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RESEARCH REPORT

MAY 2009

The Street, the City and the State

The Securities Industry's Importance to New York City and State

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SPECIAL EDITION

New York ▪ Washington ▪ London ▪ Hong Kong

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THE STREET, THE CITY AND THE STATE

The Securities Industry's Importance to New York City and State

- The importance of the financial services industry in general, and the securities industry in particular, to New York City (NYC) and New York State (NYS) is long-standing and well recognized. The industry has a profound impact on and makes a significant contribution to personal income, tax revenues and overall economic growth of the state and local economy. Even in these times of economic recession and financial market dislocations, the industry is still an important contributer to NYC and NYS.

- As of end-March 2009, the securities industry directly employed 188,500 individuals in NYS, 89.8 percent of them in NYC. This represents 23.2 percent of securities industry jobs nationwide.

- Securities industry wages account for a much higher portion of NYS and NYC total wages and adjusted income than the 2.2 percent and 4.7 percent of 2009 total employment in NYS and NYC, respectively. In 2007, securities industry wages accounted for 15.5 percent and 25.0 percent of total wages paid in NYS and NYC, respectively.

- These highly compensated individuals also pay a disproportionate share of taxes. Although these percentages may fall from the historical highs reached in 2007, the industry is likely to remain a large contributor to wages and therefore personal income tax revenue. Even considering the dramatic fall in total compensation, securities industry related PIT is estimated to remain around 15 percent, similar to earlier in the decade.

- The securities industry also accounts for a large share of the local, state and national economies. From 1997 to 2007, growth in the securities industry outpaced activity in almost all other sectors of the NYS economy. During this period, the securities industry's share of New York's Gross State Product (GSP) rose to an estimated 8.5 percent from 7.4 percent, second only to the real estate and government sectors.

- The "tax effort" required of NYS's workers and businesses is the second highest in the nation. NYC may be near its peak rate for sales tax and property tax, as well as income tax, given the tax rates in the surrounding areas.

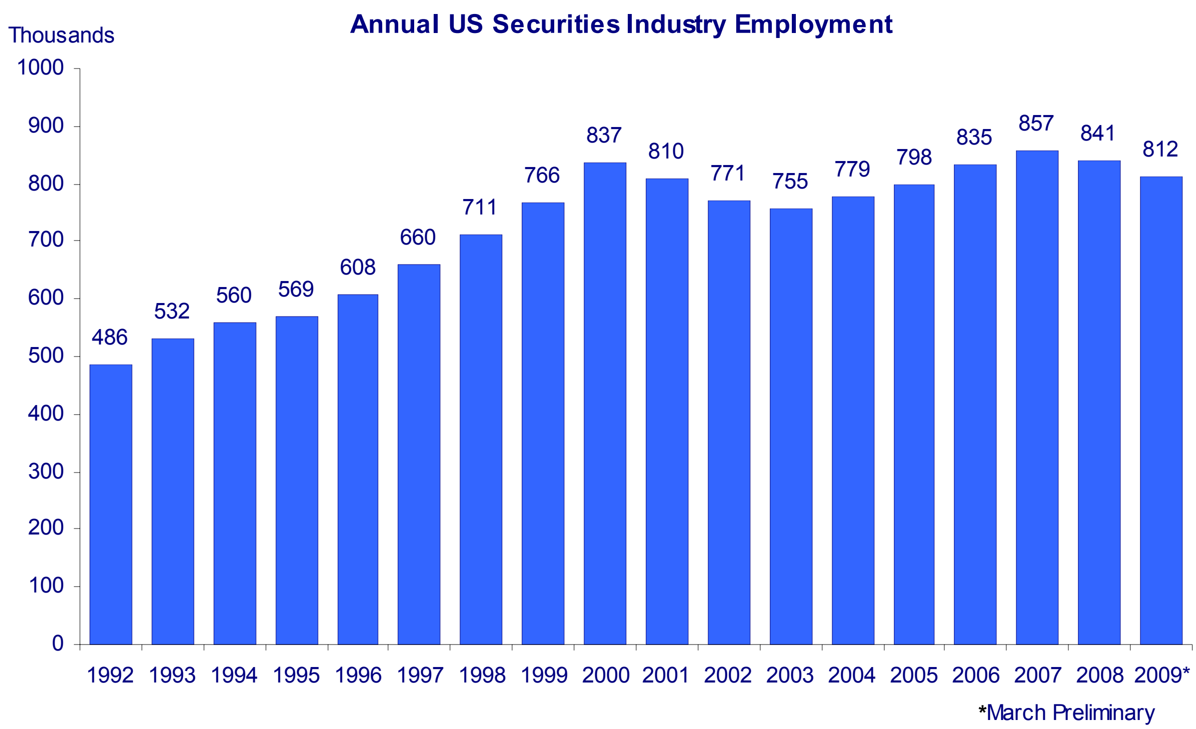
THE STREET, THE CITY AND THE STATE

The Securities Industry's Importance to New York City and State

Introduction

The importance of the securities industry to New York City (NYC) and New York State (NYS) is long-standing and well-recognized. Despite becoming more dispersed and increasingly globalized, the industry remains heavily concentrated in Manhattan, and New York is still the financial capital of the U.S., if not the world. The industry has a profound impact on and makes a disproportionate contribution to personal income, tax revenues and the growth of the overall economy of NYS and, to an even greater extent, NYC. The financial prospects of NYS, NYC and the securities industry are intertwined, and continuing structural changes in financial markets mean that it is important to keep a finger on the pulse of this codependent relationship. Each year at this time, we examine this interrelationship. These assessments and some recent related research provide important insights into the outlook for Wall Street, the City and the State.

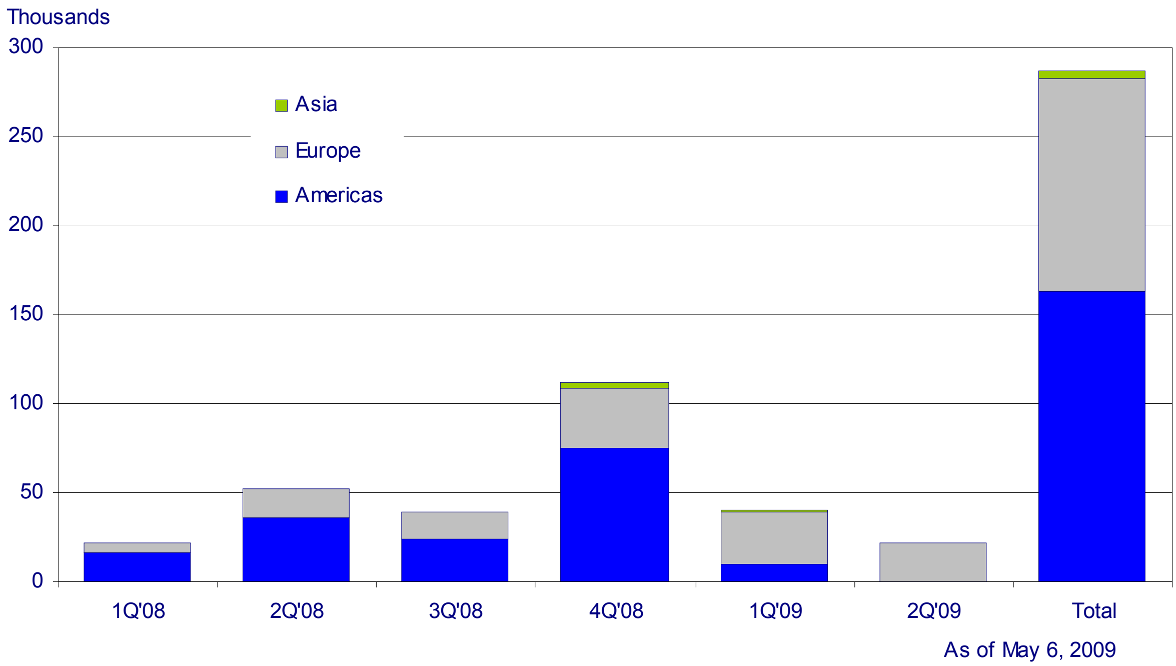
As of end-March 2009, national securities industry headcount declined by 56,400 jobs, a 6.5 percent decrease from the previous March. As of end-March, the securities industry directly employed 188,500 individuals in NYS, 89.8 percent of those in NYC. In the first three months of 2009, the securities industry in New York State lost 3,700 jobs, a 1.9 percent decline, and New York City lost 4,100 jobs, a 2.4 percent decrease.[1]



Source: U.S. Department of Labor, Bureau of Labor Statistics (BLS) (Year-end data)

[1] U.S. Department of Labor, Bureau of Labor Statistics (BLS), January 2009.

Publicly Announced Layoffs in the Global Financial Services Industry



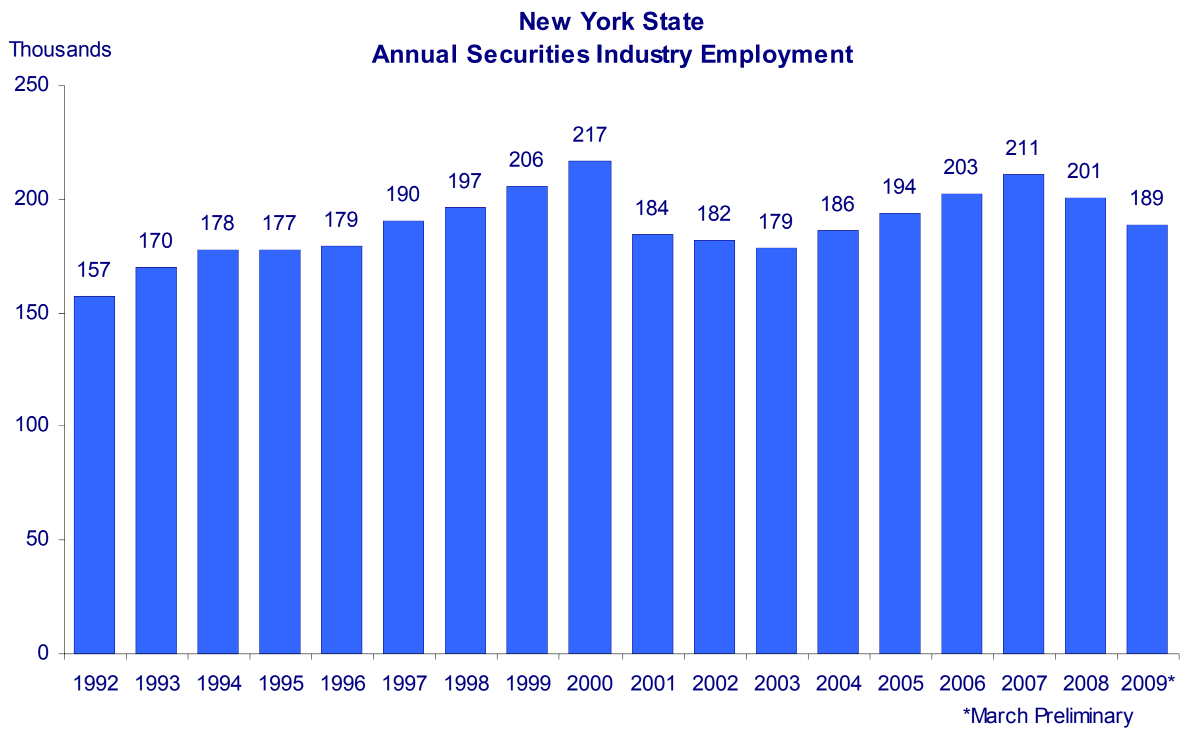
Source: Bloomberg Finance L.P.

Securities industry employment rose from late 2003 to mid-2008, when turmoil in the subprime mortgage market, frozen credit markets, and a global recession led to layoffs domestically and overseas. National securities industry employment reached a record high in June 2008 with 869,600 jobs, but has since contracted by 6.6 percent, or 57,600 jobs, to 812,000 at end-March. In the 1990-1991 and 2001 recessions, the securities industry headcount fell by 2.7 percent and 10.7 percent, respectively; the current economic downturn and ensuing job losses look to be more profound in terms of job lost. Since the beginning of 2008 to end-March 2009, the financial services sector announced 162,714 job cuts in the Americas and 265,709 worldwide.[2] In just the first weeks of the second quarter of 2009, a further 21,458 financial services layoffs have been announced.[3]

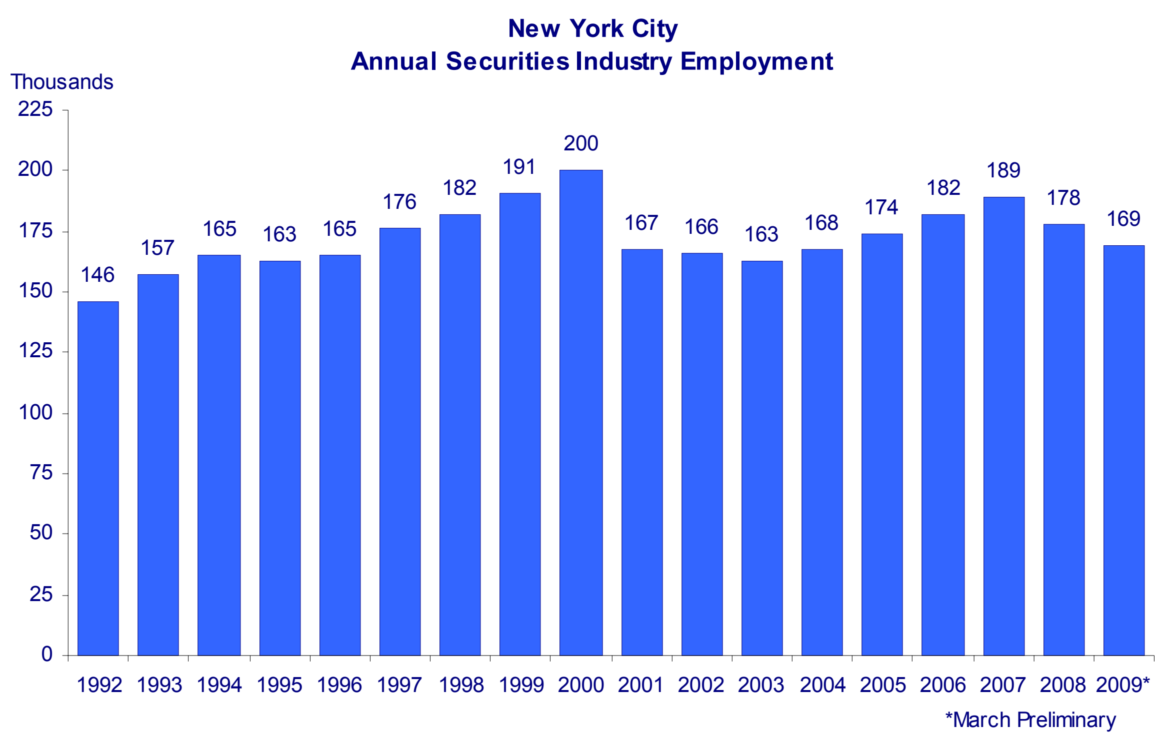
Securities industry employment in NYS and NYC fell more sharply in previous and current downturns compared to other state and cities because the securities industry is a large employer in the State and the City. In 2008, two major securities firms employing over 39,000 employees, many of whom worked and lived in NY, collapsed and another firm was purchased by an out-of-state headquartered bank. The two surviving independent investment banks transformed into bank holding companies, and were also forced to trim staff. Major bank-held securities firms also began significant downsizing in 2008 and may continue doing so through 2009. Consolidation and downsizing will certainly be continuing themes as the industry attempts to steer its way through this crisis, and will continue to focus attention on NY job losses.

[2] According to Bloomberg Finance L.P. as of May 6, 2009.

[3] Op. cit. 3.

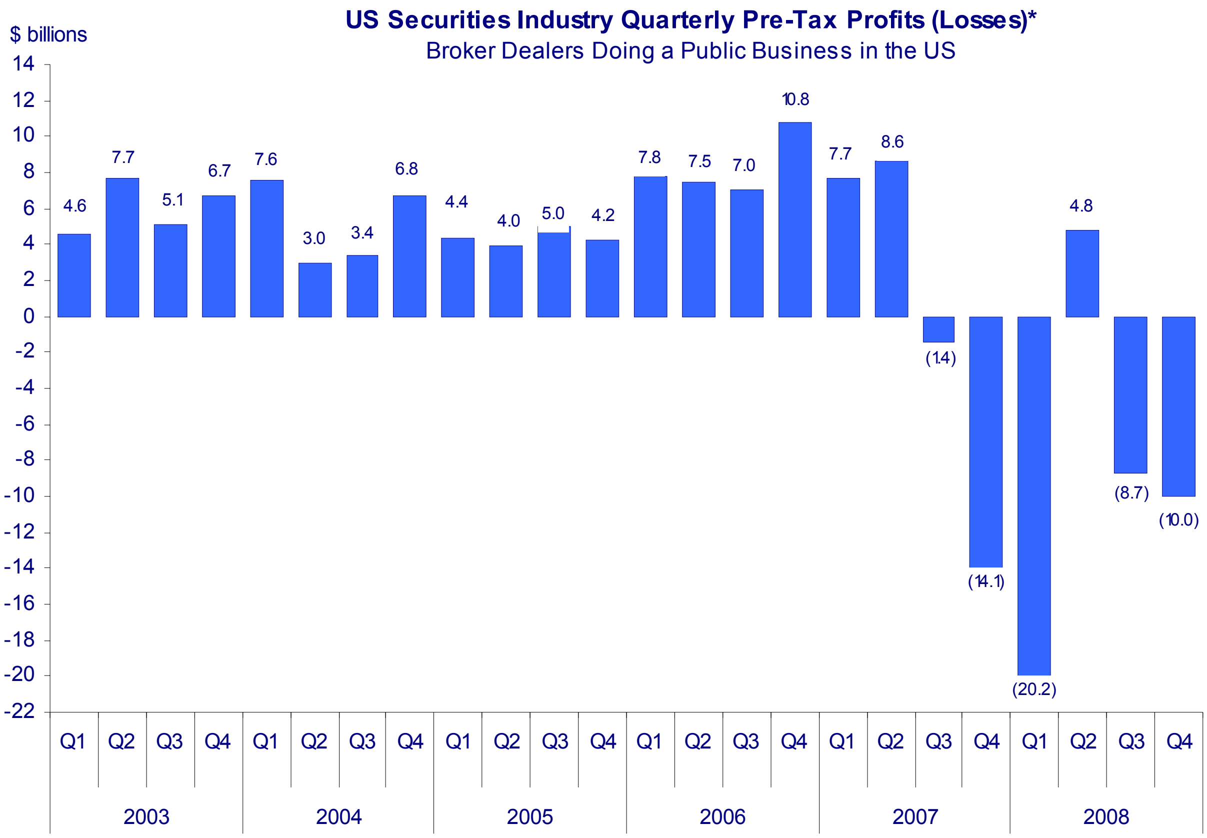


Source: BLS (Year-end data)



Source: BLS (Year-end data)

The subprime mortgage meltdown, credit market freeze and global economic weakness have affected firms in the securities industry, not least of which the large NY-headquarted firms. The U.S. securities industry reported a record loss of $34.1 billion in full year 2008.[4] NYSE-reporting firms – the larger broker-dealers - accounted for the majority of the losses. The lack of liquidity, mainly in the structured products and mortgage-backed securities markets, but also in other credit sectors, contributed to trading revenue losses, write downs, and significant decreases in investment account gains and underwriting revenues.

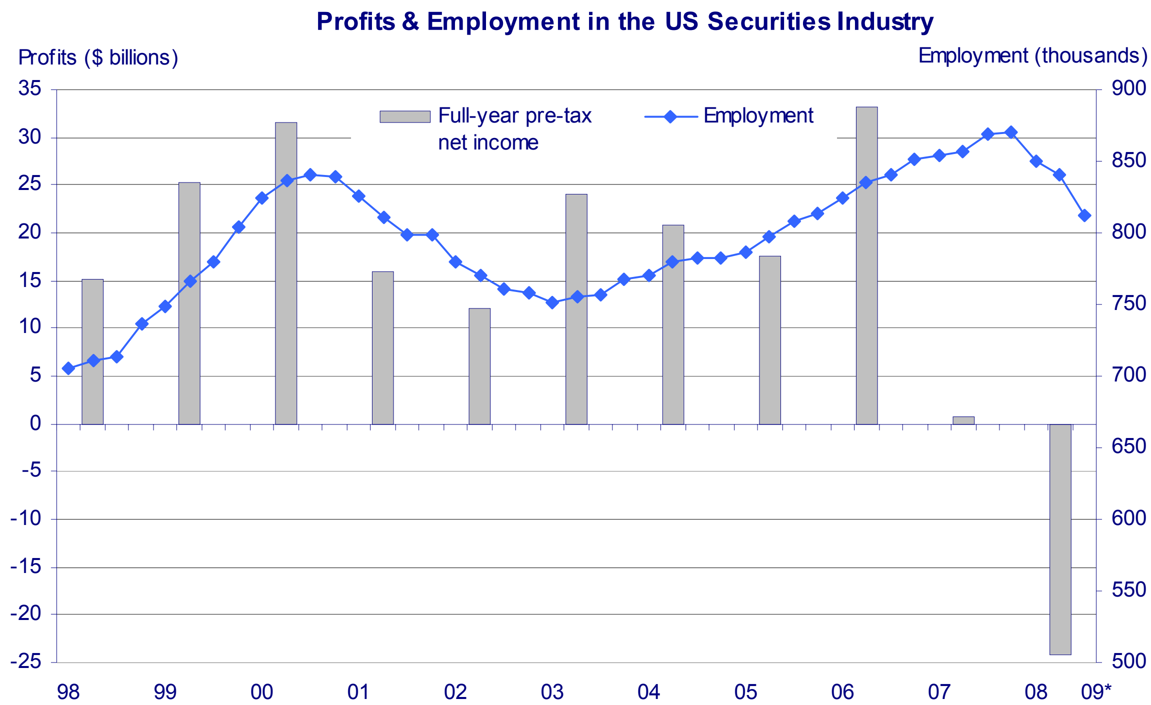


Detail of NASD-Reporting and NYSE-Reporting Broker Dealers Pre-Tax Profits (Losses)

	2005				2006				2007				2008			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
NASD-reporting firms	1.8	2.2	2.2	1.9	3.1	3.0	2.9	3.2	3.0	4.3	2.4	2.3	2.2	3.2	2.0	1.2
NYSE-reporting firms	2.6	1.7	2.8	2.3	4.7	4.5	4.1	7.6	4.7	4.2	(3.8)	(16.4)	(22.4)	1.6	(10.7)	(11.2)
Total	4.4	4.0	5.0	4.2	7.8	7.5	7.0	10.8	7.7	8.6	(1.4)	(14.1)	(20.2)	4.8	(8.7)	(10.0)

* NASD- and NYSE-reporting firms combined detail of quarterly pre-tax profits (losses)
Source: SIFMA DataBank

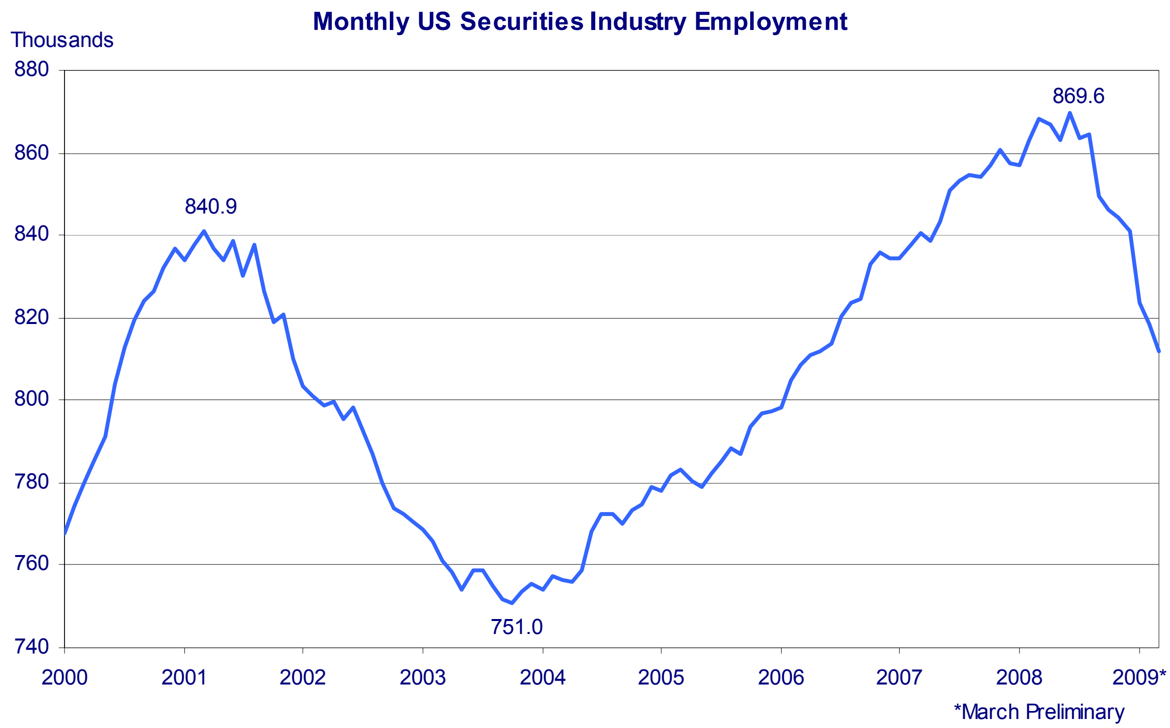
[4] The results for the US securities industry discussed herein are the aggregated results (unconsolidated revenues and expenses) for all broker-dealers doing a public business in the US as reported in the Financial and Operation Combined Uniform Single (FOCUS) Reports broker-dealers file with the US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



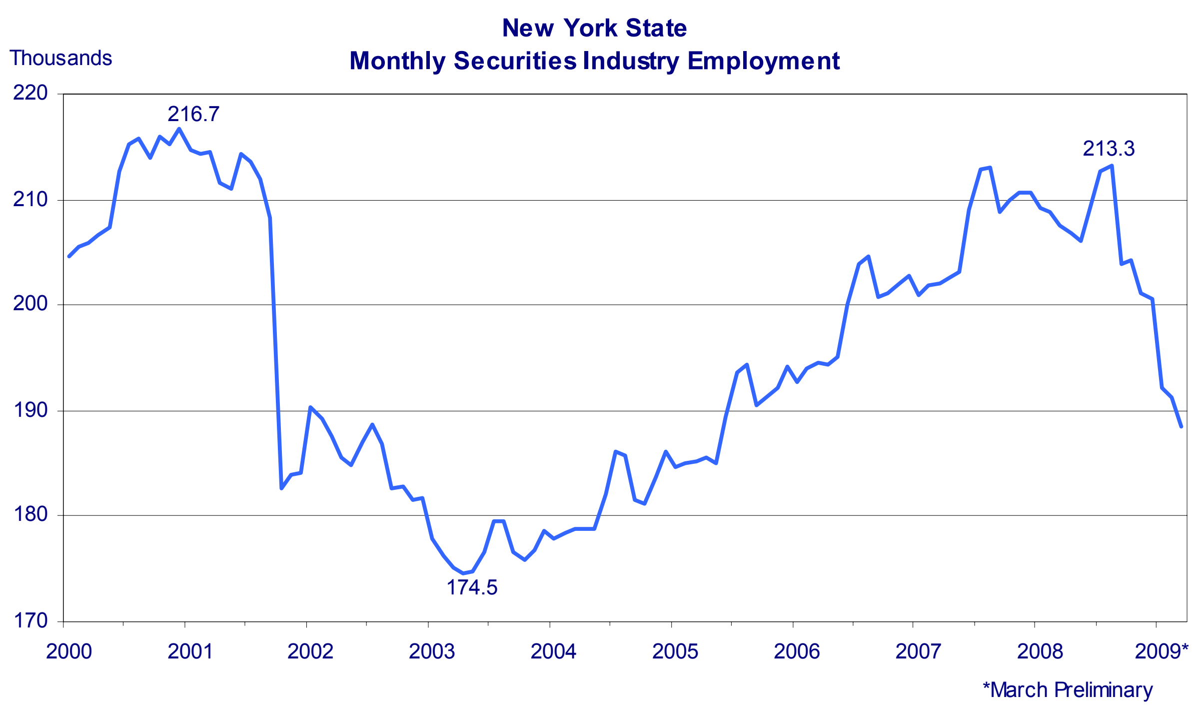
* Pre-tax net income is not yet available for 2009.
Sources: BLS, SIFMA DataBank

New York State: Employment Growth Falters in 2008

Prior to the current downturn, securities employment in New York State had grown for four consecutive years. The 28-month job recession that followed December 2000's peak of 216,700 reduced the industry's headcount by 19.5 percent, or 42,200 jobs, before ending in April 2003 at an employment level of 174,500. Since then, employment in the securities industry in New York had steadily increased, peaking in August 2008 at 213,300 jobs, regaining 91.9 percent of the jobs lost during that industry recession. As of end-March 2009, however, securities employment had declined from that August 2008 peak and ended March with 188,500 jobs; 3,700 of the job losses occurred in the first three months of 2009.



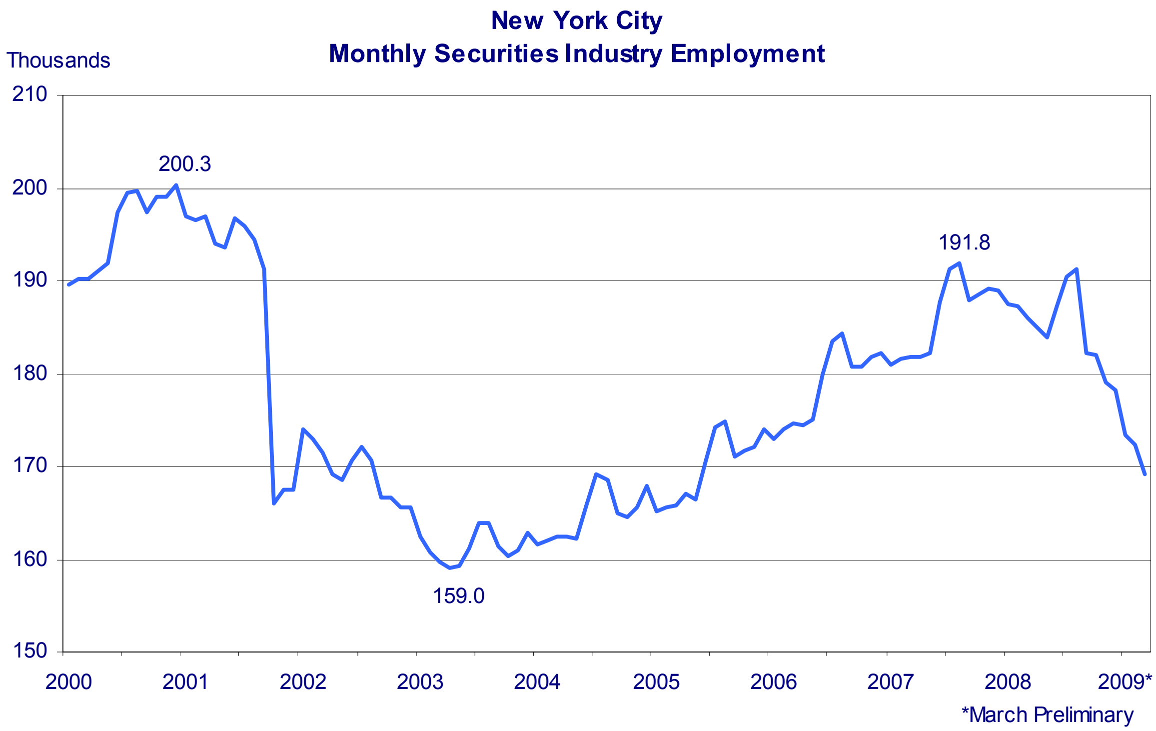
Source: BLS



Source: BLS

New York City: Slowly Losing Market Share

NYC has for some time been losing jobs not only across the Hudson River, but also to Long Island, Westchester County and other districts in the greater metropolitan area and beyond, as broad-based adoption of advances in communications and information technology has enabled an increase in remote interactions. In 2005, NYC accounted for 47.2 percent of all private sector jobs in the 17-county metropolitan region, down from 48.1 percent in 2000.[5] While most of the NYC boroughs had increases in employment between 2000 and 2005, Manhattan lost over 151,803 jobs. With some of the largest job losses in NYC coming from major financial firms, it will be particularly challenging for NYC to make gains or prevent its market share from declining further.



Source: BLS

The number of jobs in NYC's securities industry increased for four straight years, but has been critically impacted by the credit market meltdown and the current global economic slowdown. In the 2001 recession, NYC securities industry employment declined from the December 2000 peak by 20.6 percent, or 41,300 jobs, before leveling off in April 2003 at an employment level of 159,000. Since then, employment in New York City's securities industry had been trending upward, peaking in August 2007 at 191,800 jobs, regaining 79.4 percent of the jobs lost during that industry recession. As of end-March 2009, securities employment declined 11.8 percent, or 22,600 jobs, from that August 2007 peak. In the first quarter of 2009, NYC securities industry headcount declined 5.1 percent, or 9,100 jobs. For the two year period beginning from October 2007, NYC is expected to lose an estimated 38,000 positions in the securities industry, and total private sector job losses may reach 225,000 in NYS.[6] If the crisis continues beyond 2009, securities industry employment levels in both NYS and NYC will likely decline further in 2010. NYC will be more deeply affected because it accounts for the bulk of securities industry jobs in NYS.

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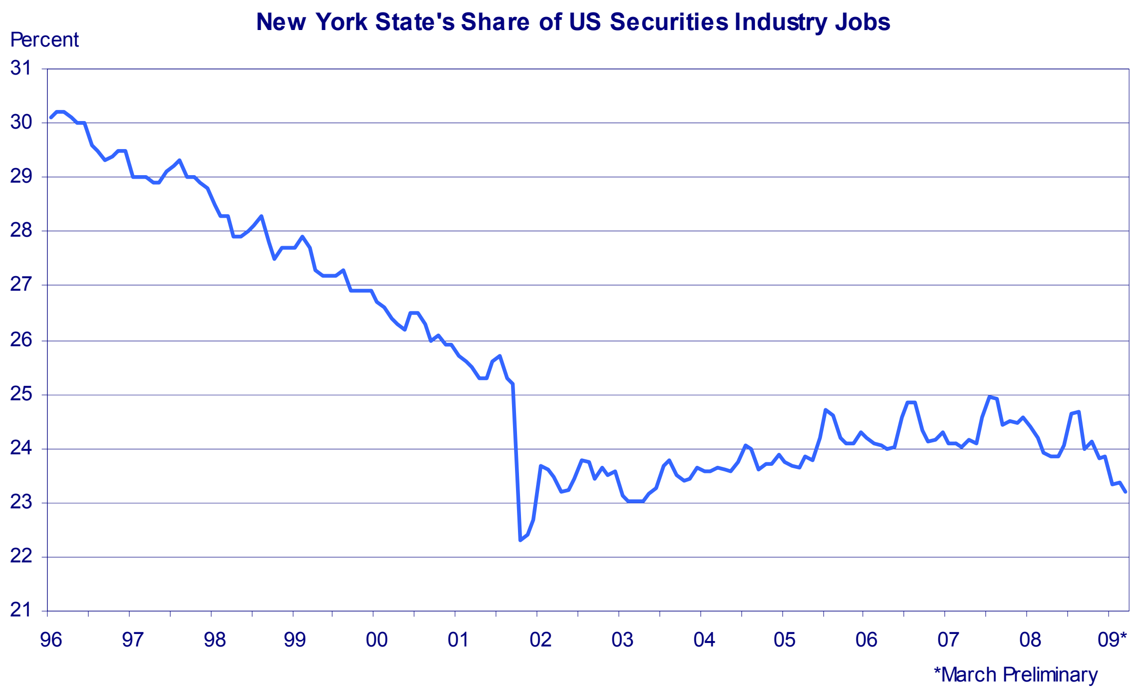
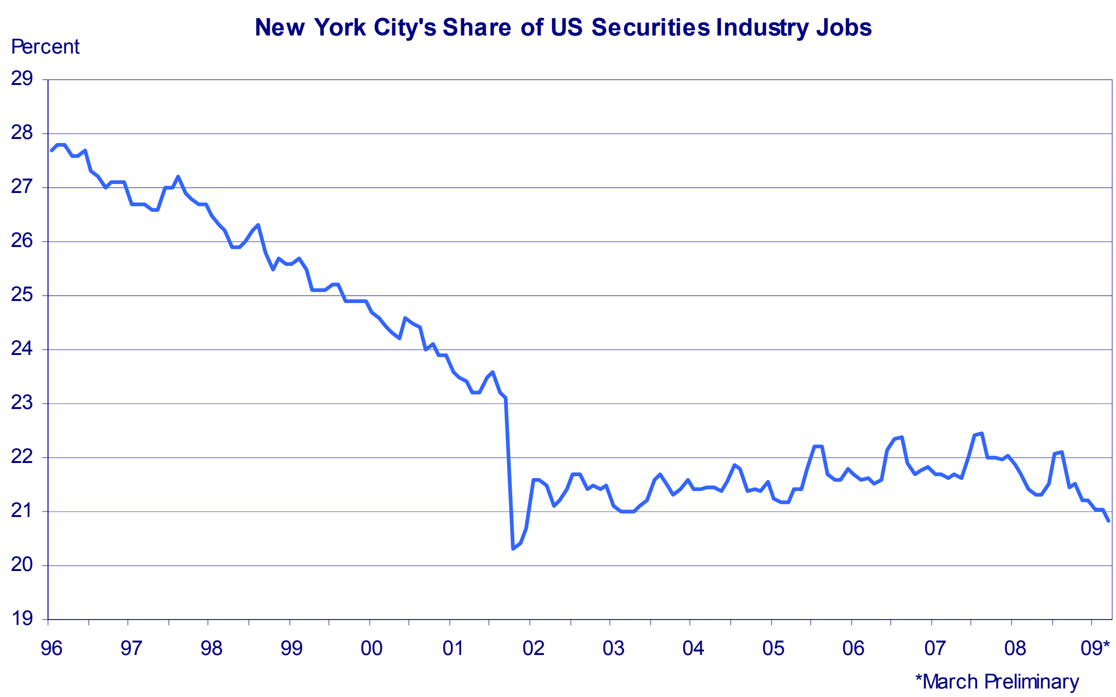
5 Center for an Urban Future, "New York by the Numbers, Economic Snapshots of the Five Boroughs," Vol. 1, No.3, October 2008, (http://www.nycfuture.org/images_pdfs/pdfs/DecentralizedEconomy.pdf).

6 DiNapoli, Thomas P., and Kenneth B. Bleiwas, "The Securities Industry in New York City," Report 7-2009, Office of the State Comptroller, November 2008, p. 12.

New York's Share of Securities Industry Jobs Stabilizes, Then Declines

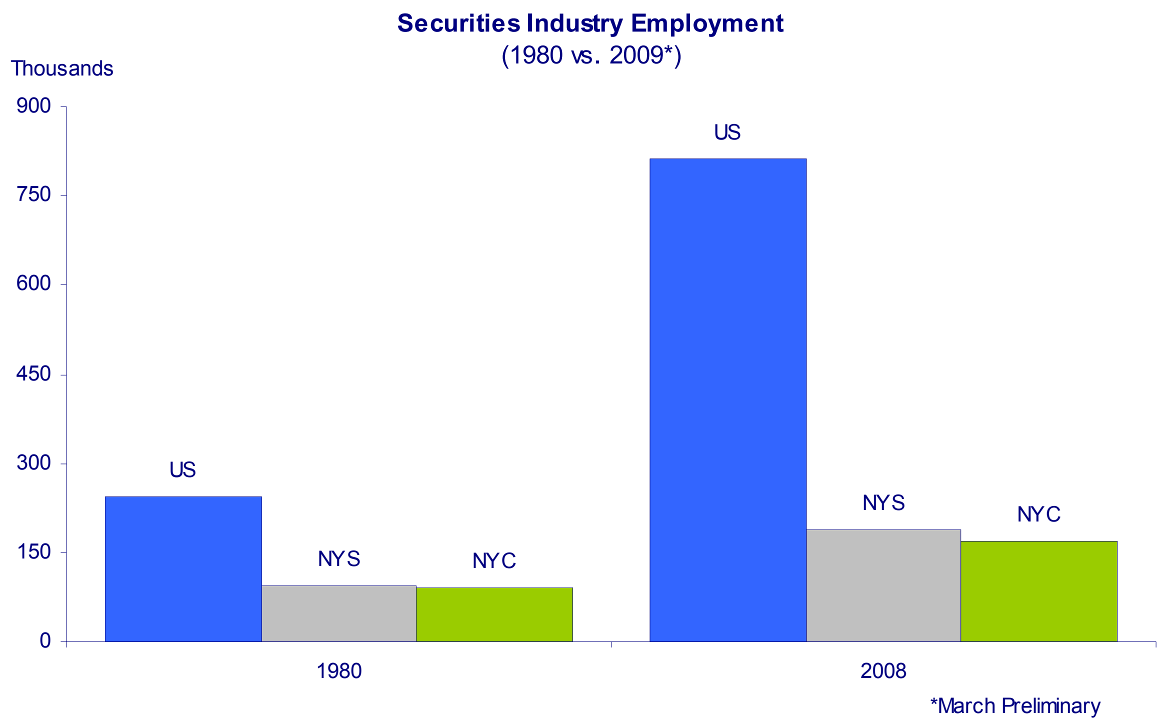
New York State's and City's shares of U.S. securities jobs fell dramatically from 39 percent and 37 percent, respectively, in 1980, to less than 23 percent and 21 percent, respectively, at the end of 2001. Since that low point, New York's share of U.S. securities industry jobs had been gradually rising, but reversed course beginning in the summer of 2007. NYS and NYC currently account for 23 percent and 21 percent of securities industry positions nationwide.



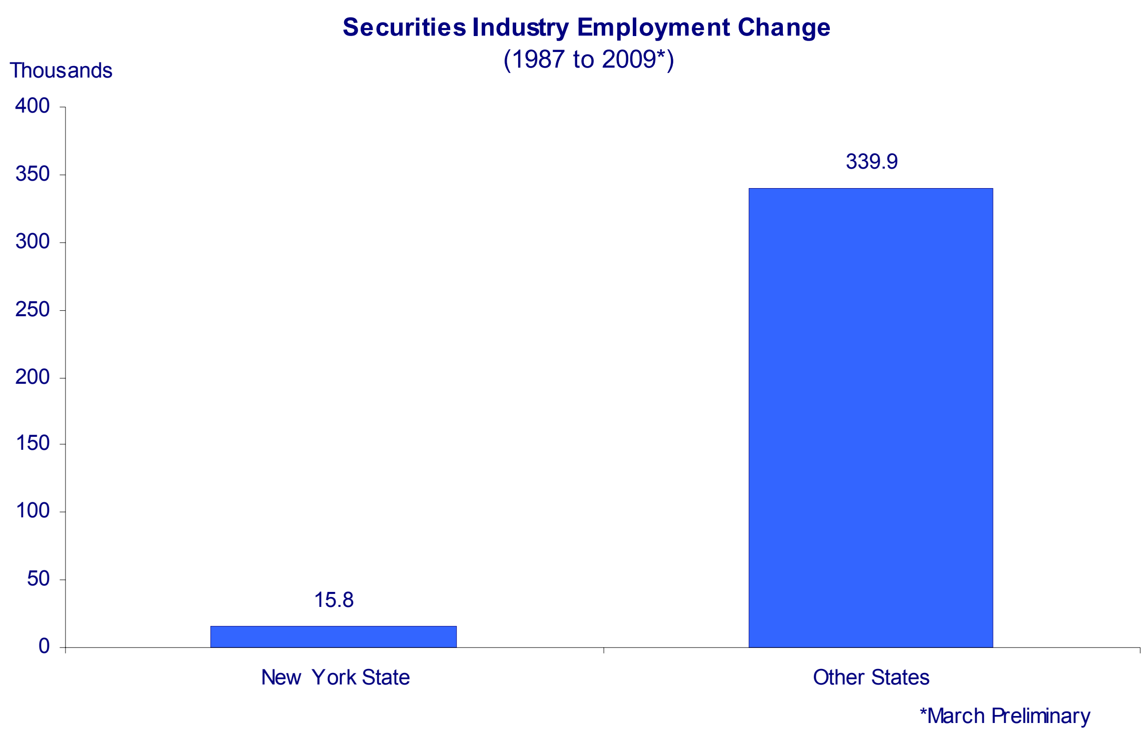


Source: BLS

The latest available BLS figures show that in March 2009 New York State accounted for 23.2 percent of national securities industry jobs, a decrease from 2008 year-end (23.8 percent). Further, the 15,800 new securities industry jobs created in the State between the 1987 stock market crash and end-March 2009 is equivalent to only 4.6 percent of the 339,900 security industry jobs created in the other 49 states combined.



Source: BLS



Source: BLS

This reflects the fact that although New York State is still one of the world's leading financial hubs, it faces increasing challenges from many directions. In addition to intense competition, there are incentives for leaseholds and jobs to relocate to lower-cost, lower-tax areas, as New York remains one of the nation's highest-cost, highest-tax areas in which to live and conduct business.

Local competition is stiff. In the first quarter of 2009, while NYS and NYC experienced substantial securities industry job losses, the securities industry headcount in Connecticut was unchanged. These positions are, for the most part, highly-paid, highly-skilled jobs in a clean, pollution-free industry. New York officials would do well to encourage this type of job formation, or at least retention, and in many instances have made great efforts to do so.

The Relative Size of the New York Securities Industry

The share of the total New York workforce accounted for by Wall Street has remained remarkably stable over the long term. In NYS, the securities industry accounted for approximately 2.2 percent of total employment in 2009 compared to 2.4 percent ten years ago.

The securities industry's size relative to other key local industries, which are often more popularly identified within the government and in the media, is one area that really underscores the industry's importance to New York. Statewide, the securities industry provides:

— More than four times more jobs than the movie/sound recording industry;

— More than double the number of positions in the accounting/tax/bookkeeping/payroll professions;

— 49% more positions than legal services;

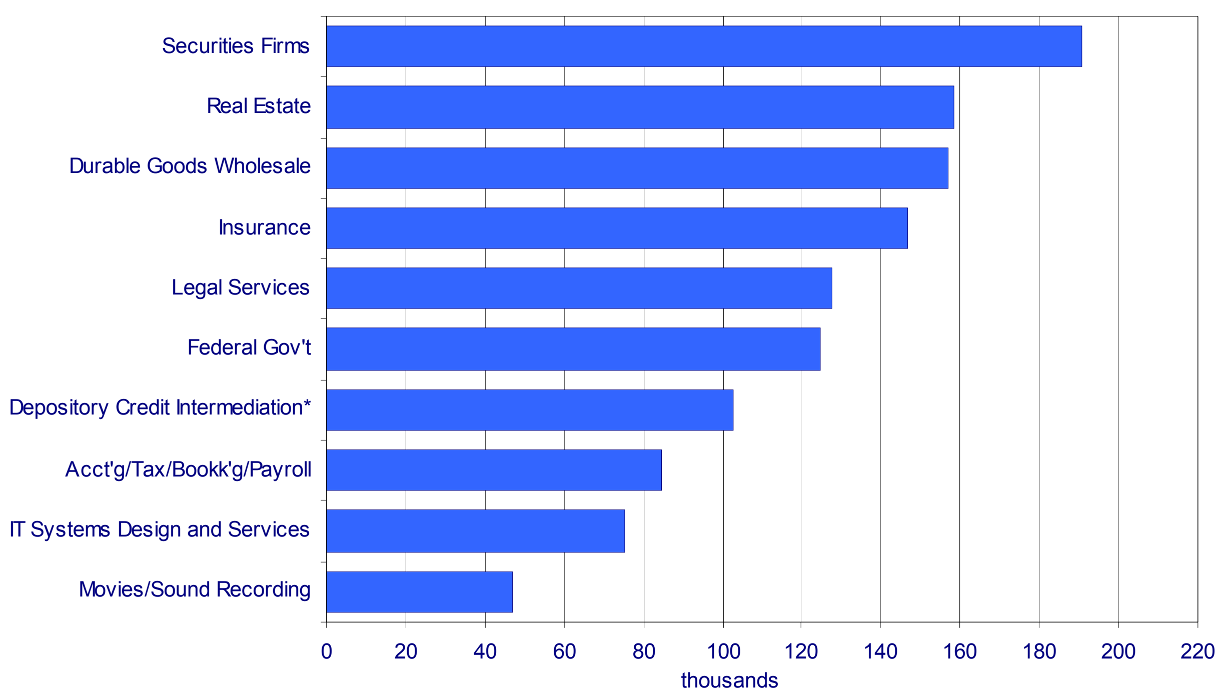
— 53% more jobs than federal government jobs;

— 30% more jobs than the insurance industry;

— 86% more jobs than all banks, thrifts, credit union and credit issuers combined; and

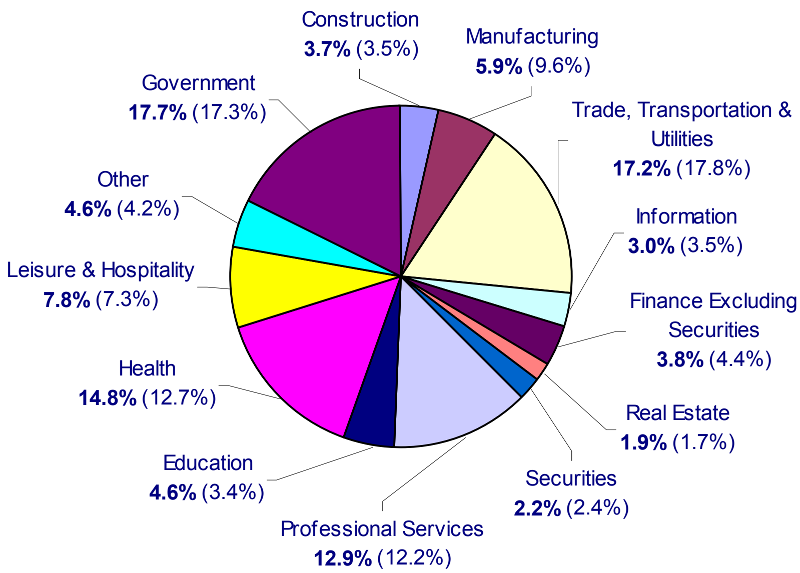
— 22% more jobs than durable goods merchant wholesalers.

New York State Average Employment by Industry



* Includes commercial banks and other firms that primarily accept deposits and lend from deposits received
Source: NYS DOL. Preliminary data through March 2009.

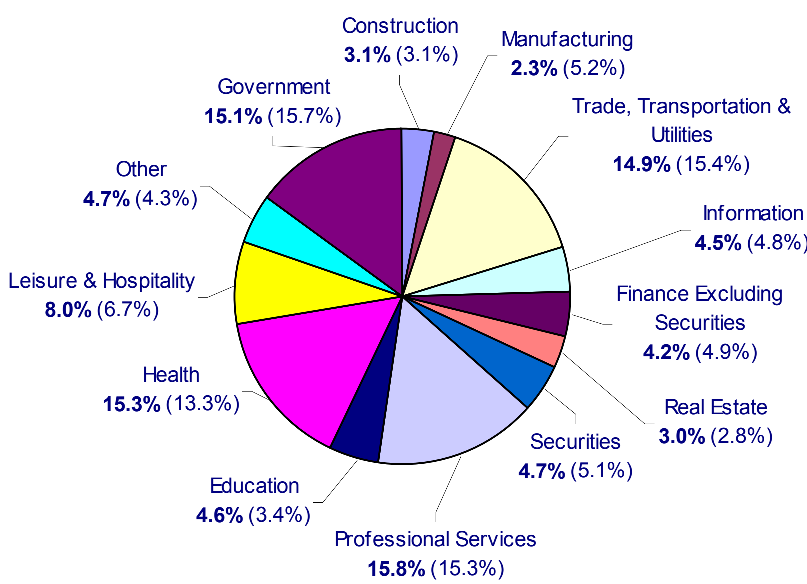
NYS Sectoral Employment in 2009* and 1999
(1999 figures in parentheses)



* Preliminary data through March 2009
Source: New York State Department of Labor (NYS DOL)

As noted earlier, within NYS the securities industry is heavily concentrated in NYC, which accounts for 89.8 percent of total securities industry jobs statewide. As a result, the industry is even more vital to the City's economic health than it is to the State as a whole. The industry directly accounts for 4.7 percent of NYC total employment.

NYC Sectoral Employment in 2009* and 1999
(1999 figures in parentheses)



* Preliminary data through March 2009
Source: NYS DOL

In NYC, the securities industry accounts for:

— Almost four and a half times as many jobs as all the jobs the film/sound recording industry provides;

— More than three times the number of jobs provided by all types of publishing combined;

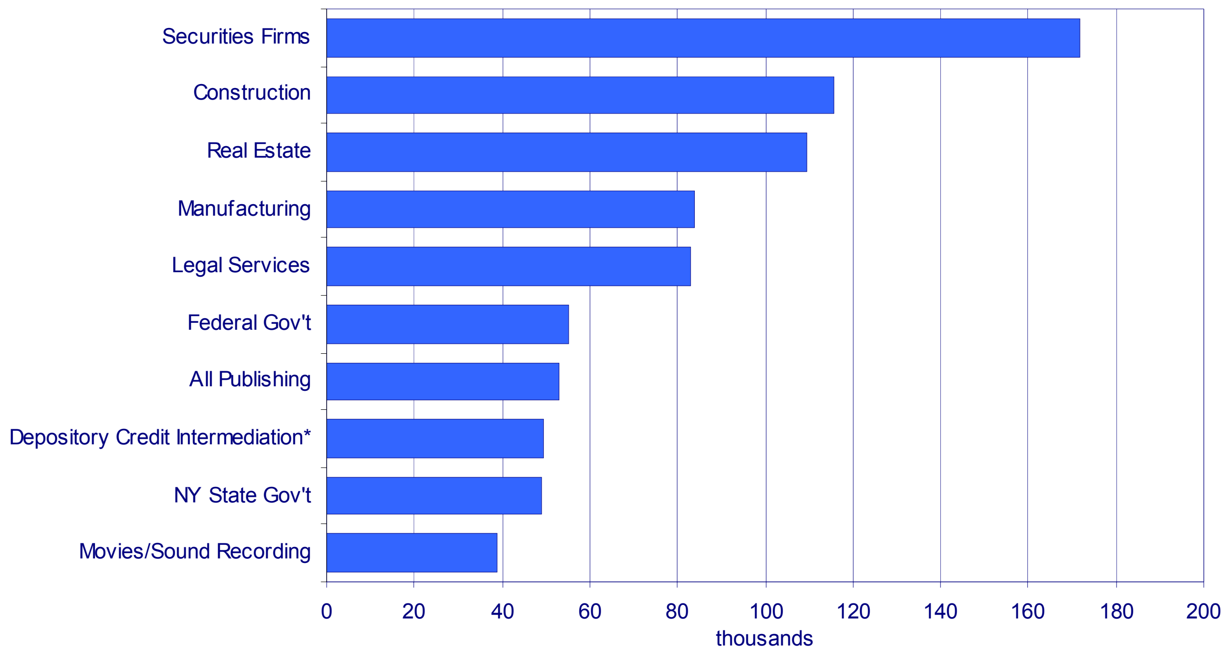
— More than three and a half times more jobs than all NYS government jobs in NYC;

— Nearly three and a half times the number of jobs provided by banks, thrifts and credit unions;

— More than three times the number of all the jobs staffed by federal government employees citywide; and

— More than double the number of jobs provided by legal services.

New York City Average Employment by Industry



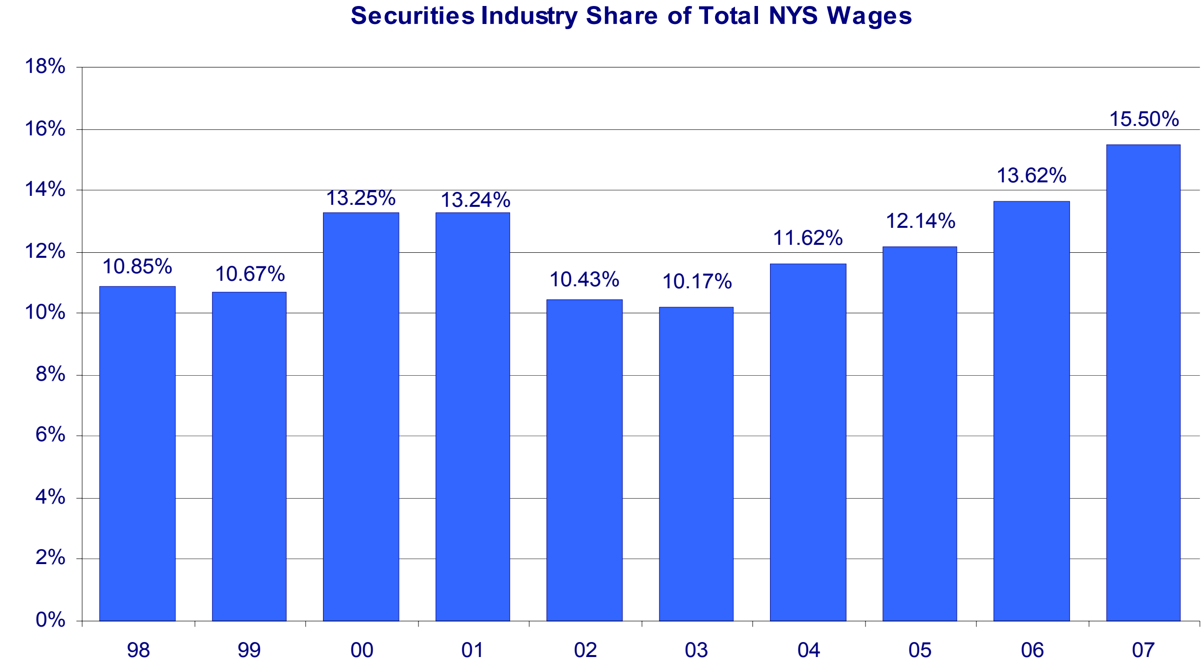
* Includes commercial banks and other firms that primarily accept deposits and lend from deposits received
Source: NYS DOL. Preliminary data through March 2009.

The Industry Accounts for an Increasing Percentage of NYS Wages

Although the securities industry is not a large employer, relatively speaking, it accounts for a disproportionate share of wages paid in NYS and NYC. Although securities industry employment accounted for only 4.7 percent of jobs in NYC in 2009, as detailed above, in 2007 it accounted for nearly 25 percent of total wages earned, nearly five times what its proportional representation would suggest.[7]

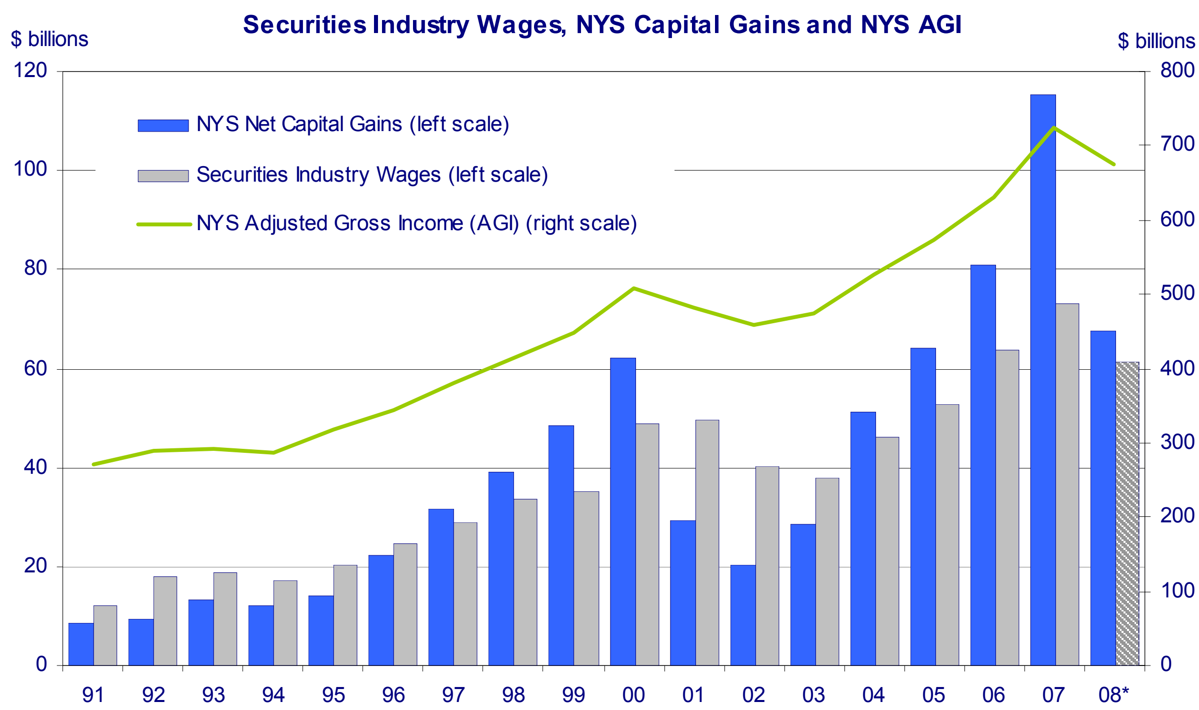
In NYS as a whole, the securities industry in 2009 accounted for 2.2 percent of total jobs, relatively unchanged from a decade earlier. However, the wages paid to those employees accounted for approximately 15.5 percent of total wages in 2007 and averaged 12 percent over the past ten years. Similarly, the securities industry accounted for 10.8 percent of total Adjusted Gross Income (AGI) in 2007 in NYS, up from 8.1 percent just a decade ago.

[7] Op. cit. 7, p. 1.



Sources: NYS Division of the Budget, NYS Department of Taxation, NYS Office of the State Comptroller.

The share of total taxes paid by Wall Street's workers is higher still. Between 2003 and 2007, the average compensation of securities industry employees grew nearly four times faster than wages in the rest of the City's economy.[8] Wall Street workers typically occupy the highest tax bracket, which further amplifies their importance to the fiscal health of state and local governments. Taxes on capital gains, which also reflect financial market oscillations, have also been significant contributors over the years – though clearly not under the dire market conditions of the past year.



Sources: NYS Division of the Budget, NYS Department of Taxation, NYS Department of Labor.
* Securities industry wages in 2008 are only for the first three quarters of the year.

[8] Op. cit. 7, p10.

Broader Economic Impact of Wall Street

Almost as important as the number of securities industry jobs is the spending by these highly compensated individuals employed by securities firms, as well as the spending by the securities firms themselves. A substantial portion of industry expenses (excluding interest payments and direct compensation) goes to local suppliers and vendors. The NYS Office of the State Comptroller estimated that each securities industry job in NYC generates roughly two additional City jobs in other industries.[9] According to this estimate, approximately 17 percent of total current private sector employment in NYC is related, either directly or indirectly, to the securities industry. The Commerce Department noted that publishing, accounting, marketing, legal, computer and business services companies all supply key inputs to financial firms and that fluctuations in Wall Street paychecks tend to influence the fortunes of the City's retail, restaurant and entertainment industries.

The industry also accounts for a disproportionate and expanding share of the local and state economies. Historically, the securities industry has been the engine of growth driving the NYC and NYS economies, although with the financial industry under transformation, this might not be so in the future. Over the past 10 years, growth in the securities industry has outpaced activity elsewhere in NYS as it achieved an average real rate of growth of more than 11 percent compared to real growth in the rest of the economy of less than 3 percent. During this period, the securities industry was responsible for roughly one-quarter of economic growth in NYS, and the industry's share of the total Gross State Product (GSP) of NYS rose from 7.4 percent to an estimated 8.5 percent, and an even larger share of activity in NYC.[10] While the future shape and size of the industry that will emerge from this downturn are very much up for debate, the securities industry will no doubt continue to be very significant to NYC and NYS employment and wages.

The Securities Industry's Importance to NYS and NYC Budgets

City and State budget planners are also acutely aware of the importance of the securities industry. Taxes paid by securities industry employees have accounted for a disproportionate share of total tax receipts, and this share has been rising in recent years as securities industry wages have grown in importance and as the real effective rate of taxation on personal income, particularly rates on the highest income brackets, increased to levels above their historical averages. "Wall Street profits and bonuses are critical to NYC's economic well-being because of the tax revenue the City collects from that income and job growth Wall Street stimulates within the metropolitan area. When Wall Street does well the City benefits."[11]

Four years ago NYC faced, "at least on paper, a $6.4 billion gap in its FY 2004," but the City ended that fiscal year with a surplus of $1.4 billion, realized in large part from a surge in tax revenues, principally from Wall Street. [12] In so doing, NYC "overcame its most serious fiscal challenge since the 1970s, a challenge that was precipitated by the recession, stock market decline, and the terrorist attack on the World Trade Center," according to then-State Comptroller Alan G. Hevesi. He went on to add that "more than half of the FY 2004 surplus comes from unanticipated tax revenues from increased Wall Street activity and real estate-

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9 Op. cit. 7, p. 12.

10 U.S. Department of Commerce, Bureau of Economic Analysis (BEA).

11 Alan J. Hevesi, New York State Comptroller, Press Release, "New York City Economy Improving, But Still Faces Many Risks," September 9, 2004.

12 Jesse Edgerton, Andrew F. Haughwout, and Rae Rosen, Federal Reserve Bank of New York, "Institutions, Tax Structure and State-local Fiscal Stress," *National Tax Journal*, Vol. LVII, No. 1, March 2004, p. 1.

related transactions."[13] This revenue surge carried into FY 2006 and FY 2007, although turmoil in the US subprime mortgage and credits markets has certainly lowered NYS and NYC anticipated tax revenue for FY 2009. Tax revenues for NYS in FY 2008 are estimated to decline by 0.4 percent from the previous year.[14]

At its peak in FY 2001, the securities industry contributed $2.3 billion to NYC tax revenues, equal to 16 percent of non-property tax revenues.[15] Taxes paid by securities industry employees accounted for the bulk of these revenues. During 2002, securities industry employees paid $3.02 billion to NYS and an additional $723 million to NYC in withholding taxes alone. Although they represented only 2.1 percent of the NYS workforce, withholding tax payments by securities industry employees represented 14.9 percent of all such collections that year by the State.

During 2003, industry compensation in NYS fell 5.3 percent, as base or fixed compensation dropped, reflecting layoffs in late 2002 and early 2003, while variable compensation, largely annual bonuses, was held in check. However, NYC collected an estimated $182.5 million in tax revenue from the 2003 bonuses, compared with the $125.4 million collected in 2002. NYS collected an estimated $805.2 million, which was up sharply from the $588.8 million a year earlier. Although the amount of taxes NYC and NYS took in from Wall Street bonuses in 2003 were significantly higher than the previous year, they remained well below the 2000 peak when NYC brought in $284 million and NYS collected $1.3 billion.[16] A similar pattern emerged in total personal income tax payments. In 2003, total withholding taxes paid by securities industry employees to NYC reached $732 million, up only 1.3 percent from a year earlier, while NYS collected $3.06 billion, a 1.5 percent increase from 2002.

In 2004, personal income taxes withheld by NYS from securities industry employees reached $3.82 billion, up 24.8 percent from 2003, and outpacing growth in all other sources of tax revenue, with the exception of revenue derived from the booming real estate sector. This reflects an increase in fixed compensation that was twice that of the growth in wages in the rest of the economy and a 27 percent increase in variable compensation. Securities industry employees accounted for 16.2 percent of total personal income tax withholdings in NYS in 2004.

In fiscal year 2005, personal income taxes withheld by NYS from securities industry employees rose to $4.28 billion, up 11.9 percent from the previous year. This reflected an increase in fixed compensation that was roughly twice the pace of growth in wages in the rest of the economy and continued increases in variable compensation. As a result, the share of total NYS PIT collections accounted for by securities industry employees continued to rise, reaching 17 percent in the fiscal year ending March 2006 and is estimated to have been over 20 percent in 2007.

Although signs of weakness in the credit and housing markets emerged in the second half of 2007, NYS had not been adversely affected yet. Despite Wall Street variable compensation declining 3.6 percent in 2007 from the prior year, it was enough to create approximately $2.3 billion in personal income tax revenue for NYS and $630 million for NYC, which was only slightly less than the amount collected in 2006.17 NYS adjusted gross income and wages rose 8.0 percent and 7.6 percent, respectively, in 2007 over 2006.

[13] Alan G. Hevesi, New York State Comptroller, Press Release, "City Will End 2004 With Surplus, Balanced Budget Seen in 2005," February 12, 2004, (www.osc.state.ny.us/press/releases/feb04/021204.htm).

[14] New York State Assembly Ways and Means Committee Staff, "New York State Revenue Report," February 2009, p. 8.

[15] DiNapoli, Thomas P., and Kenneth B. Bleiwas, "The Securities Industry in New York City," Report 5-2008, Office of the State Comptroller, October 2007, p. 7.

[16] Alan G. Hevesi, New York State Comptroller, "Wall Street Bonuses Rise for the First Time in Two Years," December 17, 2003, (http://www.osc.state.ny.us/press/releases/dec03/121703.htm).

[17] Thomas P. DiNapoli, New York State Comptroller, "Wall Street Bonuses Slip From 2006 Record," January 17, 2008, (http://www.osc.state.ny.us/press/releases/jan08/11708b.htm).

As problems in housing and credit markets spread throughout the global economy, the securities industry reported enormous losses in 2008, with some firms unable to withstand adverse conditions and many others forced to accept equity injections from the federal government. Even with all the chaos in the past year, NYS and NYC actually fared better than the national economy. Wall Street variable compensation fell to an estimated $18.4 billion in 2008, a 44 percent decline from $32.9 billion in 2007, but still the sixth largest amount historically.[18]

In the previous downturn variable, compensation declined by 50 percent over two years, and certainly no less of a decline is expected to occur this time around. As total compensation falls, securities industry related PIT revenues will decline as well. The drop in bonuses will cause personal income tax revenues of NYS and NYC to decline by nearly $1 billion and $275 million, respectively.[19] While Wall Street compensation, and therefore PIT collections, will certainly continue to decline this year, the industry remains a very important source of revenue for the State and the City. Even considering the dramatic fall in total compensation, securities industry related PIT is estimated to remain around 15 percent, similar to earlier in the decade.

New York State – Still Imposing One of the Heaviest Tax Burdens

In 2008, NYS ranked among the top three states in the U.S. with the highest total tax burden, at 11.7 percent, compared to the national average of 9.7 percent.[20] According to a survey of chief executive officers, of the best states in which to do business, New York placed last, which highlights the point that policymakers should be mindful of the impact of policies on the business environment.[21] Unfortunately, in an effort to close a $15.4 billion gap in fiscal year 2010, proposals for new taxes and fees appears imminent.[22]

Technological advances, cost advantages and business continuity planning concerns have all contributed to greater geographic dispersion of many key functions which previously had been conducted primarily in NYC. Some of this deterioration is beyond the control of Albany or City Hall – but not all. New York's high tax-rate standing is believed to contribute to the bulk of the industry's new job creation occurring outside NYC over the past two decades. Further rate increases are likely to incur costs for NYC in terms of a fall in commercial occupancy rates, lost revenues and lost jobs.

[18] Thomas P. DiNapoli, New York State Comptroller, "Wall Street Bonuses Fell 44% in 2008," January 28, 2009, (http://www.osc.state.ny.us/press/releases/jan09/012809.htm).

[19] Op. cit. 20.

[20] Prante, Gerald, "State-Local Tax Burdens Dip As Income Growth Outpaces Tax Growth: New Jersey's Citizens Pay the Most, Alaska's Least," Tax Foundation, August 2008, No. 163, (http://www.taxfoundation.org/files/sr163.pdf).

[21] "CEOs Weigh In On Best, Worst States To Do Business," *Chief Executive*, December 2007 (http://www.chiefexecutive.net/ME2/dirmod.asp?sid=&nm=&type=Publishing&mod=Publications%3A%3AArticle&mid=8F3A7027421841978F18BE895F87F791&tier=4&id=825A023151814D3080CA036D026E6E69). According to the survey "the majority of CEOs in New York called for lower taxes, less regulation and less government spending as well as more business-friendly policies."

[22] Lovett, Kenneth and Glenn Blain, "Gov. David Paterson Unveils Dire New York State Budget that Includes New Taxes, Layoffs and Cuts," *The New York Daily News,"* December 17, 2008, (http://www.nydailynews.com/ny_local/2008/12/16/2008-12-16_gov_david_paterson_unveils_dire_new_york.html).

New York Must Stay Alert to Remain Competitive

Following a particularly tumultuous year for firms in the securities industry, market conditions improved in the first quarter of 2009, largely due to programs set up by the government. In early January the Federal Reserve began purchasing mortgage-backed securities to support the mortgage and housing markets. Later that month, and two weeks after Bank of America's purchase of Merrill Lynch closed, an additional $20 billion of capital was provided by the Treasury. In mid-April most financial firms, including Citigroup and JPMorgan Chase, surprised many investors by reporting better than expected results for the first quarter. After reporting a $1.8 billion profit, Goldman Sachs announced that it would begin to repay the government money that it had received. Currently, only 12 banks have repaid the Treasury from bailout funds received. A month later the U.S. government stress test revealed that 10 of the 19 banks tested required a combined $74.6 billion in additional capital and that Bank of America needs the most ($33.9 billion).[23]

These changes have also brought a new awareness of the critical importance of operating costs and of controlling all costs in a competitive and uncertain atmosphere. New York has higher rent, labor, tax and other costs of doing business than most other locations. Although that has long been the case, the cost disadvantages are far more significant in today's environment of dire market conditions, severe recession, intense competition, borders that are being rendered meaningless by technological developments, and rapid change in the fiscal and monetary policies.

Summing Up

Today, the main advantage of New York as a central location for the securities industry results from New York's historic role as the world's leading financial center. New York has an unmatched mass of financial and non-financial businesses and services that both use the expertise and opportunities afforded by the securities industry and provide support for firms in the industry. The fragility of these businesses, however, cannot be overstated at this time.

The health of the securities industry and New York are closely tied. The securities industry – firms, exchanges, and associations like SIFMA – work closely in partnership with state and local officials, as we all recognize how much Wall Street means to Main Street.

New York must continue to recognize the relative importance of the securities industry to the State and City. Costs, including taxes, are foremost in the consideration of top management throughout the private sector, including the securities industry, when it comes to decisions concerning expansion and relocation, competitive pressures force firms to take the best economic approach. Continuing changes in communications and information technology and the ongoing need for business continuity planning will also drive change, which will in turn lead management to seek economic value in their choice of business location.

In the late 1980s and early 1990s, the statement that "Wall Street is to New York what oil is to Texas" gained little acceptance with State and City policymakers. Today, policymakers easily accept this same statement. The securities industry keenly recognizes and appreciates this, and stands ready, as always, to assist State and City policymakers in the future, be they difficult or prosperous times for both the financial sector and the local and regional economy.

Paul Rainy
Research Analyst

Kyle Brandon
Managing Director, Research

[23] For a fuller timeline, a summary of the events are provided in an appendix to this report.

SECURITIES INDUSTRY EMPLOYMENT
(in thousands; SIC Codes US and NY thru 1991, NAICS 92 on)

Year End	U.S.	Change From Prior Year (U.S.)	N.Y. State	Change From Prior Year (N.Y. State)	N.Y. State as % of U.S.	N.Y. City	Change From Prior Year (N.Y. City)	N.Y. City as % of N.Y. State	N.Y. City as % of U.S.
1973	182.1	-9.6%	77.4	-15.1%	42.5%	74.5	-15.0%	96.3%	40.9%
1974	167.1	-8.2%	69.0	-10.9%	41.3%	66.1	-11.3%	95.8%	39.6%
1975	171.3	2.5%	69.4	0.6%	40.5%	67.0	1.4%	96.5%	39.1%
1976	177.4	3.6%	72.8	4.9%	41.0%	70.1	4.6%	96.3%	39.5%
1977	183.4	3.4%	73.3	0.7%	40.0%	70.2	0.1%	95.8%	38.3%
1978	194.3	5.9%	77.0	5.0%	39.6%	73.7	5.0%	95.7%	37.9%
1979	214.2	10.2%	82.1	6.6%	38.3%	78.4	6.4%	95.5%	36.6%
1980	243.7	13.8%	94.8	15.5%	38.9%	90.0	14.8%	94.9%	36.9%
1981	267.0	9.6%	105.0	10.8%	39.3%	99.6	10.7%	94.9%	37.3%
1982	283.8	6.3%	108.9	3.7%	38.4%	102.7	3.1%	94.3%	36.2%
1983	328.3	15.7%	125.0	14.8%	38.1%	117.5	14.4%	94.0%	35.8%
1984	341.1	3.9%	129.2	3.4%	37.9%	121.7	3.6%	94.2%	35.7%
1985	367.5	7.7%	137.6	6.5%	37.4%	130.0	6.8%	94.5%	35.4%
1986	417.1	13.5%	157.1	14.2%	37.7%	148.8	14.5%	94.7%	35.7%
1987	456.3	9.4%	172.7	9.9%	37.8%	163.0	9.5%	94.4%	35.7%
1988	438.7	-3.9%	160.3	-7.2%	36.5%	150.4	-7.7%	93.8%	34.3%
1989	426.9	-2.7%	154.1	-3.9%	36.1%	144.0	-4.3%	93.4%	33.7%
1990	417.4	-2.2%	143.5	-6.9%	34.4%	133.9	-7.0%	93.3%	32.1%
1991	424.1	1.6%	139.5	-2.8%	32.9%	129.6	-3.2%	92.9%	30.6%
1992	485.9	14.6%	157.2	12.7%	32.4%	145.7	12.4%	92.7%	30.0%
1993	531.5	9.4%	170.0	8.1%	32.0%	157.4	8.0%	92.6%	29.6%
1994	560.2	5.4%	178.0	4.7%	31.8%	165.0	4.8%	92.7%	29.5%
1995	568.8	1.5%	177.4	-0.3%	31.2%	163.0	-1.2%	91.9%	28.7%
1996	608.3	6.9%	179.3	1.1%	29.5%	164.9	1.2%	92.0%	27.1%
1997	659.9	8.5%	190.2	6.1%	28.8%	176.3	6.9%	92.7%	26.7%
1998	711.0	7.7%	196.7	3.4%	27.7%	182.1	3.3%	92.6%	25.6%
1999	766.4	7.8%	205.8	4.6%	26.9%	190.5	4.6%	92.6%	24.9%
2000	836.9	9.2%	216.7	5.3%	25.9%	200.3	5.1%	92.4%	23.9%
2001	810.2	-3.2%	184.1	-15.0%	22.7%	167.4	-16.4%	90.9%	20.7%
2002	770.7	-4.9%	181.7	-1.3%	23.6%	165.6	-1.1%	91.1%	21.5%
2003	755.3	-2.0%	178.6	-1.7%	23.6%	162.9	-1.6%	91.2%	21.6%
2004	779.1	3.2%	186.2	4.3%	23.9%	167.8	3.0%	90.1%	21.5%
2005	797.5	2.4%	194.1	4.2%	24.3%	173.9	3.6%	89.6%	21.8%
2006	834.6	4.7%	202.7	4.4%	24.3%	182.2	4.8%	89.9%	21.8%
2007	857.3	2.7%	210.6	3.9%	24.6%	189.0	3.7%	89.7%	22.0%
2008	840.8	-1.9%	200.5	-4.8%	23.8%	178.3	-5.7%	88.9%	21.2%
Jan:07	834.2	4.5%	201.0	4.3%	24.1%	181.0	4.7%	90.0%	21.7%
Feb:07	837.8	4.1%	201.8	4.0%	24.1%	181.6	4.4%	90.0%	21.7%
Mar:07	840.7	4.0%	202.1	3.9%	24.0%	181.8	4.1%	90.0%	21.6%
Apr:07	838.7	3.4%	202.6	4.2%	24.2%	181.8	4.2%	89.7%	21.7%
May:07	843.3	3.9%	203.2	4.2%	24.1%	182.3	4.1%	89.7%	21.6%
June:07	850.9	4.6%	209.1	4.6%	24.6%	187.6	4.2%	89.7%	22.0%
July:07	853.2	4.0%	212.8	4.4%	24.9%	191.2	4.3%	89.8%	22.4%
Aug:07	854.7	3.8%	213.0	4.1%	24.9%	191.8	4.0%	90.0%	22.4%
Sept:07	854.0	3.6%	208.8	4.0%	24.4%	187.8	3.9%	89.9%	22.0%
Oct:07	857.1	2.9%	209.9	4.4%	24.5%	188.6	4.3%	89.9%	22.0%
Nov:07	860.7	3.0%	210.6	4.2%	24.5%	189.2	4.1%	89.8%	22.0%
Dec:07	857.3	2.7%	210.6	3.9%	24.6%	189.0	3.7%	89.7%	22.0%
Jan:08	857.0	2.7%	209.2	4.1%	24.4%	187.5	3.6%	89.6%	21.9%
Feb:08	863.3	3.0%	208.9	3.5%	24.2%	187.2	3.1%	89.6%	21.7%
Mar:08	868.4	3.3%	207.6	2.7%	23.9%	185.9	2.3%	89.5%	21.4%
Apr:08	867.0	3.4%	206.8	2.1%	23.9%	184.9	1.7%	89.4%	21.3%
May:08	863.1	2.3%	206.0	1.4%	23.9%	184.0	0.9%	89.3%	21.3%
June:08	869.6	2.2%	209.3	0.1%	24.1%	187.2	-0.2%	89.4%	21.5%
July:08	863.4	1.2%	212.7	0.0%	24.6%	190.5	-0.4%	89.6%	22.1%
Aug:08	864.6	1.2%	213.3	0.1%	24.7%	191.2	-0.3%	89.6%	22.1%
Sept:08	849.5	-0.5%	203.8	-2.4%	24.0%	182.2	-3.0%	89.4%	21.4%
Oct:08	846.3	-1.3%	204.3	-2.7%	24.1%	182.0	-3.5%	89.1%	21.5%
Nov:08	844.2	-1.9%	201.1	-4.5%	23.8%	179.1	-5.3%	89.1%	21.2%
Dec:08	840.8	-1.9%	200.5	-4.8%	23.8%	178.3	-5.7%	88.9%	21.2%
Jan:09	823.8	-3.9%	192.2	-8.1%	23.3%	173.3	-7.6%	90.2%	21.0%
Feb:09	818.6	-5.2%	191.2	-8.5%	23.4%	172.3	-8.0%	90.1%	21.0%
Mar:09*	812.0	-6.5%	188.5	-9.2%	23.2%	169.2	-9.0%	89.8%	20.8%

*Preliminary

Sources: US Department of Labor, Bureau of Labor Statistics; New York State Department of Labor

Appendix: 2008 – 2009 Highlights

2008

March 17	Bear Stearns Acquired by JPM with $30B Federal Reserve Support
July 23	Housing and Economic Recovery Act Passed • Creates Hope For Homeowners Program: $300B FHA refinancing program, requires holders to write down mortgages to max 90% LTV; merges OFHEO and FHFB into Federal Housing Finance Authority
September 7	Fannie and Freddie Placed into Conservatorship • Preferred stock purchase program, $200B total support • GSE credit facility for Fannie, Freddie, FHL Banks
September 15	Merrill Lynch Sold to Bank of America; Lehman Brothers Files for Chapter 11 Bankruptcy
September 16	Primary Market Reserve Money Market Fund "Breaks the Buck"; Barclays Acquires Lehman
September 17	Federal Reserve Lends $85B to AIG, Takes 79.9% Ownership
September 18–19	Treasury Makes Public TARP proposal; Federal Reserve Creates Money Market/ABCP Facility; UK FSA and US SEC Bans Short-Sales
September 21	Goldman Sachs and Morgan Stanley to become Bank Holding Companies
September 25	WaMu placed into receivership; sold to JPM Chase
September 29	US EESA fails; European Bailouts • United States EESA (TARP) bill defeated in House of Representatives 228-205; • Iceland nationalizes Glitnir; UK nationalizes Bradford & Bingley; Belgian, Dutch, and Luxembourg governments nationalize Fortis; Germany injects €35B in credit guarantees to Hypo Real Estate
September 30	Ireland first country to fully guarantee all deposits/debt; additional European bailouts
October 3	Congress Passes EESA • Implements TARP, $250B/$100B/$350B tranches; FDIC deposit guarantee increased to 250k
October 6-7	Fed to Pay Interest on Bank Reserves, Creates Commercial Paper Funding Facility; EU raises bank guarantee to €50,000
October 8	Coordinated Global Central Bank Rate Cuts of 50bps; UK Announces Direct Equity Purchases/Bank Loan Guarantees
October 13	Fed Expands Currency Swap Lines with European Nations and Japan to unlimited amounts
October 14	US Announces $250B Capital Purchase Program • Preferred Equity/Warrant Purchases from 9 large banks totaling $125B; Smaller banks eligible for other $125B; FDIC to guarantee senior unsecured debt up to 3yrs and all non interest bearing transactional accounts
October 24	US Treasury begins Capital Purchase Program Injections

October 29	Federal Reserve opens swap lines with emerging market nations
November 4	Barack Obama Wins Presidential Election
November 10	Treasury and Federal Reserve Revise AIG Package; China passes $586B stimulus plan; Fannie Mae reports $29B Loss • Treasury supplies $40B capital for preferred shares; Federal Reserve creates facility for RMBS & CDOs, reducing credit facility to $60B
November 12	Treasury Secretary Paulson Discontinues TARP plan to buy assets
November 14	FHFA & Hope Now, FDIC Publish Loan Modification Frameworks; Freddie Mac Reports $25.3B Loss, Requests $13.8B from Treasury
November 20	Fannie Mae and Freddie Mac to Suspend Foreclosures to January 2009 to implement loan modification framework
November 23	Treasury, FDIC, Federal Reserve Bails Out Citigroup • Gov't provides insurance on $306B of loans backed by real estate; Citi to take first $29B (+reserves) in losses and share rest with government; Citi to also implement FDIC/IndyMac loan modification plan; Citi also to receive additional $20B TARP funds for preferred stock
November 25	Federal Reserve, Treasury Announce TALF, $600B GSE Purchase Programs • Term ABS Liquidity Facility (TALF): $200B facility to provide financing for ABS investors, may expand to MBS • Federal Reserve to purchase $100B GSE debt, $500B MBS
December 1	US National Bureau of Economic Research declares US to be in recession since January 2008
December 11-14	$14B auto plan fails in Senate; Bernie Madoff arrested for $50B Ponzi scheme; Ecuador defaults; Ireland to support €10B recapitalization program for Irish credit institutions; Swiss National Bank cuts rates to 0 – 1%
December 16	Federal Reserve cuts rates to 0 - .25%
December 19	Bank of Japan cuts rates to .1%; US Treasury announces $13.4B bridge loan to GM & Chrysler from TARP funds
December 29	US Treasury announces $5B TARP investment in GMAC

2009

January 5	New York Federal Reserve begins purchasing GSE agency-backed mortgage securities
January 16	Treasury, Federal Reserve & FDIC announce additional Bank of America aid • FDIC to provide protection against $118B of loans; Treasury to invest an additional $20B in BoA
January 20	Inauguration of President Barack Obama
February 10	Treasury Secretary Timothy Geithner Outlines Financial Stability Plan
February 17	President Obama signs $787B stimulus package
February 18	President Obama announces the Homeowner Affordability and Stability Plan

February 26 RBS enters into UK's Asset Protection Scheme

- UK provides protection for £325B in assets; RBS to take first loss of £19.5B; losses shared 90%/10% gov't/bank

March 2 AIG restructuring by the US

- $40B preferred shares exchanged for new preferred shares of 77.9% interest; new $30B Treasury drawdown facility; new $8.5B Federal Reserve facility for life insurance policies

March 3 Federal Reserve & Treasury launch Term Asset-Backed Securities Loan Facility

March 4 Obama Administration unveils Making Home Affordable Program

- Home Affordable Refinance program: refinancing GSE mortgages for 4-5 million homeowners;
- Home Affordable Modification program: reduction of monthly mortgage payments through loan modification

March 5 Bank of England announces buyback of gilts

March 7 Lloyds enters into UK's Asset Protection Scheme

- UK to provide protection on £260B in assets; HBOS to take £25B first loss with losses shared 90%/10% gov't/bank

March 9 Federal Home Loan Bank of Seattle "breaks the buck" & falls below capital regulatory requirements; ICE Trust begins clearing CDS in North America

March 18-19 Federal Reserve to purchase additional $750B in agency mortgage-backed securities, $100B in agency direct obligations, $300B in longer-term Treasury securities; Treasury to provide up to $5B in financing to auto suppliers

March 20 National Credit Union Administration places US Central Federal Credit Union and Western Corporate Federal Credit Union into Conservatorship

March 23 Treasury, FDIC, Federal Reserve announces details of Public-Private Partnership Investment Program

- FDIC: legacy loans PPIF; Treasury: securities PPIF; Federal Reserve: expansion of TALF to legacy assets

March 26 Treasury Secretary Timothy Geithner proposes comprehensive overhaul of financial system

April 2 World leaders pledge $1.1 trillion to International Monetary Fund

April 30 Chrysler files for bankruptcy

May 7 U.S. government stress test is released

- 10 of the 19 banks tested require additional capital of $74.6 billion

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