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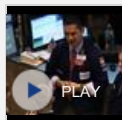
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DEALS & DEAL MAKERS | Updated December 20, 2012, 8:17 p.m. ET

NYSE to Sell Itself in \$8.2 Billion Deal

Planned Takeover Highlights Rise of Electronic Trading

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By JENNY STRASBURG and ANUPREETA DAS



NYSE Euronext is in talks to sell itself to rival IntercontinentalExchange Inc. for about \$8 billion, in a deal that would end more than two centuries of independence for the NYSE. WSJ's Doug Cameron reports. Photo: REUTERS.

The New York Stock Exchange, the cornerstone of American capitalism for 220 years, agreed to be sold as part of an \$8.2 billion takeover by [IntercontinentalExchange Inc.](#) ICE +1.40%

If regulators and shareholders approve, the combined company would own 14 stock and futures exchanges and five clearing operations that serve as middlemen between buyers and sellers of futures and other contracts, doing more things in more places than any other rival.

The takeover also would seal the triumph of electronic trading over "open outcry" floor trading that long dominated financial markets, as well as the push by exchanges to embrace new and lucrative kinds of trading.

ICE, based in Atlanta and started 12



NYSE Euronext and IntercontinentalExchange's stocks were up on news of a deal to merge. But what does the deal mean for small investors? Marketbeat's Steven Russolillo reports on Markets Hub. Photo: Reuters.

years ago as an electricity-trading market, said it would hold on to the [NYSE Euronext](#) (NYX +34.10%) name and the New York company's trading floor at the corner of Wall and Broad streets in Lower Manhattan. But it is too late to stop the erosion of the Big Board's clout. So far this year, the iconic trading floor has handled just 20% of all trading volume in NYSE-

listed stocks, down from more than 40% in 2007, according to analysts at Sandler O'Neill + Partners LP.

"The trading floor is going to become like the Roman Forum," said Wall Street historian Charles Geisst, a Manhattan College finance professor. "It'll be a nice place to visit, but nothing much will go on there."

The proposed takeover also comes as new regulations are changing how Wall Street trades complex derivatives tied to the value of underlying stocks, commodities and other securities.

More of that trading is moving onto exchanges. ICE's main business is energy-futures trading, and executives have long coveted NYSE's London-based Liffe, its prized U.K. futures market.

At the same time, fierce competition and declining volume in U.S. stock markets

More on the Deal

- [ICE Chief: A 'Chess Master' With Sharp Elbows](#)
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have squeezed profits for the New York Stock Exchange, building pressure on it to find a partner.

"The pie is shrinking, and their slice of it is shrinking," said Justin Schack, managing director and partner of New York brokerage firm Rosenblatt Securities Inc.

Shareholders of both companies greeted warmly Thursday's announcement of the deal. ICE rose 1.4%, or \$1.79, to \$130.10. NYSE Euronext, which had declined 8% this year prior to the news, surged 34%, or \$8.20, to \$32.25. The Wall Street Journal reported the acquisition talks after the close of regular trading Wednesday.

ICE and NYSE both failed to pull off separate mergers in the past year and a half. ICE tried jointly with [Nasdaq OMX Group](#) (NDAQ +3.52%) to buy NYSE for about \$11 billion and split it up, and NYSE attempted to merge with [Deutsche Börse](#) (DB1.XE -0.86%) AG.

The NYSE Over the Years



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Both plans were shot down by regulators.

In a telephone interview with the Journal on Thursday conducted jointly with NYSE

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Asian stock markets ended firmly lower Friday as early optimism for progress on the U.S. fiscal cliff was dented after Republican lawmakers canceled a vote on a tax-cut plan. The

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\$4.3B	4.8	5.7	6.2
Nasdaq OMX (U.S.)	London Stock Exchange	ASX (Australia)	Singapore Exchange

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Fiscal Cliff Talks Make Progress

chief [Duncan Niederauer](#), ICE founder and Chief Executive Jeffrey Sprecher said he tried hard to scuttle the planned NYSE-Deutsche Börse merger last year, and "didn't know if my friendship with Duncan would survive or not."

Soon after, following an ICE earnings call, Mr. Niederauer shot him an email: "Congrats," it said. "Good call."

NYSE: A History

See key dates in the history of the New York Stock Exchange.



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How did IntercontinentalExchange become a powerhouse in the exchange world? Jacob Bunge joins The News Hub with answers. Photo: AP.

"He realized it was business," Mr. Sprecher said Thursday.

For months, the chief executives chatted on the phone, lunched together and bantered about merging their businesses. Things got serious only about eight weeks ago. Until then, "it was more like dating," said Mr. Sprecher.

Neither ICE nor NYSE wanted the cost or distraction of another failed merger, they said Thursday.

At the same time, said the NYSE chief, "You can't just put your head in the sand and say, 'Wow, we tried once. It didn't work.'"

In September, at a meeting of the NYSE Euronext board, directors discussed strategy with NYSE management, Mr. Niederauer said. "We

should only be talking about things where there is a high certainty of closing" a deal, he recalled being said in that discussion.

The executives decided to evaluate options such as a sale, according to people with knowledge of the discussions.

In the final weeks ahead of the deal, Mr. Niederauer had a pragmatic view: that left as a stand-alone company, NYSE would likely begin to falter within a few years, said one person involved in the discussions. The executive's attitude was "very much about 'control your destiny,'" this person said.

NYSE executives had felt for months that their assets were undervalued by the market. The sale of London Metal Exchange operator LME Holdings Ltd., announced in June, brought that sentiment into sharper focus, people with knowledge of the discussions said. [Hong Kong Exchanges & Clearing Ltd.](#)

0388.HK -0.61% bought LME Holdings for about \$2.2 billion this month, a price almost double what the sellers had initially thought it would fetch, according to one person familiar with LME's thinking.

NYSE executives believed that Liffe—the European derivatives business that came with the Big Board's merger with Euronext in 2007—alone could be worth the roughly \$6 billion market capitalization at that time of the entire NYSE Euronext, a person familiar with the discussions said.

Advisers for NYSE Euronext, including boutique bank Perella Weinberg Partners, studied the feasibility of

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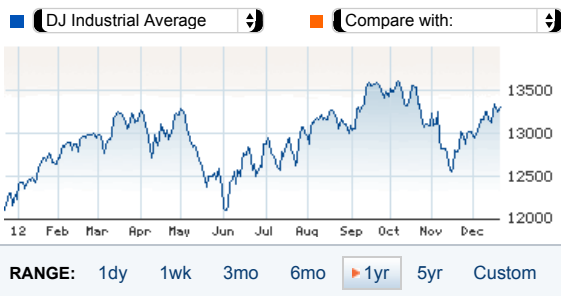
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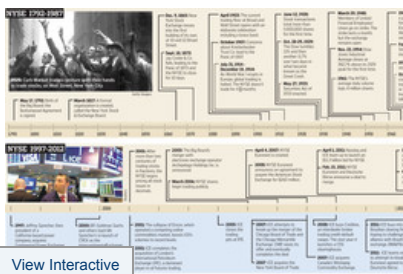
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Richard Drew/Associated Press

ICE chief Jeffrey Sprecher, left, and NYSE chief Duncan Niederauer on the floor of the Big Board on Thursday.



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combinations with other exchange operators, including a preliminary exploration with [CME Group Inc.](#), **CME -2.34%** but the company quickly decided that a merger with ICE would present the least amount of risk, the people familiar those deliberations said.

CME executives are expected soon to discuss the ICE-NYSE deal, and weigh options such as a possible counter bid that could, at the very least, force ICE to pay more, said one person briefed on CME's discussions.

In early October, ICE and NYSE Euronext began serious, one-on-one negotiations, said people with knowledge of the talks.

The two CEOs, who led much of the talks, reached an agreement on the per-share price range by phone, one of the people said. The merger agreement was drawn up in New York, where NYSE is based, and Atlanta, where ICE is based.

About six weeks ago, Mr. Niederauer and his team drew up a timetable that culminated in a planned announcement on Dec 20th, people familiar with the matter said. He chose that date based partly on the timing of meetings with regulators in Europe and elsewhere, they added.

"They both really need each other," said Neal Wolkoff, former chairman and chief executive of the American Stock Exchange, which was bought by NYSE in 2008, who now is consultant and lawyer with Richardson & Patel LLP. "ICE has been really successful in energy futures. Where they haven't been able to make inroads is in the interest-rates space."

As for NYSE, the dominance of high-frequency traders, which make rapid-fire trades using complex computer programs, has forced cost-cutting and lowered exchanges' profits, while a lot of stock trading has moved off exchanges altogether.

Mr. Wolkoff said he expects ICE to shake up NYSE's culture by cutting costs and putting "much less focus on appearance of business and the ritual of the floor. ICE isn't into that."

"By the time the NYSE started to catch up, it was too late," said Georges Ugeux, a former European executive of NYSE and now a consultant in New York for Galileo Global Advisors. "Only in the last few years has it truly become a technology company."

—Sharon Terlep and Telis Demos contributed to this article.

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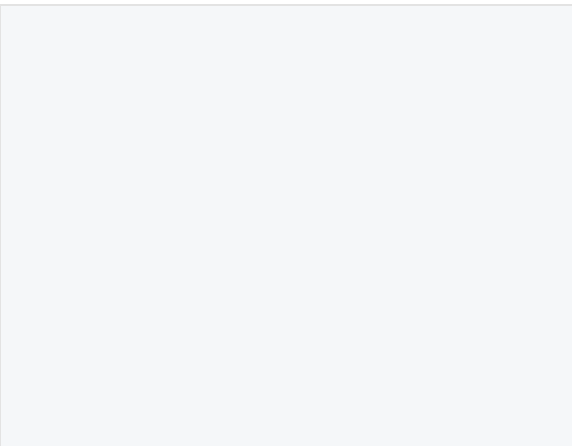
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