2	-7,613.5	-640.6	-4.9	0.0	-0.3	-4.6	0.3	-0.3
Cumulative Effect of Accounting Changes	0.1	0.2	28.7	26.4	23.2	24.5	0.0	-0.2	2.0
NET INCOME	**19,264.0**	**12,524.3**	**15,007.0**	**27,256.0**	**3,813.4**	**6,954.3**	**6,140.5**	**5,412.0**	**8,749.1**
TOTAL ASSETS	**3,771,810.1**	**4,623,588.9**	**5,039,209.2**	**5,876,931.1**	**5,039,209.2**	**5,477,428.8**	**5,398,248.3**	**5,759,147.1**	**5,876,931.1**
TOTAL LIABILITIES	**3,639,483.1**	**4,477,399.6**	**4,890,918.1**	**5,712,671.5**	**4,890,918.1**	**5,320,334.7**	**5,239,360.8**	**5,597,146.0**	**5,712,671.5**
TOTAL OWNERSHIP EQUITY	**132,327.0**	**146,189.3**	**148,291.1**	**164,259.6**	**148,291.1**	**157,094.1**	**158,887.5**	**162,001.1**	**164,259.6**
TOTAL NET CAPITAL	**78,420.1**	**87,126.7**	**101,334.0**	**102,968.9**	**101,334.0**	**99,996.5**	**104,611.4**	**111,023.3**	**102,968.9**
NUMBER OF FIRMS IN CATEGORY	**5,287**	**5,219**	**5,134**	**5,052**	**5,134**	**5,127**	**5,122**	**5,120**	**5,052**
PERSONNEL - INCOME PRODUCING	**185,849**	**197,680**	**190,767**	**188,685**	**190,767**	**189,076**	**181,387**	**185,282**	**188,685**
PERSONNEL - ALL OTHER	**188,647**	**198,557**	**192,514**	**198,690**	**192,514**	**195,542**	**193,786**	**197,047**	**198,690**
PERSONNEL - TOTAL	**374,496**	**396,237**	**383,281**	**387,375**	**383,281**	**384,618**	**375,173**	**382,329**	**387,375**

Source: SIFMA DataBank

SECURITIES INDUSTRY EMPLOYMENT AND COMPENSATION TRENDS

Introduction

As of March 2007, 92.3% of the jobs lost during the US securities industry's 31-month cyclical retrenchment, which occurred from March 2001 through October 2003, have been recovered. Based on the data from the Bureau of Labor Statistics (BLS), following the 2001 downturn, substantial gains of total headcount in the securities industry were made beginning in 2004 (3.2%) and again in 2005 (2.4%). In 2006, total headcount increased further, reaching 829,700 jobs at year-end, 4.0% above the year-earlier level. Although securities industry employment increased overall, gains were mainly seen in mid-level occupations, whereas senior and lower level positions experienced relatively minor gains or a decline. Changes in employment were due to the industry's ongoing structural adjustments driven by a variety of trends, including the consolidation of the industry, redesign of trading exchanges, revamping of market infrastructure, automation of trade execution and new regulatory and compliance frameworks.

In 2005, the number of upper-level or senior positions decreased in every occupation category, with the sole exception of information technology and systems jobs. Employment levels increased in practically all mid-level positions, whereas there were many reductions in junior and support positions.

Growth of compensation in the securities industry increased in 2004 but was significantly scaled back in 2005. In 2004, average compensation increased by 6.9%, even though pre-tax profits fell by 13.8%. Average industry compensation increased by only 0.6% in 2005 compared to 3.4% inflation, and pre-tax profits decreased by 15.2% from prior-year levels.[1] The largest compensation increases were seen by mid–level professionals, with accountants, auditors, financial examiners, financial analysts and market research analysts receiving the largest pay increases.

Employment and compensation trends are, for the most part, driven by business imperatives or regulatory mandates. For example, with foreign and cross-border transactions growing more rapidly than domestic operations, US employment and compensation growth is expected to be moderate, except for professionals generating exceptional profits or contributing to the industry's ongoing structural changes.

This article offers an analysis of the occupational distribution and compensation trends for 2005. Although detailed data broken down by occupational segments for the full-year 2006 are not yet available, based on aggregate data, we believe that the employment and compensation trends that emerged in 2005 continued in 2006.

[1] SIFMA DataBank contains the aggregate totals of NASD- and New York Stock Exchange (NYSE)-member firms doing a public business derived from their FOCUS Report filings. The term "profits" used throughout this article refers to profits of these broker-dealers (members of the NASD and NYSE), which is a segment of the overall securities industry.

Analytical Framework

As in previous years, to substantiate our analysis we have classified the different occupations listed in the industry employment data according to four functional segments and three seniority levels.[2] Comparative data tables for our analysis are on pages 15 and 16.

Functional Segmentation

General and Operational: includes top executive management positions; compliance officers; accountants; auditors; examiners; lawyers; and their support staff.

IT and Systems: includes information technology managers; programmers; engineers; network specialists; and their support staff.

Sales and Trading / Financial Management: includes "front-office" personnel and their management; financial and research analysts; sales agents; brokerage clerks; and their support staff.

Office and Administration: includes human resource and administrative managers; customer service representatives; clerks; and secretarial, legal, paralegal and other support staff.

Management: includes senior managerial positions.

Mid-level: includes professional staff working in an operational, technological or financial capacity.

Junior: includes personnel with a narrow scope of responsibilities and the staff supporting Mid-level and Management professionals.

Overall Employment Growth

US securities industry employment has consistently risen with the economic recovery that commenced in 2003. Industry headcount increased by 2.4% in 2005 and 4.0% in 2006, or 18,400 and 32,200 jobs, respectively. Since the end of the last cyclical employment downturn, when there was a reduction of 89,900 jobs between March 2001 and October 2003, the industry has slowly but steadily been restoring those cuts. Employment data for March 2007 shows that 92.3%, or 83,000, of the US securities industry jobs lost in the cyclical downturn had been recovered. BLS estimated that for the month of March the US securities industry headcount totaled 834,000.

This recovery has been accompanied by profound shifts in the overall demographic characteristics of the industry. Significant drops in employment were observed, first within the ranks of junior and support positions in 2001-2002, then within mid-level professional positions in 2003. Securities sales agents, financial examiners, computer programmers, brokerage clerks, and administrative staff have borne the heaviest cost of both a cyclical decline in industry revenues and the ongoing automation and disintermediation of the industry. Positions in the executive ranks have not been spared either. Hardest hit have been senior general and operational executive positions, which have consistently declined year-after-year since 2001 to reach a low of 22,880 individuals in 2005.

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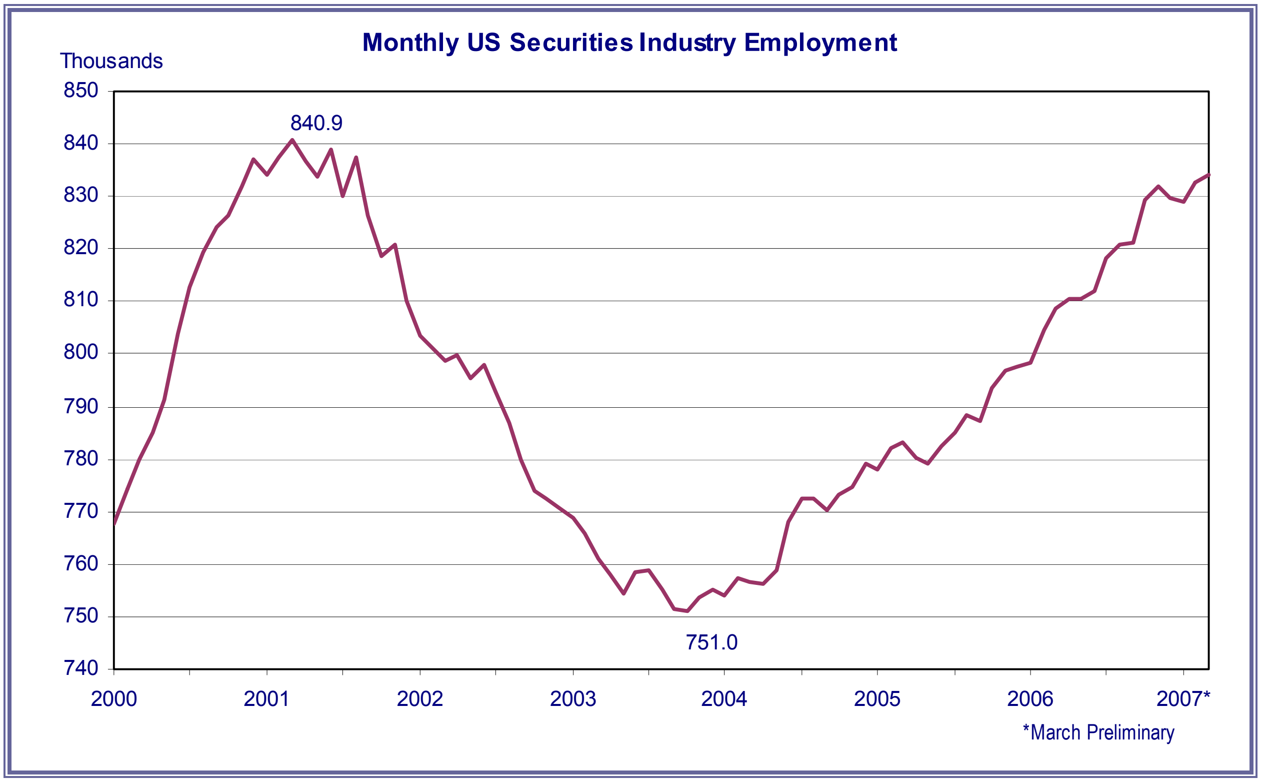
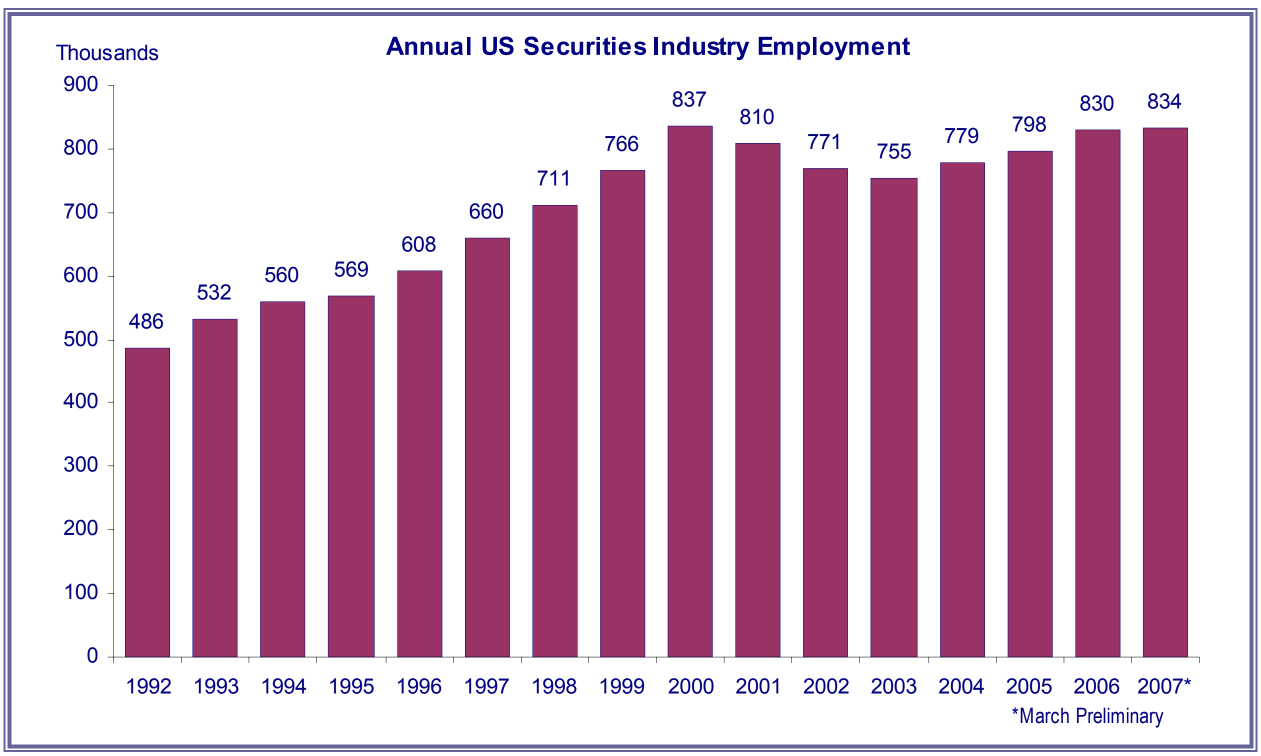
[2] BLS, Occupational Employment Statistics (OES) for 2001, May 2003, November 2004, and May 2005 (http://www.bls.gov/oes/home.htm).



Source: Bureau of Labor Statistics (BLS), US Department of Labor (DOL)

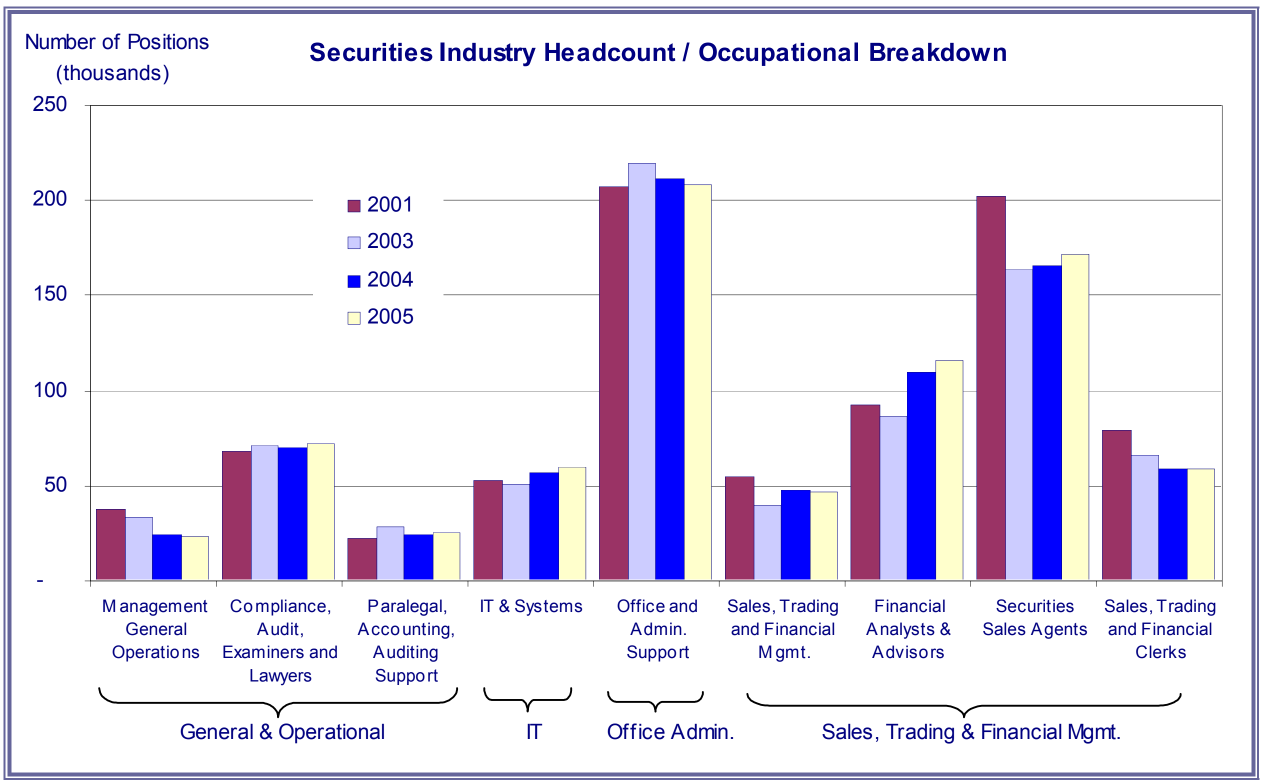


Source: BLS (year-end data)

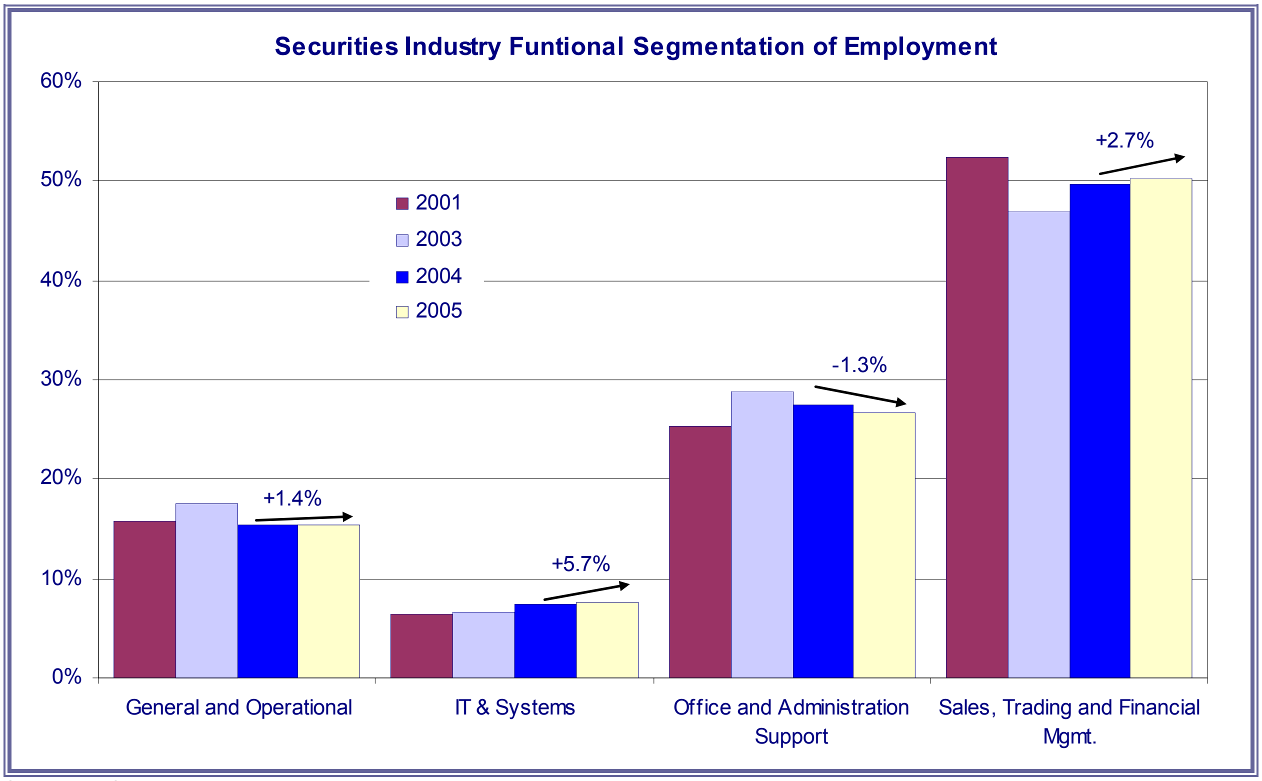
Occupational Distribution Changes

Functional Segmentation

Headcount remained largely unchanged between 2004 and 2005. General and operational positions, along with office and administrative positions at the senior level, experienced the greatest decline, down 5.3% and 3.1%, respectively. Employment in senior general and operational positions and junior positions in sales and trading and financial management has been trending downward since 2001. Office and administrative support positions were reduced by 2,660 jobs, or 1.3%, the second largest decline by function. New regulatory and compliance frameworks added to the number of jobs needed for technology engineers, network specialists, financial examiners, accountants, auditors, lawyers and compliance professionals. Information technology and systems led the way in job gains with an increase of 5.7% in 2005. Systems and information technology management positions increased 3.7%, while mid-level technology personnel increased by 6.0%. The second largest increase by occupation was the 5.3% growth experienced by financial analysts, advisors, and other analysts - a category composed entirely of mid-level professionals.



Source: BLS



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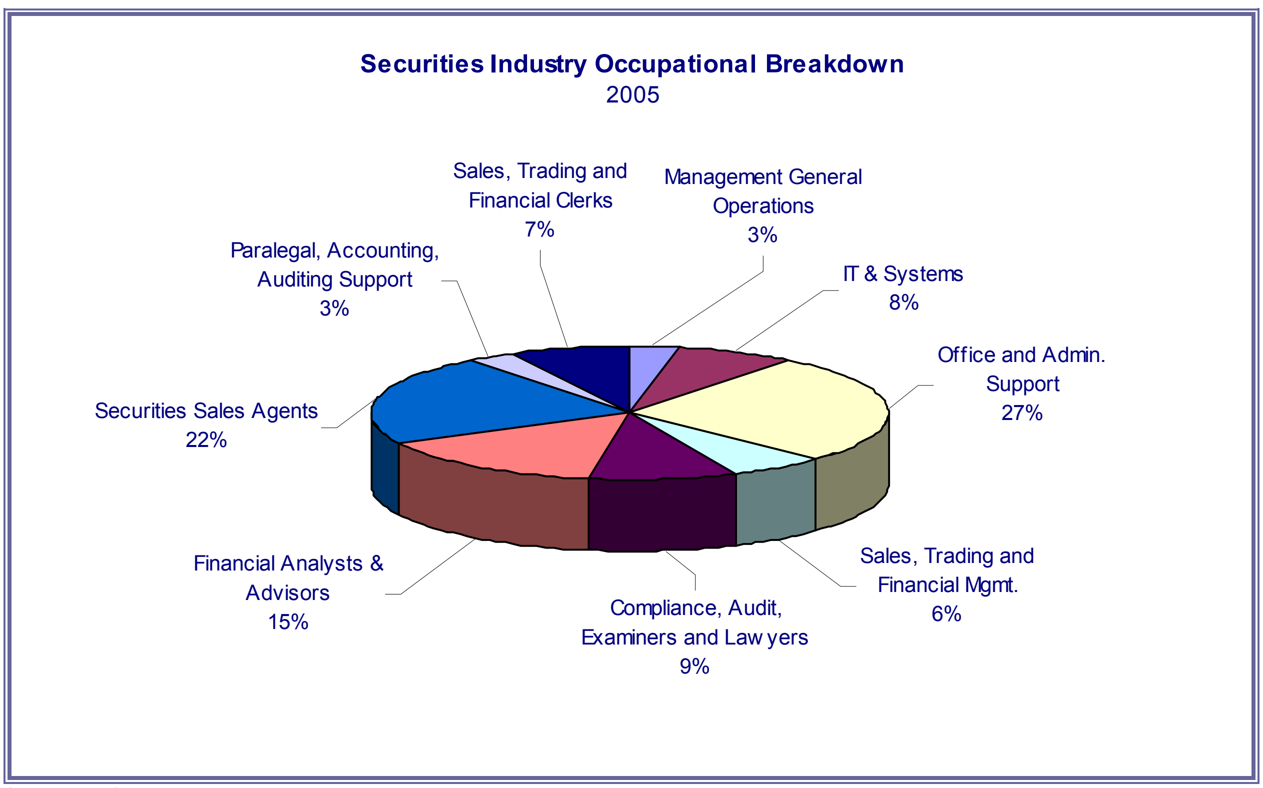
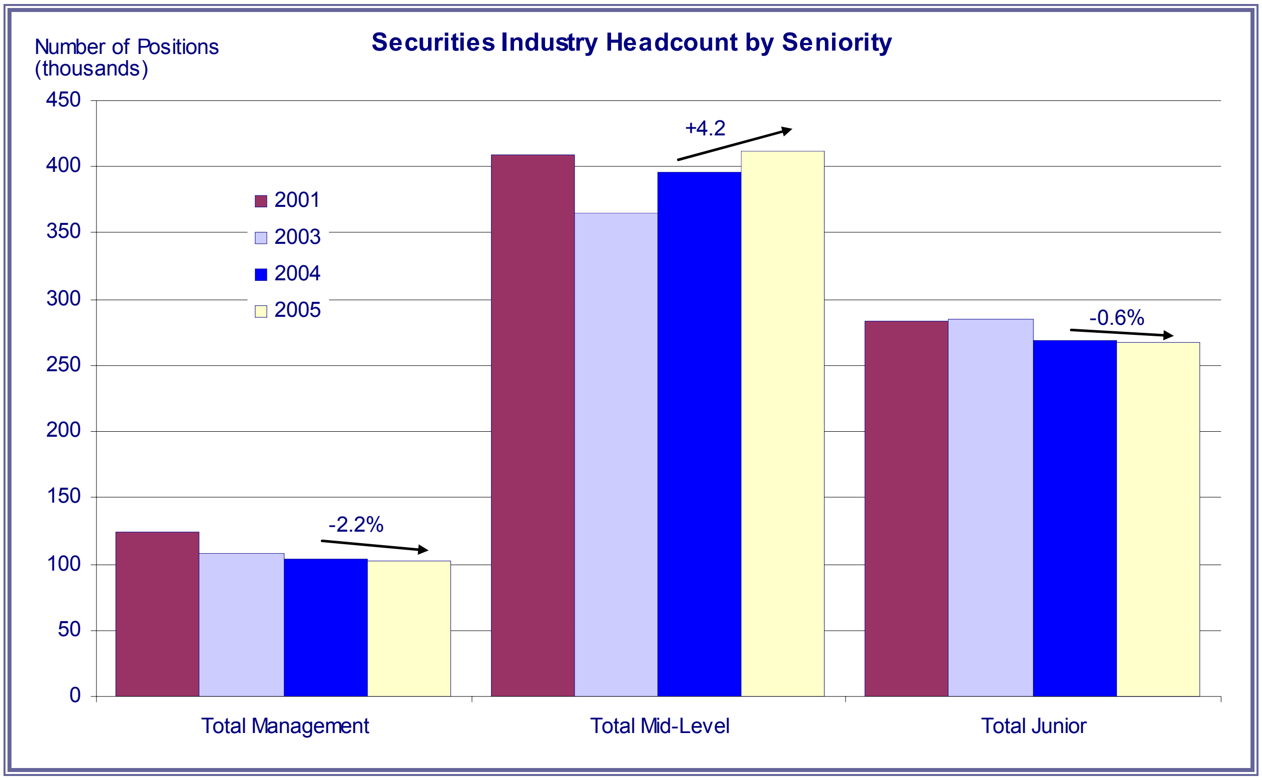


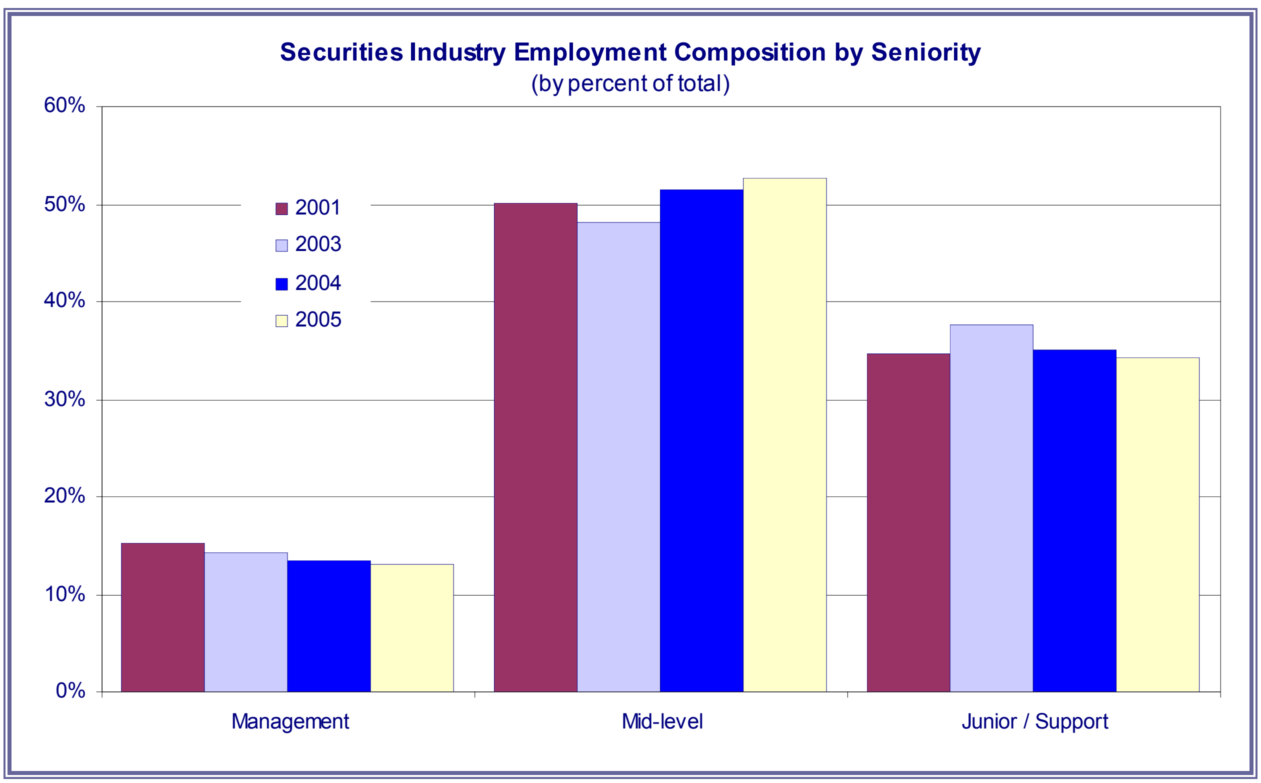
Source: BLS

Segmentation by Seniority

Aggregating employment by seniority shows that only mid-level positions showed gains in headcount (+4.2%) in 2005.

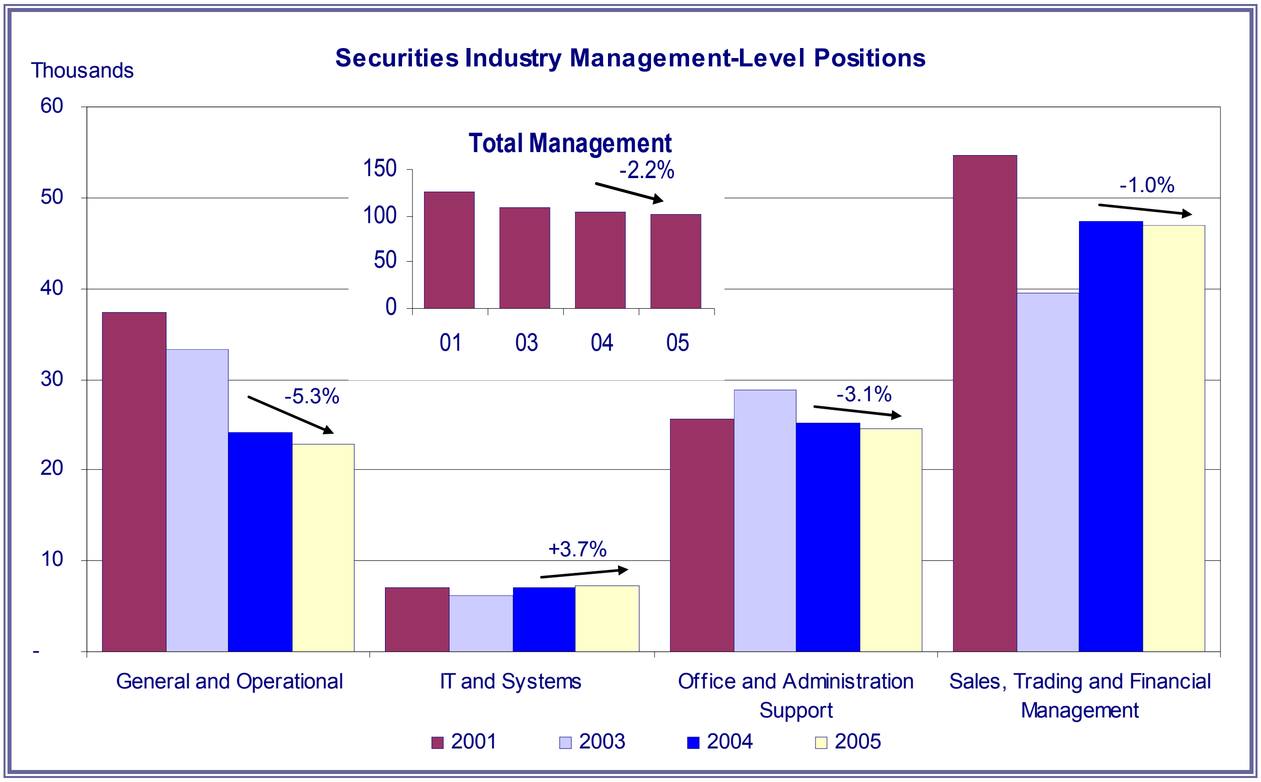


Source: BLS



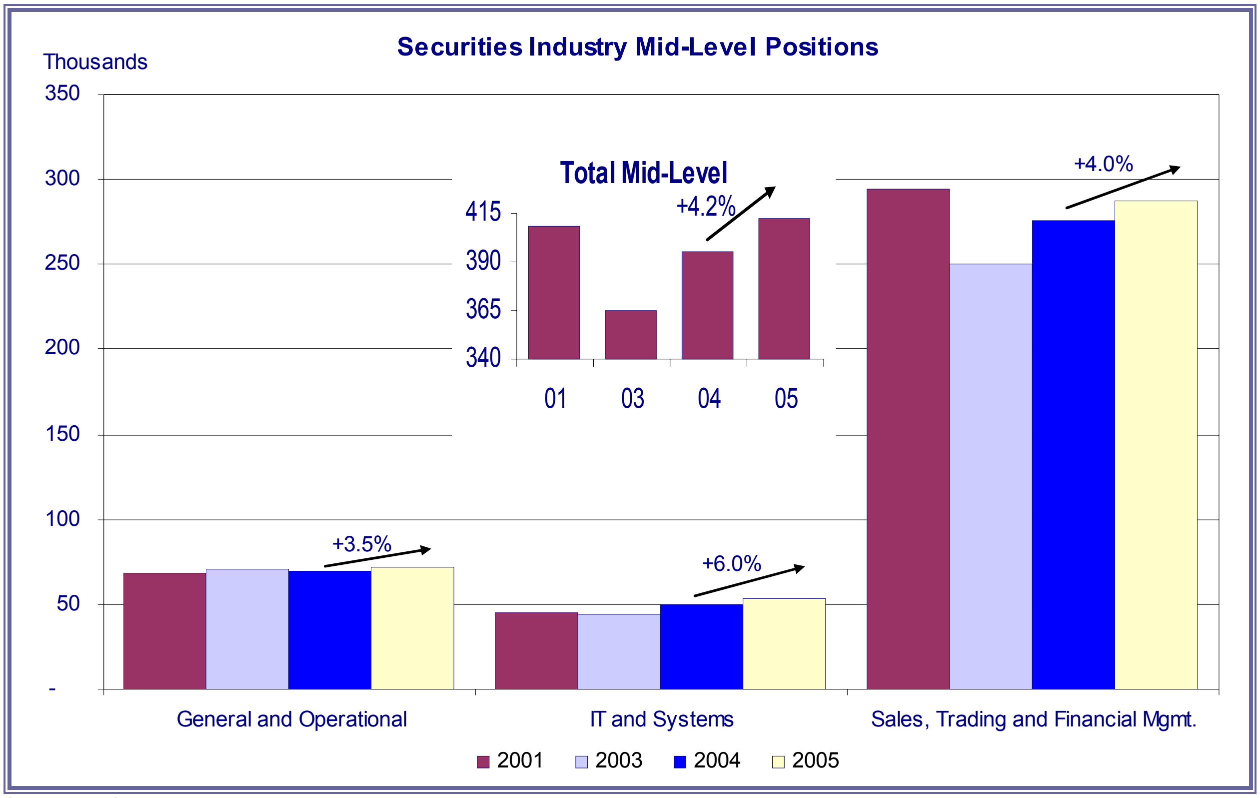
Source: BLS

After decreasing significantly by 13.6% in 2003, the overall number of management executives decreased at a slower 3.4% and 2.2% in 2004 and 2005, respectively. Information technology and systems management was the only senior category that had increased employment levels in 2005. Senior management positions in information technology and systems increased by 3.7% in 2005, and surpassed its 2001 level of jobs by 1.3%. Within the management ranks, the number of general and operational executives decreased by 5.3%, and administrative executives dropped by 3.1%. Since 2001, the number of chief executive officers has been cut by nearly a third, dropping to 3,490 in 2005 from 9,117 in 2001. This data is consistent with an industry undergoing consolidation. Mergers and acquisitions have eliminated redundant senior operations and administrative positions and slashed the number of chief executive officers. The only increases in senior executive positions were those directly linked to the management of profit centers (sales, trading and corporate finance).



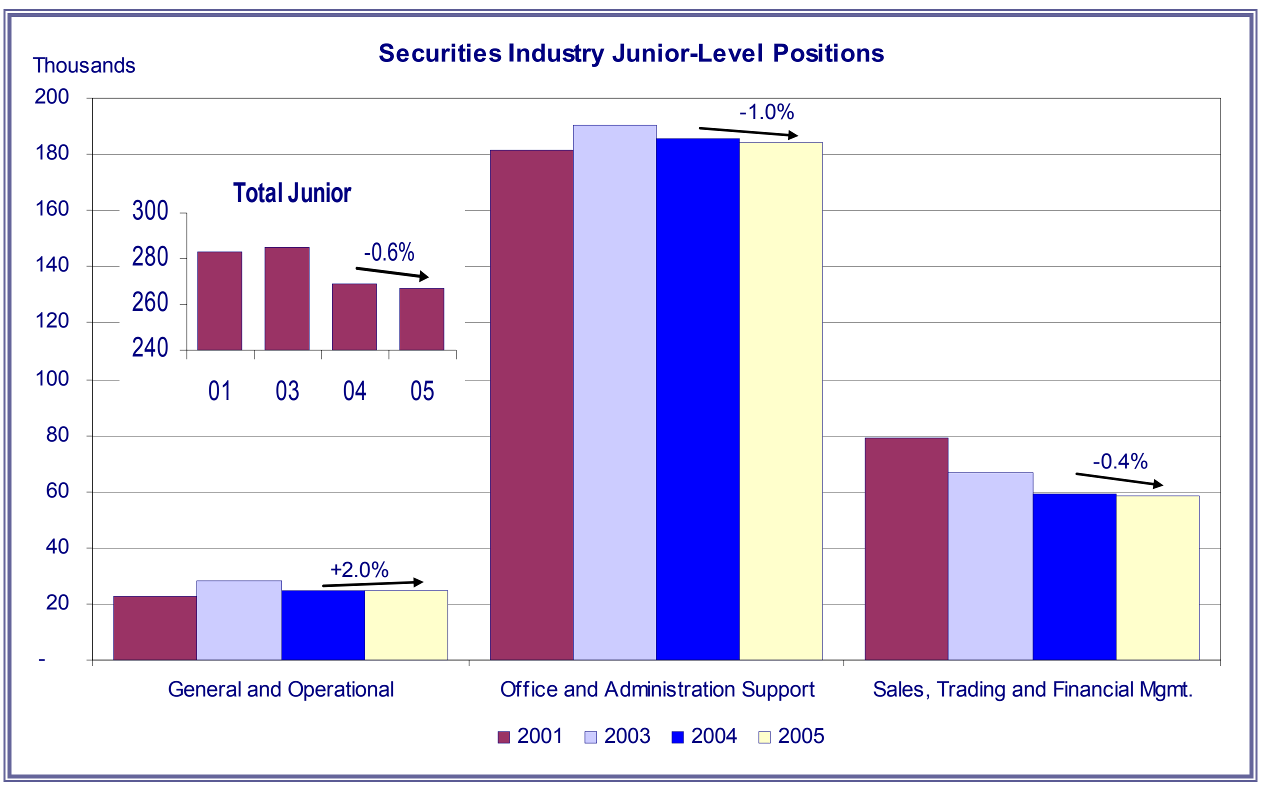
Source: BLS

The number of mid-level positions increased by 4.2% in 2005. Firms' commitment to risk management, as well as the rising oversight obligations required by recent regulatory changes, fueled hiring of compliance professionals. Double-digit percentage point employment gains in 2005 were seen by compliance officers (13.0%), financial examiners (11.3%), as well as by accountants and auditors (10.2%). Although mid-level information technology professionals experienced a 6.0% increase in employment, it would have been considerably higher had it not been for the 5.7% decline in computer programmers in 2005. Programmers have been losing their share of jobs to software engineers and to outsourcing and now have less than half the number of jobs they held in 2001. Management analysts are another mid-level occupation that experienced a considerable headcount decrease in 2005 from prior-year levels. The headcount for management analysts was cut by 8.0%, leaving it with a total of 6,020 positions, which is almost identical to the number of positions this occupation held in 2001.



Source: BLS

Junior workers' contributions continued to be scaled back — automated, outsourced or sent offshore. The security industry's junior and support staff positions decreased by 0.6% in 2005. The major headcount gain among the least skilled jobs occurred in the paralegal and legal assistant positions (9.6%). As improvements in technology continue to be made, many of these low-level positions will continue to face cuts in employment.



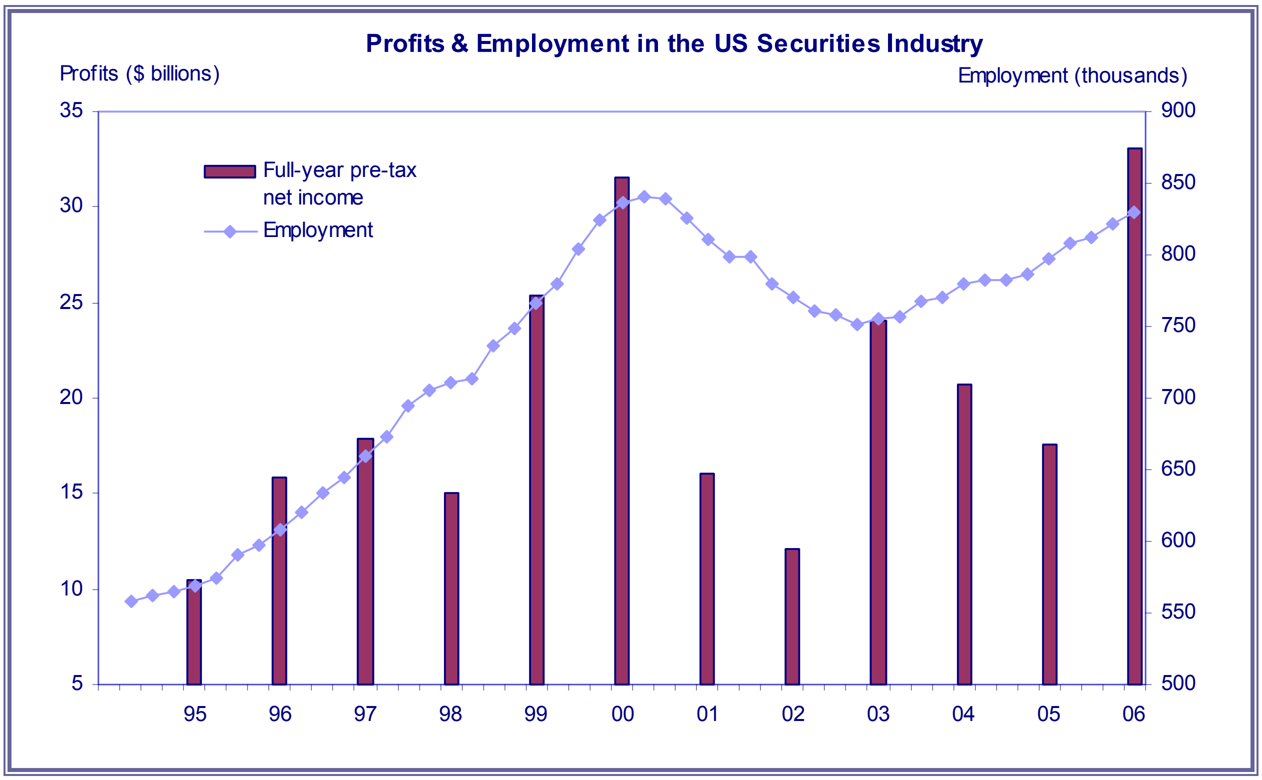
Source: BLS

Compensation Trends

Profits Decline and Overall Employment Rises

Generally, as profits rise, companies hire more people, and vice versa, but this rule does not always hold true. Although pre-tax profits were declining in 2004 and 2005, the securities industry continued to increase employment levels, although growth of average compensation slowed. The total industry headcount increased by 3.2%, or 23,800 positions, in 2004 and increased another 2.4%, or 18,400 positions, in 2005. It grew at an even more impressive rate of 4.0%, an increase of 32,200 jobs, in 2006, a year when profits rose considerably.

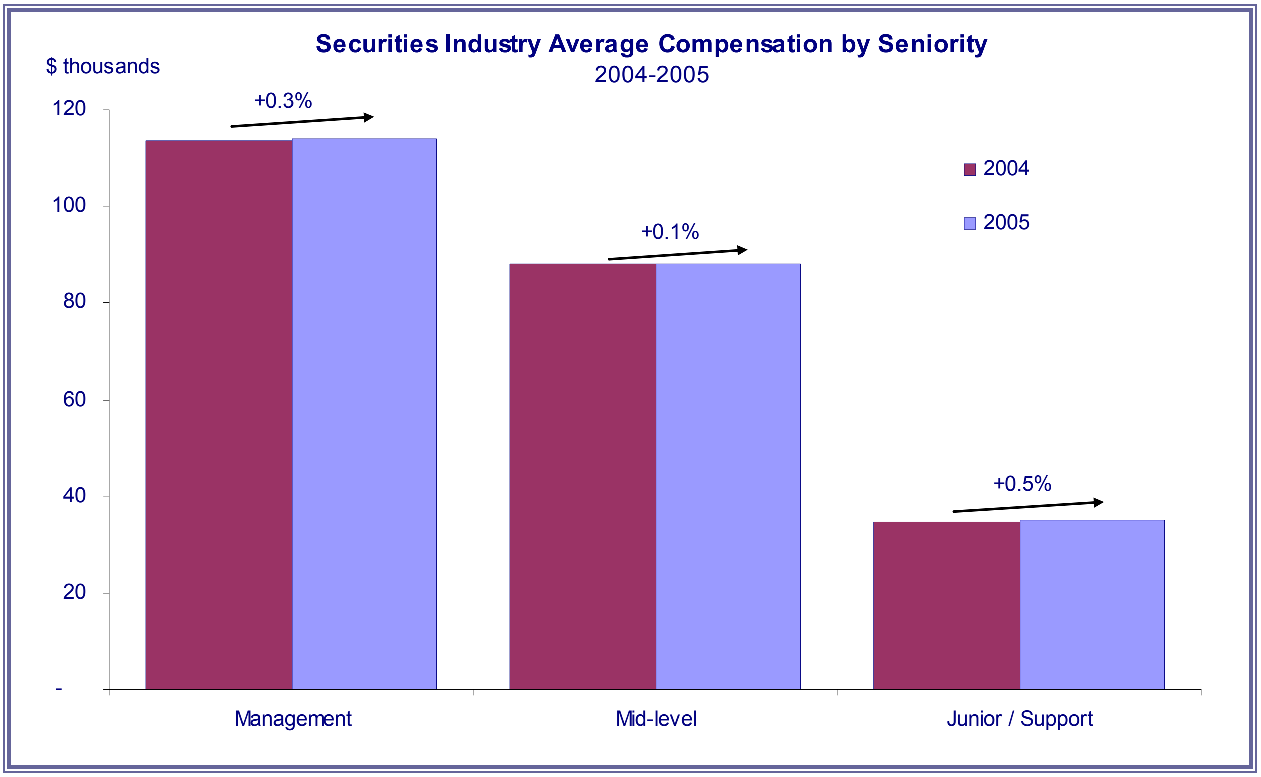
Even when the securities industry's profits declined, compensation continued to rise for the majority of its employees, although, as profits declined, the size of the increases in compensation lessened. Pre-tax profits fell from $24.0 billion in 2003 to $20.7 billion in 2004 and to $17.6 billion in 2005. In those same years, the securities industry's average compensation increased by 12.4%, 2.5% and 0.6%, respectively.



Source: BLS, SEC and SIFMA DataBank

Compensation Gains by Seniority Level

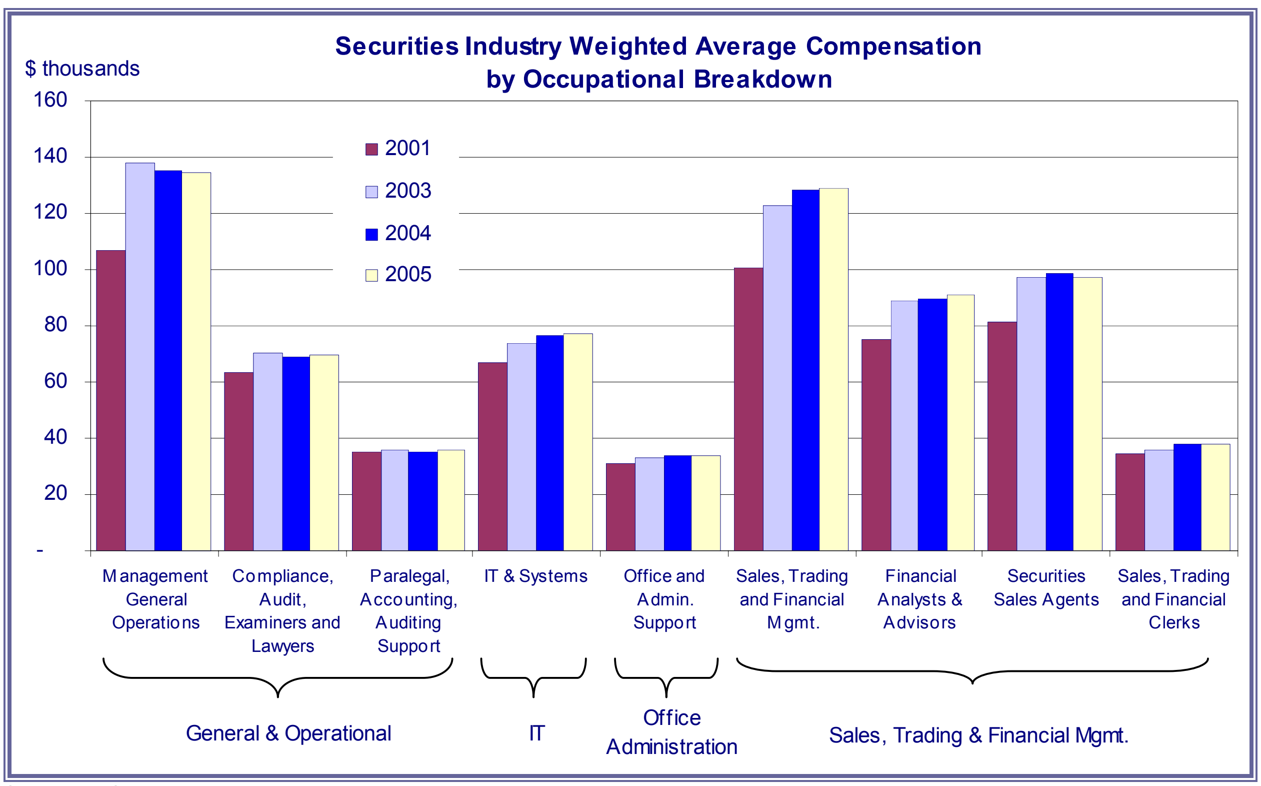
From 2001 to 2005, average base compensation increased with seniority: compensation for support positions grew by 7.7%, mid-level professionals' compensation increased by 17.0% and senior management positions increased pay by 21.5%. In 2005, compared to a year earlier, senior, mid-level and lower level jobs all experienced slight compensation increases. Compensation increased 0.3% for senior management, 0.1% for mid-level professionals, and 0.5% for junior positions.



Source: BLS

Compensation Changes by Occupational Groups

A closer look at the growth of the weighted average compensation by occupational groups outlines several trends driving these compensation changes.



Source: BLS

Compensation Increases for Most …

In 2005, overall securities industry compensation increased by 0.6% compared to a year earlier. Mid-level positions, in addition to experiencing the greatest increases in headcount, also had the greatest number of occupational categories receive pay increases. Of those, accountants and auditors received the largest compensation increase in 2005 — 5.6% as a group. In second and third places, financial examiners earned 4.9% more and financial analysts 4.8% more in 2005 than in the previous year.

Although senior management positions received very small compensation increases overall in 2005 (0.5%), growth since 2001 for several senior manager categories has been quite impressive. Approximately 96% of the managers at the senior level had double digit increases in compensation between 2001 and 2005. Three occupational groups at the senior level experienced compensation gains of over 30%, with the most senior general, operations and sales managers gaining roughly 35% on average. Many mid-level professionals also experienced double digit gains in compensation from 2001 to 2005. Market research analysts' compensation increased 27.1%, the largest increase for a mid-level professional. The average percentage change in compensation from 2001 to 2005 at the senior level was 21.5%, at the mid-level 17.0% and at the junior level 7.7%.

… and Declines for Others

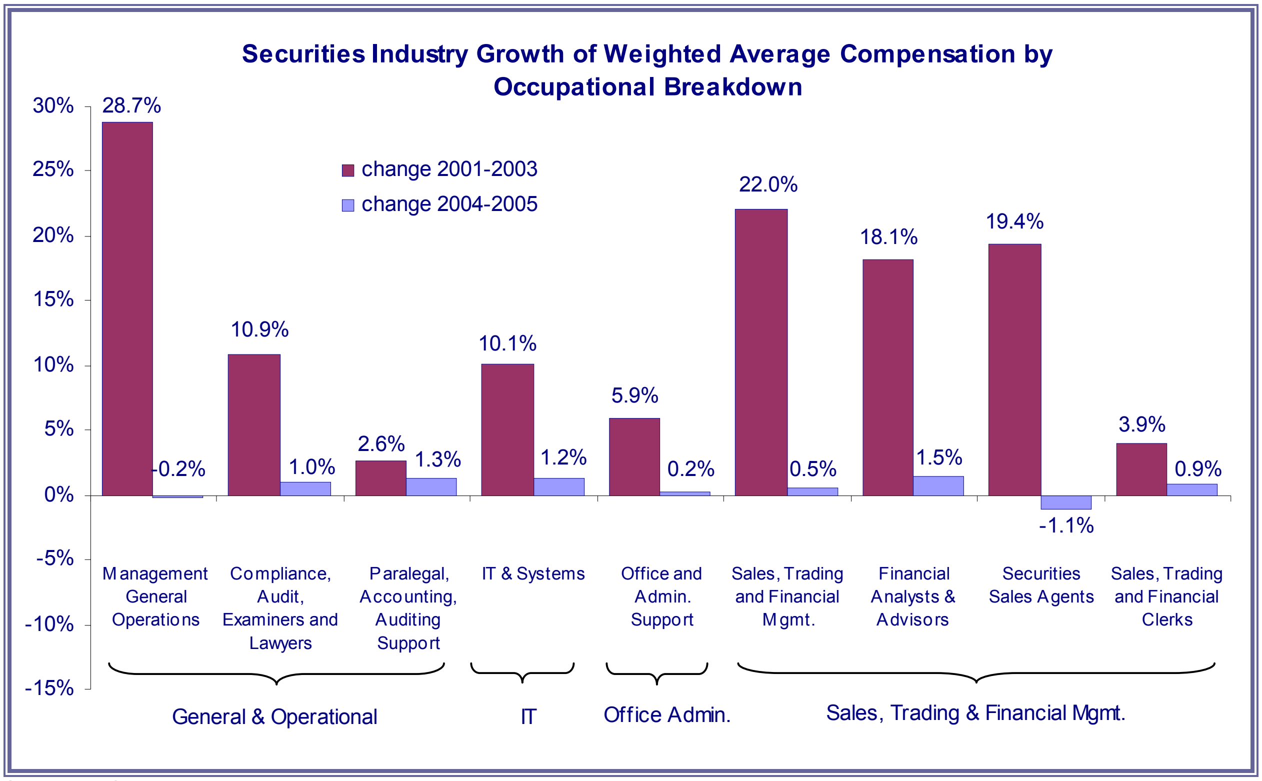
While securities industry compensation increased in most employment categories in 2005, there were a handful of positions that, on average, experienced small decreases. At the senior level, chief executives (-1.6%), managers of sales workers (-4.4%), and administrative services managers (-1.0%) experienced declines in compensation. At the mid-level, securities sales agents (-1.1%) and other analysts (-8.7%) experienced compensation declines. Several junior positions also received lower compensation in 2005, on average. Paralegals and legal assistants (-1.3%), cashiers (-8.5%), and telemarketers (-4.2%) experienced the greatest declines at the junior level. Those in information technology and systems, at both the mid and senior levels, were in the only categories that experienced average compensation gains across the board.

Examining the changes between 2001 and 2005, one sees that compensation of most professions across all levels has generally risen. Financial examiners and cashiers are two exceptions, however, as both have experienced declines in compensation since 2001. From 2001 to 2005, financial examiners' average compensation declined by 13.1% while that of cashiers fell by 6.9%.

Outlook

The US securities industry had an excellent year in 2006. The NYSE- and NASD-reporting firms had combined net revenues of $221.1 billion, a rise of 19.1% from the $185.6 billion recorded in 2005. The Dow Jones Industrial Average (DJIA) produced its third best yearly point gain, up 1,745 points in 2006, a rise of 16.3%. The S&P 500 and NASDAQ Composite indexes also rose, up 13.6% and 6.9%, respectively. Merger and acquisition activity in 2006 recorded its fourth best year, with announced deals totaling $1.52 trillion. The Federal Open Market Committee (FOMC) helped to boost the stock indexes and activity in bond markets when it ended its series of rate increases on June 29. The retreating price of crude oil was another important factor. The crude oil benchmark, West Texas Intermediate, closed the year at $61.05 after reaching a high of $77.03 per barrel in July.

With the increasing burden of new regulatory frameworks over the past several years, mid-level positions within the legal and compliance professions have experienced the greatest increases. Although it is widely believed that we have passed the "high" point of new compliance and supervisory requirements, there is still much work to be done in this area and little prospect for a decreased need for compliance specialists. Accountants and auditors have also done well, enjoying relatively strong growth in employment and compensation for the last few years due to increased regulatory requirements, but may not fare as well in the future as securities firms become more efficient at complying with recent regulatory requirements, and as the industry continues to consolidate due to mergers and increasingly outsource such functions.



Source: BLS

Should markets continues to rise, financial advisors, securities sales agents and research analysts should continue to do well. Retail operations, especially the high-end of this sector serving ultra high net worth individuals, continues to be a profitable area which requires personal customer care. While the low end has been commoditized and automated, high-end retail still requires highly skilled professionals, both advisors and sales agents. Professionals in other profitable profit lines, such as derivative products, mergers and acquisitions, prime brokerage, proprietary trading, private equity and other alternative investments will likely continue to experience growth in both positions and compensation. Those in lower margin business lines, or functions that can be further automated or outsourced, are at greatest risk of downsizing and lower compensation.

With few exceptions, low-level occupations in the securities industry will likely continue to account for a declining share of total employment and compensation. More customer service representatives, office clerks, brokerage clerks, secretaries, and the like may be hired while the market is doing well in order to provide support to the increased number of clients, but technology continues to phase out these jobs. Many jobs that aren't lost due to advances in technology will continue to suffer because of outsourcing. For example, customer call centers continue to be relocated overseas, as do routine data-entry and data-processing functions. As computer networking expands to adapt to a global marketplace, high-level computer professionals will continue to do well in employment and compensation. Paralegals and legal assistants are one group that should continue to prosper because as the need for lawyers increases, so will the need for the people that work alongside them.

Paul R. Rainy
Research Assistant

Table 1

		Employment	2001	2003	2004	2005	% change 2001-2005	% change 2004-2005
Management	General and Operational	CEOs	9,117	6,869	4,230	3,490	-61.7%	-17.5%
		General and Ops Managers	20,499	18,976	15,260	15,010	-26.8%	-1.6%
		Others	7,776	7,442	4,660	4,380	-43.7%	-6.0%
		Sub-Total	37,392	33,287	24,150	22,880	-38.8%	-5.3%
	IT and Systems	Computer and IT Managers	7,138	6,246	6,970	7,230	1.3%	3.7%
	Office and Administration Support	Administrative Services Managers	5,819	6,167	4,520	4,150	-28.7%	-8.2%
		Human Resources Managers	2,308	2,184	2,110	1,790	-22.4%	-15.2%
		Managers of Administrative Workers	17,414	20,449	18,610	18,520	6.4%	-0.5%
		Sub-Total	25,541	28,800	25,240	24,460	-4.2%	-3.1%
	Sales and Trading/ Financial Management	Marketing and Sales Managers	8,500	8,114	9,220	9,110	7.2%	-1.2%
		Financial Managers	37,669	25,104	31,590	31,320	-16.9%	-0.9%
		Managers of Sales Workers	8,553	6,286	6,640	6,560	-23.3%	-1.2%
		Sub-Total	54,722	39,504	47,450	46,990	-14.1%	-1.0%
	Management Annual Headcount		124,793	107,837	103,810	101,560	-18.6%	-2.2%
	Management % Change over Previous Period		-	-13.6%	-3.7%	-2.2%		
	Management % of Total Headcount		15.3%	14.2%	13.5%	13.0%		
Mid-level	General and Operational	Compliance Officers	3,915	3,904	4,540	5,130	31.0%	13.0%
		Management Analysts	6,021	8,134	6,540	6,020	0.0%	-8.0%
		Accountants and Auditors	13,904	17,434	18,500	20,390	46.6%	10.2%
		Financial Examiners	2,840	2,006	2,390	2,660	-6.3%	11.3%
		Lawyers	2,628	2,718	3,750	3,900	48.4%	4.0%
		Other	38,743	36,796	34,090	34,180	-11.8%	0.3%
		Sub-Total	68,051	70,992	69,810	72,280	6.2%	3.5%
	IT and Systems	Computer Programmers	12,095	7,225	6,320	5,960	-50.7%	-5.7%
		Software Engineers	8,213	11,682	15,190	16,520	101.1%	8.8%
		Computer Support Specialists	7,223	6,899	7,160	7,330	1.5%	2.4%
		Other Systems Analysts	18,063	18,393	21,110	22,950	27.1%	8.7%
		Sub-Total	45,594	44,199	49,780	52,760	15.7%	6.0%
	Sales and Trading/ Financial Management	Financial Analysts	37,467	33,801	40,140	40,980	9.4%	2.1%
		Personal Financial Advisors	48,945	43,754	58,780	63,790	30.3%	8.5%
		Market Research Analysts	4,202	5,386	7,560	7,650	82.1%	1.2%
		Securities Sales Agents	192,249	155,150	160,530	165,790	-13.8%	3.3%
		Other Sales	9,787	8,737	5,440	5,470	-44.1%	0.6%
		Other Analysts	2,277	3,113	3,630	3,570	56.8%	-1.7%
		Sub-Total	294,927	249,941	276,080	287,250	-2.6%	4.0%
	Mid-level Annual Headcount		408,572	365,132	395,670	412,290	0.9%	4.2%
	Mid-level % Change over Previous Period		-	-10.6%	8.4%	4.2%		
	Mid-level % of Total Headcount		50.0%	48.2%	51.5%	52.8%		
Junior / Support	General and Operational	Paralegals and Legal Assistants	1,553	1,641	1,360	1,490	-4.1%	9.6%
		Accounting and Auditing Clerks	15,287	19,480	17,200	17,010	11.3%	-1.1%
		Other Operational Support	5,904	6,889	5,950	6,500	10.1%	9.2%
		Sub-Total	22,744	28,010	24,510	25,000	9.9%	2.0%
	Office and Administration Support	Customer Service Reps	34,744	41,609	36,940	35,190	1.3%	-4.7%
		Receptionists and Information Clerks	8,404	6,928	7,120	7,320	-12.9%	2.8%
		Executive Secretaries and Admin. Assts.	39,509	41,313	42,000	40,360	2.2%	-3.9%
		Secretaries	18,265	15,468	19,660	20,250	10.9%	3.0%
		Office Clerks	36,648	44,703	40,630	43,700	19.2%	7.6%
		Other	44,020	40,285	39,450	37,100	-15.7%	-6.0%
		Sub-Total	181,590	190,306	185,800	183,920	1.3%	-1.0%
	Sales and Trading/ Financial Management	Cashiers	2,106	1,670	1,220	1,090	-48.2%	-10.7%
		Brokerage Clerks	72,179	58,006	53,890	53,650	-25.7%	-0.4%
		Telemarketers	4,649	6,839	3,670	3,780	-18.7%	3.0%
		Sub-Total	78,934	66,515	58,780	58,520	-25.9%	-0.4%
	Support/Junior Annual Headcount		283,268	284,831	269,090	267,440	-5.6%	-0.6%
	Support/Junior % Change over Previous Period		-	0.6%	-5.5%	-0.6%		
	Support/Junior % of Total Headcount		34.7%	37.6%	35.0%	34.2%		
	Total Industry Headcount		816,633	757,800	768,570	781,290	-4.3%	1.7%

Source: Bureau of Labor Statistics (BLS), US Department of Labor

Table 2

		Compensation	2001	2003	2004	2005	% change 2001-2005	% change 2004-2005
Management	General and Operational	CEOs	130,640	177,170	178,830	175,920	34.7%	-1.6%
		General and Ops Managers	99,480	131,110	133,100	134,770	35.5%	1.3%
		Others	99,284	118,510	101,994	101,824	2.6%	-0.2%
		Sub-Total	107,036	137,798	135,061	134,793	25.9%	-0.2%
	IT and Systems	Computer and IT Managers	99,610	117,820	122,750	123,360	23.8%	0.5%
	Office and Administration Support	Administrative Services Managers	80,050	85,470	91,060	90,110	12.6%	-1.0%
		Human Resources Managers	83,130	96,700	98,968	99,145	19.3%	0.2%
		Managers of Administration Workers	48,310	49,180	53,570	55,100	14.1%	2.9%
		Sub-Total	58,688	60,555	64,157	64,265	9.5%	0.2%
	Sales and Trading/ Financial Management	Marketing and Sales Managers	97,976	119,940	128,490	131,957	34.7%	2.7%
		Financial Managers	107,570	130,230	134,560	135,420	25.9%	0.6%
		Managers of Sales Workers	73,859	98,190	96,948	92,652	25.4%	-4.4%
		Sub-Total	100,811	123,018	128,137	128,774	27.7%	0.5%
	Management Average		93,986	110,597	113,819	114,211	21.5%	0.3%
Mid-level	General and Operational	Compliance Officers	65,740	70,650	69,290	70,620	7.4%	1.9%
		Management Analysts	65,200	77,270	78,330	80,130	22.9%	2.3%
		Accountants and Auditors	55,460	60,600	62,010	65,460	18.0%	5.6%
		Financial Examiners	77,690	64,780	64,360	67,490	-13.1%	4.9%
		Lawyers	112,050	135,430	137,720	138,130	23.3%	0.3%
		Other	61,887	69,427	63,480	62,338	0.7%	-1.8%
		Sub-Total	63,685	70,621	68,824	69,500	9.1%	1.0%
	IT and Systems	Computer Programmers	71,550	73,020	74,480	76,470	6.9%	2.7%
		Software Engineers	77,724	89,821	88,186	89,312	14.9%	1.3%
		Computer Support Specialists	46,280	50,480	53,280	53,810	16.3%	1.0%
		Other Systems Analysts	67,041	72,332	76,051	76,187	13.6%	0.2%
		Sub-Total	66,872	73,656	76,292	77,225	15.5%	1.2%
	Sales and Trading/ Financial Management	Financial Analysts	76,050	90,790	87,980	92,160	21.2%	4.8%
		Personal Financial Advisors	75,760	90,430	93,600	93,010	22.8%	-0.6%
		Market Research Analysts	62,880	70,330	75,870	79,900	27.1%	5.3%
		Securities Sales Agents	81,740	97,750	99,740	98,610	20.6%	-1.1%
		Other Sales	70,686	83,230	60,369	60,445	-14.5%	0.1%
		Other Analysts	68,262	74,446	81,899	74,799	9.6%	-8.7%
		Sub-Total	79,285	94,139	95,033	94,843	19.6%	-0.2%
	Mid-level/ Professional Average		75,302	87,087	88,069	88,123	17.0%	0.1%
Junior / Support	General and Operational	Paralegals and Legal Assistants	45,020	47,430	50,610	49,930	10.9%	-1.3%
		Accounting and Auditing Clerks	36,410	37,230	35,750	36,580	0.5%	2.3%
		Other Operational Support	29,525	30,268	30,252	30,525	3.4%	0.9%
		Sub-Total	35,211	36,115	35,154	35,611	1.1%	1.3%
	Office and Administration Support	Customer Service Reps	31,450	34,820	34,830	35,560	13.1%	2.1%
		Receptionists and Information Clerks	24,540	26,400	25,750	25,520	4.0%	-0.9%
		Executive Secretaries and Admin. Assts	40,570	43,640	45,820	45,460	12.1%	-0.8%
		Secretaries	31,188	32,078	32,324	32,610	4.6%	0.9%
		Office Clerks	24,410	25,720	25,560	25,800	5.7%	0.9%
		Other	29,844	30,358	30,184	31,112	4.2%	3.1%
		Sub-Total	31,278	33,123	33,762	33,846	8.2%	0.2%
	Sales and Trading/ Financial Management	Cashiers	22,890	24,220	23,280	21,310	-6.9%	-8.5%
		Brokerage Clerks	35,330	37,310	38,690	39,170	10.9%	1.2%
		Telemarketers	25,840	25,730	30,280	29,000	12.2%	-4.2%
		Sub-Total	34,439	35,791	37,840	38,184	10.9%	0.9%
	Support/Junior Average		32,475	35,791	34,796	34,977	7.7%	0.5%

Source: BLS

SIFMA

Securities Industry and
Financial Markets Association