

LISTED COMPANIES DISCOVER A NEW BREED OF RELATIONSHIP MANAGERS WITH NYSE SPECIALISTS.

Stand By Me

These initiators of trust focus on service.

It's hours before the opening bell, and the client-service teams at the nine NYSE specialist firms are abuzz, monitoring the latest financial news and overseas markets and keeping companies and specialists abreast of details that will affect the trading day. Before the 9:30 a.m. bell, hundreds of phone calls, e-mails and faxes are exchanged between the firms and their customers—the NYSE's nearly 3,000 companies—containing answers to market-related questions even before they are asked.

But these newsroom-like offices are relatively new to Wall Street. Before 1997, when the NYSE changed its rules so that newly listed companies could choose their specialist from a pool of as many as five firms, competition among them was limited: Each firm was assigned stocks to trade.

Today the firms have boosted their competitive efforts and are more focused than ever on long-term customer relationships, built by delivering the highest level of service. "When customers want accountability and answers, they get it from their specialists, an attentive group of individuals dedicated to promoting the

agency-auction market," says Chris Quick, CEO of Fleet Meehan Specialist, a **FleetBoston Financial Corp. (FBF)** company.

Eyes and Ears of the Market

Specialists bring together buyers and sellers, provide brokers with the best bids and offers, negotiate prices and execute trades, and act as principals in about 25% of trades (only when no public buyers or sellers exist). They also provide a source of real-time information not available elsewhere. Since all order flow for a listed stock is centralized at their posts, specialists can gauge market sentiment, provide insight into the brokerage firms trading the stock and, with the help of their "upstairs" client-service teams, offer some likely explanations for market behavior. They can reveal whether short selling or program trading is affecting a stock, or whether a single large buy or sell order is lurking in the crowd.

"It used to be that when a company saw something unusual on the tape they'd call the specialist firm to find out what went on," says Robert Fagenson, vice chairman of Van der Moolen Specialists USA, a unit of **Van der Moolen Holding N.V. (VDM)**. "These days it's the companies' phones that ring first." Adds Jeff Benton, COO of Performance Specialist Group: "The only function specialists had 15 years ago was to trade stocks on the floor. Today we have to be communicators."

Fleet Meehan Specialist Dave Finnerty, who trades **General Electric Co. (GE)**, the NYSE's largest listed company and most active stock, clearly knows the job's

demands. "Not only do you have to be able to communicate information efficiently and effectively, you have to be able to provide deep, liquid markets, to be knowledgeable about the company's fundamentals and have a strong background in markets and how they react," he says. According to Rob Moores of GE Asset Management, "It takes a talented and forceful specialist to make a market in GE's stock that meets the chairman's high standards."

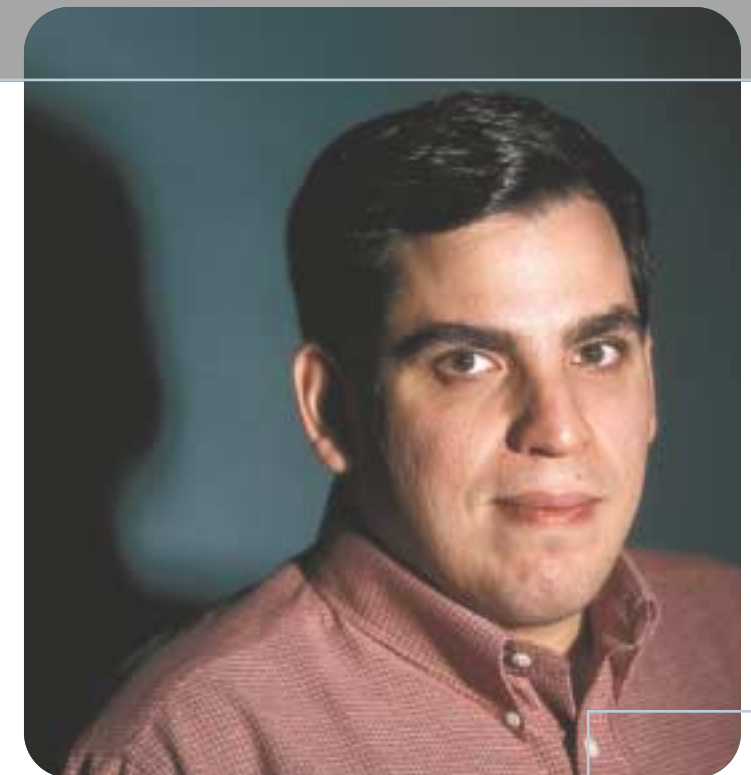
Customized Communications

Most specialist firms communicate with clients based on how often they want to be contacted and with what types of information. "Whether our contact is twice a day or twice a week, our ultimate goal is to provide customers with the market intelligence they need to better manage their investor relations programs," says John S. Hess of Susquehanna Specialists.

Chris Durkin, group director of business development for **LaBranche & Co. Inc. (LAB)**, stresses that service goes beyond communicating who bought and sold stock. "Too many people treat service as a commodity," he says. "We view it as a customized personal relationship."

"Not only has our trading quality improved, but we are extremely pleased with how client-service-oriented LaBranche has been," says Neil Yekell, IR director at **BMC Software Inc. (BMC)**, who has spoken with his specialist every day since the company transferred to the NYSE in March.

This level of service differs from that of a dealer market, where order flow is fragmented and market makers have no



bmcsoftware

"We looked at data pre- and post-listing and found that our trading quality has definitely improved."

—Neil Yekell, director of investor relations, BMC Software Inc.



When choosing a specialist, **Andrea Shaw Resnick**, divisional vice president, investor relations, Coach Inc., liked the fact that Van der Moolen also traded industry peer Tiffany & Co.

In fact, many firms help their customers, including a growing number from outside the U.S., expand their investor bases. “For international companies the question becomes, ‘How do we penetrate the U.S. marketplace?’ And that’s what we help them to do,” says William Hayes, a partner at Walter N. Frank & Co. For example, his firm helps arrange meetings between listed companies and the ADR banks and works with the companies’ investor-relations consultants and “stock watch” firms.

Educated Customers

In addition to providing fundamental and technical analysis, the firms offer educational opportunities such as annual client conferences and mock-trading sessions on the NYSE floor. For example, specialists and members of the client-service team of Wagner Stott Bear Specialists regularly host events in Washington, D.C., Chicago, San Francisco and Los Angeles. “Through our educational programs, our customers gain a deep understanding of the specialist’s role, the marketplace dynamics and our service offerings,” says Lori Shupak, senior vice president of client services.

Companies can also invite their specialists to speak internally. Andrea Shaw Resnick, divisional vice president of investor relations for **Coach Inc. (COH)**, asked Van der Moolen’s Fagenson and specialist Steve Rubenstein to speak with senior management. “They were terrific at explaining the specialist’s role in keeping the market orderly and the factors that cause volatility,” she says. One of the reasons Coach chose Van der Moolen when the luxury goods company went public last year, she notes, was the fact that it also traded industry peer **Tiffany & Co. (TIF)**. “It was clear they understand the business.”

Ultimately, listed companies should “think of the specialist as a positive adjunct to the company,” says Fagenson. “Companies make a product or deliver a service that they feel is high quality, and their market maker is doing the same thing for their shareholders.” □

uptick for them upon listing.”

“When we were on Nasdaq, there was no human being we could call who was talking to people holding the orders,” says Ken Simril, vice president of investor relations for **Global Crossing Ltd. (GX)**, a Spear, Leeds & Kellogg stock. “Much of the volatility with technology issues is based on that information presented in the marketplace, which is distilled in a two-minute conversation with your specialist. That snapshot is really what you’re looking for at the end of the day.”

Bill Stewart, chairman and CEO of the global asset-management firm **W.P. Stewart & Co., Ltd. (WPL)**, finds the information from his Van der Moolen specialist “very valuable in developing a perspective on investor attitudes toward our company.” He adds that an important factor in choosing Van der Moolen was the firm’s global presence.