MONEY & INVESTING
THE WALL STREET JOURNAL.

Weakened NYSE Must Face Challenges

Ahead Of the Tape

—Today's Market Forecast—

By JESSE EISINGER

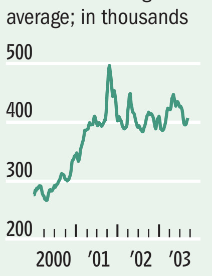
Claim It and It Will Come

■ **Economists yet again predict that weekly jobless claims will fall today. Instead, they've been rising for three weeks now and have gone back over the 400,000 level, which economists consider significant.**

Keep predicting it and one day you'll be right. Claims are seen falling by 12,000 to 410,000, after last week's rise of 3,000 to 422,000. (The rises have been understated in the past few weeks because there's been a pattern of the week-earlier numbers being revised upward.) This trend is disconcerting, even to the bulls, but won't change minds about the outlook unless the job losses persist.

The mood is more optimistic now, partly because of the positive spin placed on this week's Manpower survey on corporate-hiring intentions. Despite some misleading conclusions that the news was good, it actually was mixed to weak. The percentage of firms expecting to hire in the fourth quarter was down year over year, while the percentage of firms expecting to reduce staff increased.

Jobless
Weekly jobless claims, four-week moving average; in thousands



Source: Thomson Datastream

If jobless claims come in weak again, that will suggest that payrolls will drop again in September.

The bulls say that employment is about to turn and that since all the other good things they have been predicting have come true—among them the profits recovery and the increases in capital spending—people should believe them on this, too.

Cheesestake

■ **The Philadelphia Fed puts out its survey on manufacturing activity, an early read on the last month of the third quarter.**

Economists are looking for a decline to 17 in September after the index soared to a five-year high of 22.1 in August.

The components, such as orders, shipping and employment, weren't as strong as the headline figure, points out Merrill Lynch economist David Rosenberg. With manufacturing clearly on the rebound, the question is just how sizzling and sustainable it will be.

Please send comments and questions to tape@wsj.com and check Mondays for selected letters at WSJ.com/Tape.

—Inside—

■ **Heard on the Street:** Did a leak of a medical study this week allow investors to unload shares in Johnson & Johnson?
(Article on page C3.)

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■ **Deals & Deal Makers:** Bumping up its private-equity assets, Lehman Brothers will buy Crossroads Group of Dallas.
(Article on page C5.)

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■ **Credit Markets:** Treasury traders can no longer worry just about Treasurys.
(Article on page C15.)

MONEY & INVESTING INDEX

SEC Is Investigating Governance, And Rivals May Seek to Capitalize; Delicate Framework in Question

By SUSANNE CRAIG And KATE KELLY

IT TOOK 36 YEARS for Dick Grasso to build his prominent career at the **New York Stock Exchange**. It took two hours for it to formally end.

Late yesterday, at an emergency board meeting, the chairman and chief executive told directors meeting by phone that he was willing to resign, if asked, because the furor over his $187.5 million compensation package, including $48 million he had agreed last week to forgo under pressure from the board, had become too much of a distraction for the Big Board. The Wall Street Journal reported the existence of Mr. Grasso's pay package in May. Details were made public by the Big Board in late August.

Shortly before 4:15 p.m. Eastern time yesterday, NYSE directors, including a number of Wall Street's most powerful CEOs, logged on to a conference call. They knew what was coming. As early as 2 p.m., Mr. Grasso and his advisers had begun calling board members, telling them he planned to tender his resignation at an emergency board meeting. Some expected the meeting to be as brief as a half hour.

William Harrison, the head of J.P. Morgan Chase & Co., jumped directly into a discussion about Mr. Grasso's leadership, running through an almost laundry-like list of reasons why Mr. Grasso must resign. "This is about the integrity of the exchange," he said, according to two directors who were on the call.

Several influential directors backed him up, including Henry Paulson Jr., the head of Goldman Sachs Group Inc. and one of the Wall Street CEOs who over the past week has been discussing the possibility of Grasso's resignation with his fellow directors. Andrea Jung of Avon Products Inc. also voiced concern about the damage to the exchange, as did Madeleine Albright, a former Secretary of State, who has been lobbying behind the scenes for change.

But Mr. Grasso wasn't without supporters. Several spoke up, including Kenneth Langone, who was chairman of the 27-member board's compensation committee for many of the years Mr. Grasso received big payouts, and James Cayne, chairman and CEO of Bear Stearns Cos. One director even suggested the entire board resign and Mr. Grasso remain because it was the board that awarded his compensation.

"I don't want issues related to me to get in the way of the exchange," Mr. Grasso told directors at one point during the meeting, according to a person familiar with the matter. He said "he was prepared to tender his resignation, if the board were to ask for it," said H. Carl McCall, the NYSE director who chairs the compensation committee and co-chairs the special committee on governance.

Mr. Grasso stepped off the call and directors put the question to a vote. Thirteen wanted to accept his resignation. Seven didn't. (The remaining directors were either absent or didn't vote.) Mr. McCall delivered the news to Mr. Grasso.

Much of the discussion at the meeting focused on who would lead the Big Board. Even the directors who had been asking for his resignation didn't have a successor set.

Herbert M. Allison Jr., chairman of institutional-investor group TIAA-CREF and a Big Board director, has rebuffed an approach to become the NYSE's interim chairman, according to a person familiar

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Highs and Lows for a NYSE Lifer

After years spent working his way up the management chain at the New York Stock Exchange, and becoming the first member of management to be elected president, Dick Grasso finally became the Big Board's chairman in June 1995. His tenure was marked by a record-breaking market rally, structural change and scandal on Wall Street—and a sudden toppling over his high pay.


AP

In this 1989 photo, **Mr. Grasso,** *then NYSE president (left) poses with L.A. Gear Chairman Robert Y. Greenberg (center) and NYSE floor-trading executive J. Gregory Gavin.*

His Roots

Age 57

Grew up in Jackson Heights, Queens in New York City

1966–68 Served in the Army

At the NYSE

1968 Joined the exchange.

1988 Named president and chief operating officer. While president, he would serve under William Donaldson, who now is Securities and Exchange Commission chairman.

Outside Interests

Had served on the board of Home Depot Inc., but was forced to give that up amid recent crackdown on corporate governance.

He also served as the vice chairman of the National Italian American Foundation and various other posts.

His Best & Worst Moments

Best

- Being named chairman, after Mr. Donaldson left, completing a nearly 30-year trek through the NYSE's management ranks
- Reopening the exchange, four trading days after the Sept. 11, 2001, terror attacks. Was among the New York officials credited with keeping calm.

Worst

- Criticized for composition of the NYSE board, which he had much power over—including the resignation of **Martha Stewart** ▼ during her trading scandal, and the forced withdrawal of Citigroup's Sanford Weill, whom Mr. Grasso championed during the stock-research scandal as a representative of the "public."

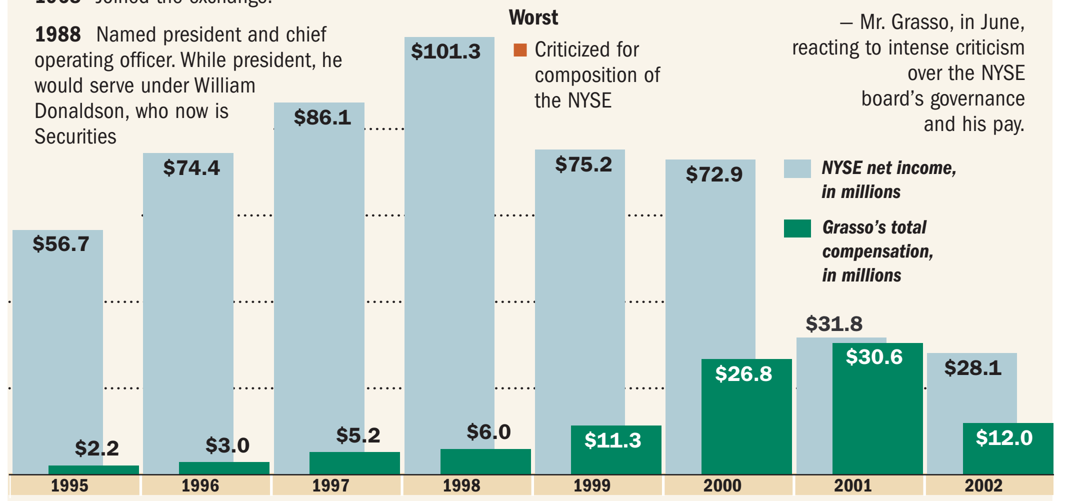

Reuters/NewsCom

- Developed an adversarial relationship with the media. Was criticized for banning reporters from Arab TV station Al Jazeera from the trading floor.

He Said It

"Even the great Cy Young lost a few."

— Mr. Grasso, in June, reacting to intense criticism over the NYSE board's governance and his pay.



Note: Totals for 2000 and 2001 include a $5 million special payment; Mr. Grasso relinquished the 2000 payment last week. Source: NYSE

How Much Severance Pay Is Enough?

By THEO FRANCIS

HOW MUCH MORE money will Dick Grasso walk away with?

That depends on whether the chairman of the New York Stock Exchange, who yesterday tendered his resignation amid the furor over his $139.5 million retirement-compensation package, quit on his own, left for "good reason" or was fired by the board—a distinction that could make a difference of millions of dollars in severance pay.

Yesterday evening, the exchange said Mr. Grasso, 57 years old, offered to resign if requested by the board; the board then asked for and accepted his resignation. Compensation consultants say that that chain of events could let Mr. Grasso argue he was removed without cause. Any dispute about the cause of Mr. Grasso's departure would go to an arbitration panel, under terms of his employment contract.

If he can show he was removed without cause, he would be entitled to his $2.4 million annual salary and bonus for the full term of his contract, which runs through May 2007, or about $8.8 million; the pay would be reduced somewhat to reflect the interest he would have a chance to earn because he will receive the payments in advance. He would also get other perks, including free health care for life.

"I would suspect that he'd take the position,

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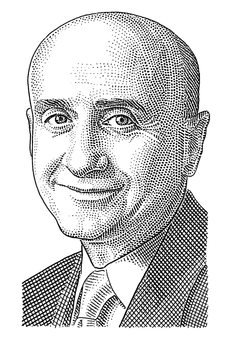
Grasso, Who Wanted to Be a Cop, In the End Showed That He Knew When It Was Time to Surrender

By KATE KELLY And SUSANNE CRAIG

New York

DICK GRASSO was exhausted when he stepped into Nino's, an Italian restaurant in Manhattan, late last Thursday on the two-year anniversary of the Sept. 11 terrorist attacks. The New York Stock Exchange chief soon became energized when patrons cheered him and Nino's pianist launched into "God Bless America." Perched in front of the baby-grand piano, Mr. Grasso, hand on his heart, joined in and led the crowd in a patriotic tribute.

Behind the scenes, however, others were joining a different chorus—calls for Mr. Grasso to resign. A number of key constituencies were outraged over the disclosure of Mr. Grasso's large compensation package in late August, including a retirement package of $139.5 million and a $5 million bonus for his work to open the NYSE after the terror attacks.


Dick Grasso

Late yesterday, Mr. Grasso—a legendary fighter who had climbed from a clerk's position to the very top of the NYSE during a 36-year career—heeded those calls and said he would resign as the NYSE's chairman and chief executive.

Mr. Grasso's resignation caps one of the most gripping dramas in the 211-year history of the Big Board. For more than two weeks, calls for his ouster spread from the floor of the NYSE to large institutional investors, including the influential California public-employees pension funds. By yesterday, politicians, including Senators John Edwards and Joseph Lieberman, both Democratic presidential hopefuls, were joining the chorus. For members of the NYSE board, the cacophony finally became too much, culminating in a vote to ask for Mr. Grasso's resignation last night.

The upheaval at the NYSE comes at a pivotal time for the financial markets, just as the nation and investors emerge from an unprecedented period of corporate fraud that has rocked the economy. A recovery has begun and financial markets have recorded solid gains since the beginning of the year. But most strategists consider the investment climate still fragile.

Mr. Grasso never intended to work in finance. Growing up in the Jackson Heights section of New York's Queens borough, he aspired to be a police officer, but bad eyesight kept him off the force. In an interview five years ago in New York's Daily News, Mr. Grasso recalled that his mother chastised him years later, calling him "stupid," and saying that if he had only passed the eye test, he could have had a better career. He dropped out of the New York area's Pace University after two years and joined the army—earning a sharpshooter badge and a good-conduct medal—before joining the Big Board.

His first job, in 1968, was clerk in the exchange's stock-listing department, paying $80 a week. His rise was swift. After nine years, he was

Please Turn to Page C12, Column 1

Arkansas Rulings May Hurt Reputation Of Pricewaterhouse

A PAIR OF JUDICIAL ORDERS sanctioning **PricewaterhouseCoopers** LLP for misconduct in a civil lawsuit here cast a harsh spotlight on the accounting firm and its top U.S. partner, Chairman Dennis Nally, as well as their recent efforts to restore public trust in the firm.

The orders by Miller County Circuit Court Judge Kirk D. Johnson include findings of documented

By ***Jonathan Weil*** *in Texarkana, Ark., and* ***Cassell Bryan-Low*** *in New York*

ment destruction by the firm and misrepresentations by the firm to the court about Mr. Nally's knowledge of the facts underlying the suit. The findings prompted Judge Johnson to sanction PricewaterhouseCoopers $50,000 in a March 28 order for engaging in a "systematic course of conduct intended to obstruct the discovery process."

A PricewaterhouseCoopers spokesman yesterday said Mr. Nally was unavailable to comment.

Sanctioned

"PwC misrepresented to the Court that Nally did not have knowledge relating to the issues of this case" and it was "inconceivable that counsel could have been misled about Dennis Nally's knowledge of issues related to this lawsuit."

"... the history of this case has proven that Defendant, PwC, has its own agenda; and, in the opinion of the court, fails to cooperate with its own attorneys to follow the orders of the court."

–Miller County Circuit Court Judge Kirk D. Johnson of Texarkana, Ark.

In a court filing Friday, opposing a motion by the plaintiff in the case for further sanctions, PricewaterhouseCoopers wrote that "PwC has taken steps to preserve, collect and produce documents responsive to plaintiff's discovery requests. Those efforts have resulted in the production by PwC of hundreds of thousands of pages of documents, approximately 80 CD-ROMs of engagement letters (roughly equivalent to one million additional

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Stocks Fall Slightly From Recent Highs

By E.S. BROWNING

A DAY AFTER scoring their strongest gains in two months, stocks gave some back, but remained near their recent highs.

After rising more than 118 points on Tuesday, the Dow Jones Industrial Average shed 21.69 points, or 0.23%, to finish at 9545.65. It still is up 14% so far this year, near a 15-month high.

The Nasdaq Composite Index fell 0.22%, or 4.15 points, to 1883.10—up 41% on the year and near an 18-month high.

The big move came in Treasury bonds, which rose sharply. Some traders credited a delayed reaction to Tuesday's news from the Federal Reserve that its interest-rate targets won't rise soon. That news had helped spark the stock rally on Tuesday, but bonds moved little that day. Others said Japanese investors were buying dollars and putting the money into bonds. The Commerce Department said housing starts were down in August, and **DuPont** said earnings for the second half would be at the lower end of its expectations. Both were bad news for stocks. Some investors were distracted by the controversy over the compensation of New York Stock Exchange Chairman Dick Grasso, although several said that didn't affect stock prices much.

To many, the mild stock retreat looked simply like a consolidation after Tuesday's big rally.

"The fundamentals of the stock market itself still look good," said stock trader Michael Driscoll at New York brokerage firm Bear Stearns. The declines were small compared with Tuesday's gains, he said, adding, "It is really two steps forward and one step back."

The broad Standard & Poor's 500-stock index fell 0.33%, or 3.35 points, to 1025.97, still up 17% this year.

WEDNESDAY'S MARKETS

Outside the U.S., stocks advanced in dollar terms. The Dow Jones World Stock Index, excluding U.S. stocks, rose 1.07%, or 1.35 points, to 127.57.

In major U.S. market action:

Stocks retreated. On the Big Board, there was 1.31 billion shares traded, 1,574 stocks rose and 1,658 fell.

Bonds gained. The 10-year Treasury note rose 23/32, or $7.1875 for each $1,000 invested. The yield, which moves inversely to price, fell to 4.172%. The 30-year bond was up 1 11/32 to yield 5.095%.

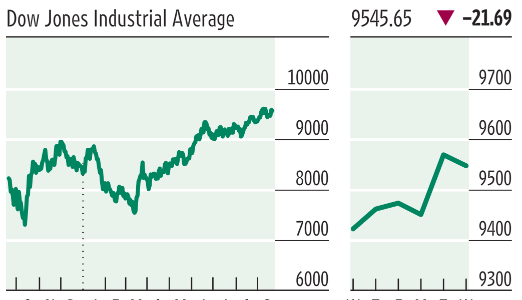
The dollar was mixed. Late in New York, it traded at 116.16 yen, up from 116.13 yen, while the euro rose against the dollar to $1.1283 from $1.1178.

Markets Diary/ *Trading for Wednesday, September 17, 2003*

WSJ.com subscribers can get 24-hour updated news, stock quotes, and background information in The Wall Street Journal Online at **WSJ.com.**

Stocks

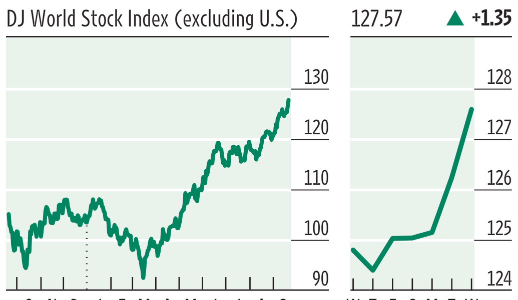
Dow Jones Industrial Average 9545.65 ▼ −21.69



INDEX	CLOSE	NET CHG	% CHG	12-MONTH % CHG	YTD % CHG
DJIA	9545.65	−21.69	−0.23	+16.80	+14.43
Nasdaq Comp.	1883.10	− 4.15	−0.22	+50.39	+41.00
S&P 500	1025.97	− 3.35	−0.33	+18.00	+16.61
Russell 2000	515.10	− 0.56	−0.11	+36.72	+34.46

Global Stocks

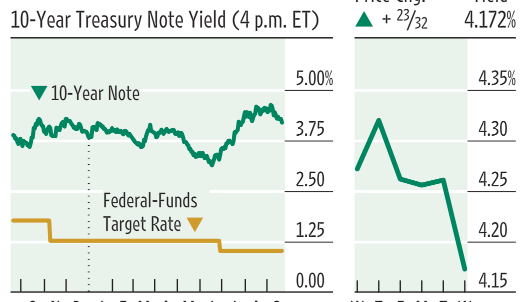
DJ World Stock Index (excluding U.S.) 127.57 ▲ +1.35



INDEX	CLOSE	NET CHG	% CHG	12-MONTH % CHG	YTD % CHG
DJ World (ex. U.S.)	127.57	+ 1.35	+1.07	+24.28	+22.04
Nikkei 225	10990.11	+103.08	+0.95	+16.03	+28.11
DJ Euro STOXX 50	2586.81	+ 1.53	+0.06	+ 8.57	+ 8.40
MSCI EAFE	1127.18	+ 9.39	+0.84	+21.47	+18.32

Bonds & Interest

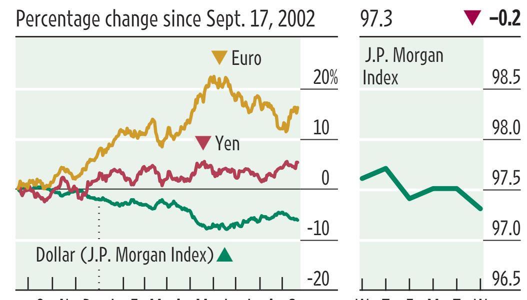
10-Year Treasury Note Yield (4 p.m. ET) Price Chg. ▲ + 23/32 Yield 4.172%



*via Ryan Labs	WED	WED YIELD	TUE	TUE YIELD	TTL RTN YTD % CHG
10-year Treasury note	100.62	4.17%	99.92	4.26%	*+ 0.46
3-month Treasury bill	0.93	0.93	0.93	0.93	*+ 0.77
DJ Corporate Bond Index	170.99	4.80	169.83	4.89	+ 7.39
Lehman Brothers MBS	1065.32	5.08	1061.91	5.14	+ 1.56

U.S. Dollar

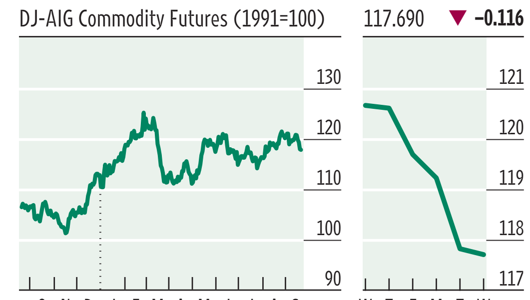
Percentage change since Sept. 17, 2002 97.3 ▼ −0.2



CURRENCY	LATE NY	LATE TUE	DAY'S HIGH	DAY'S LOW
Euro (in U.S. dollars)	1.1283	1.1178	1.1300	1.1138
Japanese yen (per U.S. dollar)	116.16	116.13	115.87	116.52
British pound (in U.S. dollars)	1.6096	1.5880	1.6099	1.5863
Canadian dollar (per U.S. dollar)	1.3657	1.3684	1.3644	1.3741

Commodities

DJ-AIG Commodity Futures (1991=100) 117.690 ▼ −0.116



	CLOSE	CHANGE	TUE	YR AGO
DJ-AIG Commodity Futures	117.690	− 0.116	117.806	106.985
Oil (Nymex crude future), bbl.	$ 27.03	− 0.53	$ 27.56	$ 29.48
Gold (Comex spot), troy oz.	$376.20	+ 2.70	$373.50	$320.60
Wheat (#2 hard KC), bu.	$3.5300	+0.0050	$3.5250	$5.1500

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09/18/2003

GRASSO PAYS THE PRICE

How Grasso's Pay Was All-World

New York Stock Exchange's Compensation Outpaced Combined Pay of 9 Peers

By David Reilly in London, Peter A. McKay in New York and Jason Singer in Tokyo

New York Stock Exchange Chairman Dick Grasso made more in 2002 than the combined pay of nine of his peers—the heads of stock exchanges ranging from the Nasdaq in New York to Toronto to London to Sydney, Australia.

Together, these executives at exchanges world-wide pulled in an estimated $11.9 million in salary, bonuses and other perks last year, according to public data and people familiar with the matter. Mr. Grasso was paid about $12 million, according to **New York Stock Exchange** documents.

Mr. Grasso, who resigned yesterday, had been the target of intense criticism for a retirement-compensation package valued at $139.5 million, which he accumulated over several years and which includes long-term incentive plans, salary-deferral plans and supplemental retirement plans. But looking at just what he earned last year also highlights the huge gap that has emerged between what he is paid compared with those in equivalent positions at the world's other major stock exchanges.

"It's not understandable why his work, on an objective basis, [was] six or nine times the amount of what others receive," said Gregor Pozniak, deputy secretary-general of the Federation of European Stock Exchanges.

Of course, the NYSE is the world's largest stock exchange by a long way and Mr. Grasso was chairman and chief executive, while many other exchanges split those roles. And the NYSE's compensation committee and its consultants had defended Mr. Grasso's remuneration by saying it was based on comparisons with executives at some of Wall Street's largest brokerage houses. (See related article, at right.)

Had they chosen to look at the stock-exchange industry, though, Mr. Grasso's pay-setters would have found his 2002 cash compensation was about nine times the group average of about $1.3 million. (The totals used were estimates compiled from the most recently available period for the various exchanges; the figures include basic salary, bonus, other benefits, stock-and-options grants and, where available, pension contributions. Mr. Grasso's 2002 pay doesn't include any pension benefits.)

Mr. Grasso's annual payout looked big by a number of other measures, too. For example, the $12 million he made in 2002 was about $3 million more than the combined amount the London Stock Exchange paid to its CEOs from 1995—the year in which Mr. Grasso took the NYSE's helm—to 2000.

Plus, 2002 wasn't even Mr. Grasso's best year. The NYSE head made about $25.6 million in 2001, excluding a special payment of $5 million for his efforts to get the exchange running again after the Sept. 11 terrorist attacks.

Mr. Grasso's annual pay easily outpaced that of the highest earners in the stock-exchange industry. Thomas Kloet, former CEO of SGX, which runs the Singapore stock exchange, earned about $2.16 million in salary, bonus, other benefits and stock options for the year ended June 30, 2002, the most recent period for which data are available.

'The NYSE operates in the U.S. salary-hype environment,' one observer says.

Robert Glauber, chairman and CEO of the National Association of Securities Dealers, the NYSE's rival that regulates brokers and owns the Nasdaq Stock Market, made about $2 million in 2002, according to a person familiar with the matter.

Some outside the U.S. see Mr. Grasso's pay as further evidence that the U.S. grossly overpays its executives. "The NYSE operates in the U.S. salary-hype environment," Mr. Pozniak said.

"American levels of pay have flown to levels that are just unimaginable for us," added Anita Skipper, head of corporate governance at Morley Fund Management, a large investment firm in London. "But with Grasso, it's just such an extreme case."

Critics do acknowledge that the NYSE, unlike many European or Asian exchanges, is a private organization and not subject to the strictures of a publicly traded company. That also means that unlike executives at publicly traded exchange companies, Mr. Grasso couldn't receive potentially lucrative stock options.

But even without them, his package was valued at far more than the rewards available to those who do receive stock. London Stock Exchange CEO Clara Furse, for example, received an award of 62,700 shares for the year ended March 31, 2003. But these had a value of about $66,000 at the exchange's current share price and other options she received currently are worthless. Altogether, stock compensation was a small part of her total pay of about $1.4 million for this period.

The closest rival to Mr. Grasso's payout also is in the U.S.: James J. McNulty, president and CEO of the Chicago Mercantile Exchange, the nation's only publicly traded exchange. The CME isn't a stock exchange, so Mr. McNulty wasn't included in calculations of global stock-exchange heads. But his options reward could be about $66 million. Mr. McNulty, a former Chicago investment banker, was hired in early 2000 specifically to lead the exchange through its initial public offering, which it completed in December 2002. His salary and bonus totaled $1.5 million last year, but his options package could eventually make him the CME's largest individual shareholder after his contract runs out at year's end.

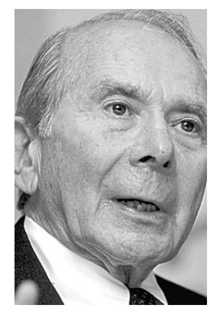
The only major stock exchange that hasn't disclosed its chief's pay is Tokyo, whose total market capitalization of $2.07 trillion at the end of 2002 made it the second-largest market in the world, behind the NYSE with $9.02 trillion.

The Tokyo Stock Exchange doesn't disclose the pay or perks given to President and CEO Masaaki Tsuchida or other executives, exchange spokesman Yoshihiro Sano said. But when asked if Mr. Tsuchida or other TSE executives are paid an amount similar to Mr. Grasso, Mr. Sano laughed. "Oh, no, of course not," he said.

—Matthew Pottinger and Sarah McBride in Hong Kong and Helen Ubels in Sydney, Australia, contributed to this article.


Sandy Weill
CEO, Citigroup
1998–October 2003


Harvey Golub
CEO, American Express
1993–2001


Maurice Greenberg
CEO, AIG
1967–


David Komansky
CEO, Merrill Lynch
1996–2002

Photos: Bloomberg/Landov; AFP/NewsCom; Corbis; AP

Money, Money, Money, Money... Money

Chief executive officer compensation, from 1995–2002, at 11 publicly traded financial-services firms that were part of a benchmarking survey (conducted by a different consulting firm) used by the New York Stock Exchange to set the pay of Mr. Grasso and other NYSE executives.

ALL FIGURES ARE IN MILLIONS

COMPANY	BASE SALARY	TOTAL CASH: ANNUAL BONUS	TOTAL CASH: LONG-TERM CASH AWARDS	TOTAL STOCK-BASED AWARDS, VALUED AT GRANT[1]	TOTAL CASH AND EQUITY AWARDS[2]
Citigroup	$8.1	$65.9	—	$289.3	$372.3
American Express	7.6	19.2	$20.2	111.5	158.5
AIG	8	30	61	37.5	136.5
Merrill Lynch	5.3	54.6	—	65.1	125.0
Cigna	8.2	20.4	20.4	55	104.0
Wells Fargo	7.5	29.1		60.9	97.5
NYSE[3]	11.1	51.8	34.1	—	97.0
FleetBoston	7.9	21.7	—	58.2	87.8
Mellon Financial	7	11.3	11.8	41.5	71.6
Aetna	7.4	13.7	1.9	38.7	61.7
Allstate	7.2	9.4	5.2	28	49.8
Chubb	7.5	7.7	3.6	29.8	48.6

[1]Includes stock options, restricted stock and other stock-based awards; option values generally based on Black Scholes values reported in proxy statements; certain options valued by Brian Foley & Co.; Allstate data covers 1996-2002 [2]Does not reflect pension, profit-sharing, interest on deferred compensation and other benefits [3]Includes approximately $17 million of awards waived by Mr. Grasso in September 2003

Source: Brian Foley & Co. analysis of SEC filings for public companies and certain NYSE disclosures for NYSE

Compensation Package Outpaced Those of Many Financial CEOs

By Joann S. Lublin

NEW YORK—**New York Stock Exchange** Chairman Dick Grasso collected more cash between 1995 and 2002 than the heads of 10 of 11 financial-service firms included in benchmarking surveys used to set his pay.

His $97 million in salary, annual bonus and long-term cash awards lagged behind the total compensation received by six of those chief executives when one includes stock-based grants, which Mr. Grasso lacked. But the striking thing is that Mr. Grasso's pay package—which doesn't even include his recent huge pension payout—outpaced the total cash compensation of the chief executives of every company in the group except for insurer **American International Group** Inc., according to the analysis by pay consultants Brian Foley & Co. in White Plains, N.Y., that was done for The Wall Street Journal.

The analysis could confirm the anger of that Mr. Grasso's critics had expressed in recent months, as they reacted to his $187.5 million retirement-compensation package, including $48 million that he decided to forgo under pressure from NYSE board members. Mr. Grasso resigned yesterday.

Like many of Mr. Grasso's critics, Brian Foley, managing director of the consulting firm, questioned what the logic had been in putting Mr. Grasso, who ran a marketplace and a regulator, on a par with some of the world's biggest businesses.

"It's an apples and oranges comparison," Mr. Foley said. "The comparison of him to these companies is certainly questionable," partly because the NYSE doesn't assume the same sort of financial risks that financial firms typically do.

An NYSE spokesman declined to comment on the analysis of compensation Mr. Grasso received from the time he became chairman and chief executive officer in 1995. Some NYSE board members are expected to take a closer look at whether the compensation benchmarks need to be altered, a person familiar with the situation said.

Another Big Board official said the board's compensation committee decided that the 11 companies represent peers "based on recommendations from the committee's consultant." The panel has long been advised by Hewitt Associates, based in Lincolnshire, Ill. A Hewitt spokesman also declined to comment.

In December 1995 remarks to the NYSE board, then compensation committee Chairman Stanley Gault said the exchange was "competing for people with world-class organizations—particularly at senior management levels," documents released by the NYSE show.

As a result, Mr. Gault went on, Hewitt helped the panel to identify "a logical comparator group" by assembling a group "representative of financial services, but not heavily weighted toward the securities industry." Hewitt's competitive analysis "showed that there is, in fact, a serious shortfall in total compensation," Mr. Gault warned. Mr. Gault, the retired chairman and CEO of **Goodyear Tire & Rubber** Co., didn't return calls for comment.

Hewitt reiterated the observation in a February 1999 letter to the Big Board, noting that its "assessment of benchmark practices has consistently demonstrated that Mr. Grasso's long-term target awards have lagged behind market medians...."'

In conducting this benchmarking survey annually for the NYSE, Hewitt gradually pared the comparison group to 16 from 20 because some concerns got acquired. The 11 companies analyzed for The Wall Street Journal have remained on its list since 1996. The rest either aren't publicly held, such as the Federal Home Loan Bank of New York, or lacked public executive-pay data for the full period.

Grasso's Pay Plan Depends on Terms Of His Departure

Continued From Page C1

'You guys asked me to go gracefully, but it is a termination without cause and I get paid,' " said Brian Foley, a compensation consultant in White Plains, N.Y.

It is unusual for a departing chief executive to receive his salary and bonus for the remainder of a contract, particularly a long one like Mr. Grasso's, said Pearl Meyer, chairman of Pearl Meyer & Partners, a compensation consulting firm in New York.

Also noteworthy about Mr. Grasso's situation, Ms. Meyer said, is that by being terminated without cause, or by leaving with good reason, he could still collect some of the $48 million in additional compensation that he said he was giving up last week under pressure from his board. These benefits include $28.6 million in supplemental retirement-plan payments, $12.1 million in payments triggered by his age under a bonus program called the Capital Appreciation Plan and a special $5 million bonus granted in 2000. As of yesterday afternoon, before he told the board he was resigning, he hadn't signed any documents promising to give up the payments, an exchange spokesman said. Mr. Grasso could therefore argue that he is still entitled to those benefits as part of his severance.

Grasso could still collect some of the $48 million that he said he would forgo.

Moreover, one severance calculation could resurrect $28.6 million of the waived payments because it is tied to the amount Mr. Grasso has actually received under his retirement program, not the amount he has agreed to accept, Mr. Foley said.

An exchange spokesman declined to comment on severance pay, and said Mr. Grasso also declined to comment.

"Good reason" for quitting, according to his contract, includes seeing his duties cut significantly, being stripped of his chairman or CEO titles, or having his office moved more than 25 miles away. "Cause" includes committing a felony, being indicted for securities violations or persistently failing to do his job.

But if Mr. Grasso's departure proves to be quitting without "good reason," he will walk away with less: In those circumstances, he would be paid through his departure but would lose his future salary and annual bonus payments, as well as portions of other payments, and his sick-day pay, free life-insurance and possibly his participation in the exchange's benefit plans.

He would still get his pension, a complex package that works out to as much as $8.2 million a year, including Social Security, though that amount would be reduced to account for millions Mr. Grasso has received over the years in advance payments on the pension, his contract says.

Among the benefits he will receive if his departure is for good reason are health-care costs for his wife and dependent children (He has four children, the eldest in college.)

His company-paid life insurance would be continued through May 2007 and he would be paid for 40% of the sick days he has accumulated—he earns 12 annually and may roll them over from year to year. He would also be allowed to continue participating in the exchange's employee-benefit plans through May 2007, or receive the after-tax equivalent in cash. The health benefit alone could be valued at $20,000 a year, given the cost of executive health plans, Ms. Meyer said.

Still, the $1 million target bonus that would be used to calculate severance payments is low compared with bonuses Mr. Grasso received in recent years.

In 2001, he received a $16.1 million bonus. Typically, severance for top executives totals two to three times their most-recent annual salary and bonus, compensation consultants said.

Grasso, a Would-Be Cop, Decides to Surrender

Continued From Page C1

named a vice president. A decade later, he became NYSE president, and seven years afterward, chairman and CEO. The ascent stemmed from salesmanship and tenacity, colleagues say. By working with NYSE's listed companies he got to know senior executives at numerous corporations. And though he never was a trader, he mingled freely with brokers and floor-trading "specialists," making many friends along the way.

One of them was Lew Horowitz, an exchange member who got to know Mr. Grasso through his work on a Big Board committee. Before long, the two men had established a tradition: When Mr. Grasso received a promotion, he and Mr. Horowitz would walk up to a shoeshine shop on Broadway, a few blocks north of the exchange, and celebrate while they got their wingtips polished. "He never forgot where he came from," says the now-retired Mr. Horowitz. Mr. Grasso, he said, has remained in close touch with "friends that he made when he was a little boy."

Yet Mr. Grasso could also be fiercely competitive. After he was passed over for the NYSE's top job in 1990, he undertook a four-year campaign to succeed Mr. Donaldson, who had been given the post instead, according to a director who was there at the time. As president under Mr. Donaldson, who tended to delegate, Mr. Grasso assumed day-to-day control of the Big Board. And in 1995, after years of quiet politicking, he convinced the exchange's board that he should take over, the former director said.

Richard Simonelli, then an official in the NYSE's international-listings unit, went with Mr. Grasso to a meeting at the "21" Club the day his promotion was announced. Returning to the exchange that afternoon in a limousine, the executive asked Mr. Grasso what his plans were for the job. " 'How long do you think you're going to do this?' " Mr. Simonelli recalls saying. "And he said, 'I'm going to do this as long as I'm still having fun.' "

Over the past eight years, he has undergone a makeover of sorts. He ditched his glasses and had laser surgery on his eyes. Balding, he began getting his head shaved, at $18 a pop, across from the Big Board's Wall Street building at Esquires hair salon, where barber Joe Vezza considers him a friend. He has been spotted working out at the same downtown New York Sports Club where many of the Big Board's floor workers exercise. He frequents the exchange's tony luncheon club, dining with old-timers from the floor, as well as patronizing fancier Manhattan eateries such as Campagnola, Il Mulino, and Rao's.

But for all the fancy restaurants and fashion makeovers, Mr. Grasso found strong support among those on the less-regal trading floor at the NYSE. And the floor saw Mr. Grasso as its chief defender, especially in an age of all-electronic markets that threatened the human element of the NYSE's auction-market system.

And keeping the floor competitive cost money. In the winter of 2002, Mr. Grasso called together about two dozen representatives of member firms for an urgent meeting in a stately sixth-floor conference room next to the boardroom. According to several people who attended, Mr. Grasso told them that the exchange needed to make improvements in the automated systems to make sure they continued to hold an edge over alternative stock markets. The institution, he said, was operating "on an even level" for the year, meaning it wasn't losing money or making money.

With a sad look on his face, he said the exchange would have to essentially tax members to make technological improvements—or it would have to dip into the institution's pot of cash. "This has to be done immediately," Mr. Grasso said, according to one of the attendees.

His first job was clerk in the stock-listing department, paying $80 a week.

The news riled many members. The bear market was already pulling down profits. And, members were already paying a new "regulatory fee" that began in 2001—collectively shelling out some $23 million annually. The new fee, based on size and usage of technology, would cost members the same as they were already paying in regulatory fees, which would remain in effect.

So, starting this January, every trader working on the floor began paying this fee. By June 30, the exchange had collected $11.5 million, according to the exchange.

But when details of Mr. Grasso's compensation package became public in August, floor members began questioning the mounting fees. Subsequently, Robert Britz, an NYSE co-chief operating officer and president, sent a memo to members saying that the fee would be suspended for the remainder of the year and would resume in 2004.

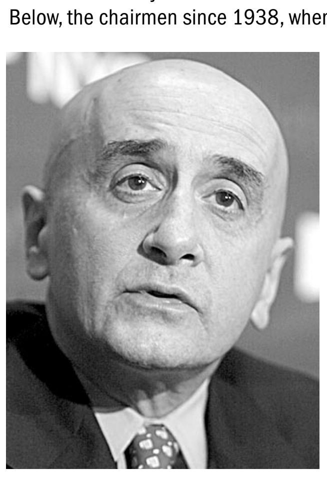
Some members also began to wonder whether the big salary motivated Mr. Grasso to make cost-cutting moves. In recent years, the exchange phased out some 400 "reporters," who circulated messages around the floor in the days before computers, saving $25 million.

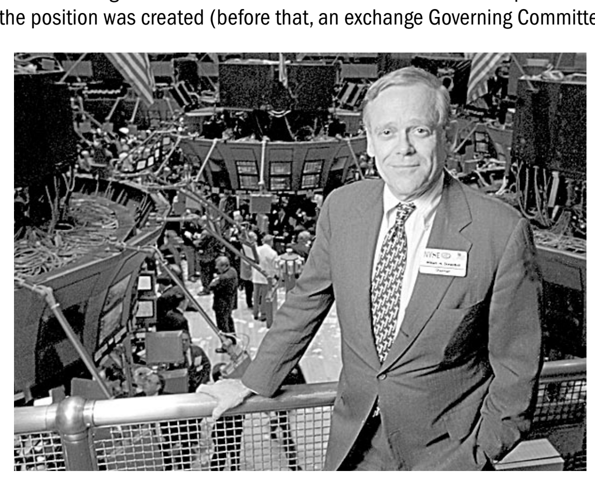
The tension was heightened as the exchange launched an investigation into the trading practices of some of the elite specialists who match buyers and sellers of the 2800 companies listed there, with a collective market value of $13 trillion last year. In one of the first public snubs to Mr. Grasso's power, one of the specialists under investigation, LaBranche & Co., challenged the institution's demand that it turn over personal e-mails as part of the investigation. The firm lost its appeal to retain the e-mails and subsequently surrendered them.

Lost in the tumult of Mr. Grasso's departure: the investigation into floor-trading activity, which remains unresolved.

Past NYSE Chairmen: 1938 to 2003

Dick Grasso was just the fifth New York Stock Exchange chairman since the 1980s. He became NYSE president in 1988 and became chairman in 1995. Below, the chairmen since 1938, when the position was created (before that, an exchange Governing Committee was the primary governing body):


Dick Grasso
June 1995–Sept. 2003


William H. Donaldson
Jan. 1991–June 1995


John J. Phelan Jr.
May 1984–Dec. 1990

Reuters/NewsCom; Corbis; AP

Chairmen of the Board of Governors

May 1938–June 1938
William McC. Martin Jr.

July 1938–May 1940
Edward E. Bartlett Jr.

May 1940–May 1941
Charles B. Harding

May 1941–May 1943
Robert L. Stott

May 1943–May 1947
John A. Coleman

May 1947–May 1951
Robert P. Boylan

May 1951–May 1954
Richard M. Crooks

May 1954–May 1956
Harold W. Scott

May 1956–May 1958
James Crane Kellogg III

May 1958–May 1961
Edward C. Werle

May 1961–Feb. 1962
J. Truman Bidwell

Feb. 1962–May 1965
Henry M. Watts Jr.

May 1965–May 1967
Walter N. Frank

May 1967–May 1969
Gustave L. Levy

May 1969–May 1971
Bernard J. Lasker

May 1971–Aug. 1972
Ralph D. DeNunzio

Chairmen of the Board of Directors

Aug. 1972–May 1976
James J. Needham — First full-time, salaried chairman.

May 1976–May 1984
William M. Batten

May 1984–Dec. 1990
John J. Phelan Jr.

Jan. 1991–June 1995
William H. Donaldson

June 1995–Sept. 2003
Dick Grasso

Source: New York Stock Exchange

Key Currency Cross Rates

Late New York Trading Wednesday, September 17, 2003

	Dollar	Euro	Pound	SFranc	Peso	Yen	CdnDlr
Canada	1.3657	1.5410	2.1983	0.9902	.12512	.01176	...
Japan	116.16	131.06	186.97	84.214	10.641	...	85.051
Mexico	10.9158	12.3163	17.570	7.9140	...	.09397	7.9926
Switzerland	1.3793	1.5563	2.2201	...	.12636	.01187	1.0099
U.K.	.62130	.7010	...	.4504	.05691	.00535	.45490
Euro	.88630	...	1.4266	.64256	.08119	.00763	.64894
U.S.	...	1.1283	1.6096	.72500	.09161	.00861	.73220

Source: Reuters

Exchange Rates

The foreign exchange mid-range rates below apply to trading among banks in amounts of $1 million and more, as quoted at 4 p.m. Eastern time by Reuters and other sources. Retail transactions provide fewer units of foreign currency per dollar.

	U.S. $ EQUIVALENT		CURRENCY PER U.S. $	
Country	Wed	Tue	Wed	Tue
Argentina (Peso)-y	.3439	.3461	2.9078	2.8893
Australia (Dollar)	.6653	.6635	1.5031	1.5072
Bahrain (Dinar)	2.6526	2.6525	.3770	.3770
Brazil (Real)	.3436	.3433	2.9104	2.9129
Canada (Dollar)	.7322	.7308	1.3657	1.3684
1-month forward	.7311	.7297	1.3678	1.3704
3-months forward	.7291	.7277	1.3716	1.3742
6-months forward	.7263	.7248	1.3768	1.3797
Chile (Peso)	.001499	.001501	667.11	666.22
China (Renminbi)	.1208	.1208	8.2781	8.2781
Colombia (Peso)	.0003542	.0003542	2823.26	2823.26
Czech. Rep. (Koruna)				
Commercial rate	.03451	.03420	28.977	29.240
Denmark (Krone)	.1520	.1505	6.5789	6.6445
Ecuador (US Dollar)	1.0000	1.0000	1.0000	1.0000
Egypt (Pound)-y	.1634	.1631	6.1200	6.1301
Hong Kong (Dollar)	.1282	.1282	7.8003	7.8003
Hungary (Forint)	.004430	.004385	225.73	228.05
India (Rupee)	.02179	.02181	45.893	45.851
Indonesia (Rupiah)	.0001180	.0001182	8475	8460
Israel (Shekel)	.2235	.2223	4.4743	4.4984
Japan (Yen)	.008609	.008611	116.16	116.13
1-month forward	.008617	.008620	116.05	116.01
3-months forward	.008634	.008637	115.82	115.78
6-months forward	.008660	.008662	115.47	115.45
Jordan (Dinar)	1.4104	1.4104	.7090	.7090
Kuwait (Dinar)	3.3630	3.3578	.2974	.2978
Lebanon (Pound)	.0006634	.0006634	1507.39	1507.39
Malaysia (Ringgit)-b	.2632	.2632	3.7994	3.7994
Malta (Lira)	2.6414	2.6173	.3786	.3821
Mexico (Peso)				
Floating rate	.0916	.0919	10.9158	10.8778
New Zealand (Dollar)	.5839	.5851	1.7126	1.7091
Norway (Krone)	.1377	.1350	7.2622	7.4074
Pakistan (Rupee)	.01735	.01735	57.637	57.637
Peru (new Sol)	.2876	.2875	3.4771	3.4783
Philippines (Peso)	.01816	.01817	55.066	55.036
Poland (Zloty)	.2484	.2501	4.0258	3.9984
Russia (Ruble)-a	.03265	.03257	30.628	30.703
Saudi Arabia (Riyal)	.2667	.2667	3.7495	3.7495
Singapore (Dollar)	.5702	.5714	1.7538	1.7501
Slovak Rep. (Koruna)	.02730	.02706	36.630	36.955
South Africa (Rand)	.1354	.1327	7.3855	7.5358
South Korea (Won)	.0008540	.0008547	1170.96	1170.00
Sweden (Krona)	.1249	.1228	8.0064	8.1433
Switzerland (Franc)	.7250	.7196	1.3793	1.3897
1-month forward	.7256	.7202	1.3782	1.3885
3-months forward	.7266	.7212	1.3763	1.3866
6-months forward	.7281	.7227	1.3734	1.3837
Taiwan (Dollar)	.02936	.02937	34.060	34.048
Thailand (Baht)	.02462	.02469	40.617	40.502
Turkey (Lira)	.00000073	.00000073	1369863	1369863
U.K. (Pound)	1.6096	1.5880	.6213	.6297
1-month forward	1.6062	1.5845	.6226	.6311
3-months forward	1.5995	1.5780	.6252	.6337
6-months forward	1.5888	1.5678	.6294	.6378
United Arab (Dirham)	.2723	.2723	3.6724	3.6724
Uruguay (Peso)				
Financial	.03600	.03600	27.778	27.778
Venezuela (Bolivar)	.000626	.000626	1597.44	1597.44
SDR	1.3919	1.3936	.7184	.7176
Euro	1.1283	1.1178	.8863	.8946

Special Drawing Rights (SDR) are based on exchange rates for the U.S., British, and Japanese currencies. Source: International Monetary Fund.

a-Russian Central Bank rate. b-Government rate. y-Floating rate.

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