

NYSE Extends Reach to India

Big Board, Other Firms To Buy Exchange Stake In Latest Market Linkup

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New York Stock Exchange parent **NYSE Group Inc.** and three other investors are buying a 20% stake in India's **National Stock Exchange** for about \$460 million, a deal that moves the rapid stock-exchange consolidation race to Asia and eventually could make investing overseas easier.

Brokerage firm **Goldman Sachs Group Inc.**, private-equity firm General Atlantic LLC and SoftBank Asian Infrastructure fund will join NYSE in buying 5% stakes, but the three investors will pay a slightly higher price than the \$115 million NYSE is paying, according to people familiar with the matter. Indian regulations block any one investor from holding more than 5% in its exchanges.

Both Goldman and General Atlantic have close ties to the NYSE, whose chief executive officer, John Thain, used to work as a Goldman executive, and General Atlantic is one of the exchange's largest shareholders.

The cross-border tie-up allows NYSE Group, which relied on **Merrill Lynch & Co.** to advise it on the investment, to access India's booming economy. India's economy is expected to grow 8% a year for the next 10 years, according to International Monetary Fund data referenced in a recent report by consulting firm Accenture. India's stock market has also been one of the best-performing in the world recently.

"It's the right business strategy to develop strategic relationships" in an "important capital market" like India, said William Ford, chief executive of General Atlantic and NYSE board member.

The investment should help the Indian exchange raise its global profile and develop new ways for India's companies to raise money and trade financial derivatives. The NSE, which is based in Mumbai and was established in the mid-1990s, is already India's largest stock exchange and one of the world's busiest, ranking third in number of shares traded.

NYSE Group has been rapidly expanding its products and geographical reach to diversify a business historically tied to the U.S. stock market.

NYSE's moves are an effort to make international stock trading more efficient by tearing down national hurdles in the way stocks trade. The 214-year-old NYSE went public in 2006 and quickly announced a merger with European exchange operator Euronext NV, scheduled to close soon.

While the NYSE already pulls in revenue from listing fees, many international companies these days are opting to list only in their own local markets, which are becoming easier to access for big institutional investors.

Ten Indian companies now list on the NYSE, including ICICI Bank Ltd., Satyam Computer Services Ltd. and Tata Motors Ltd.

But concerns about tough U.S. accounting rules also have hampered U.S. listings from India, says Georges Ugeux, head of consulting firm Galileo Global Advisors. This deal does "nothing" to improve those issues, but it will allow NYSE "to improve their relationship with India as a country," he says.

Ken Worthington, an analyst with J.P. Morgan, said the NYSE deal could help raise the exchange's reputation with global companies in the U.S.

Mr. Thain yesterday reiterated the New York exchange's interest in expanding in Japan. Speaking alongside Japanese Finance Minister Koji Omi at the New York Stock Exchange, Mr. Thain said that after the NYSE's pending merger with Euronext, "the next logical step would be to have a position in the Asian-Pacific region." He has also expressed interest in China and in buying a U.S. stock-options exchange.

India's oldest and second-largest exchange, the Bombay Stock Exchange, says it plans to sell 51% of its company, held today by 800 brokers, by May.

--Laurence Norman in New York contributed to this article.

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