



# Financial Services Revitalization Plan

Refocus. Strengthen. Reemerge.

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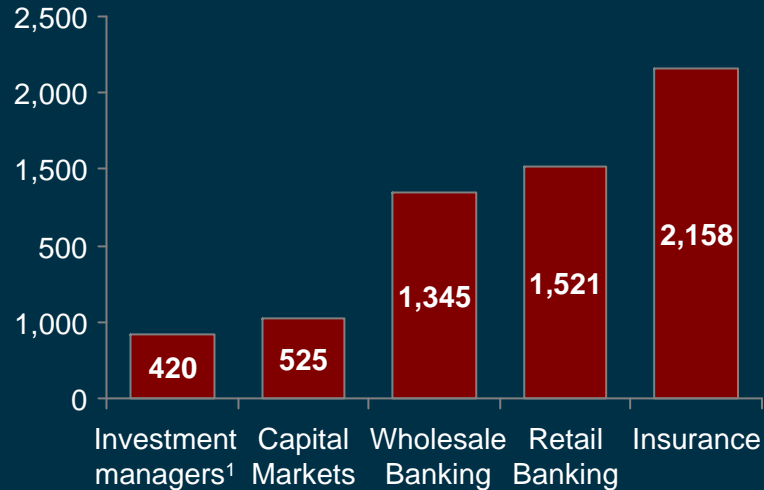
February 18, 2009



# Financial services are key to America's economic health

6M financial services jobs in the US...

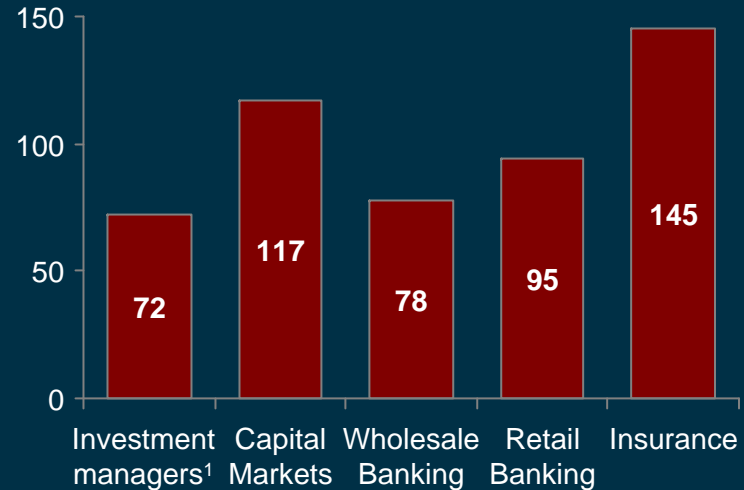
2007 employees ('000)



5% of US total jobs<sup>2</sup>

...accounting for \$500B in annual payroll

2007 payroll (\$B)



10% of US total payroll<sup>2</sup>

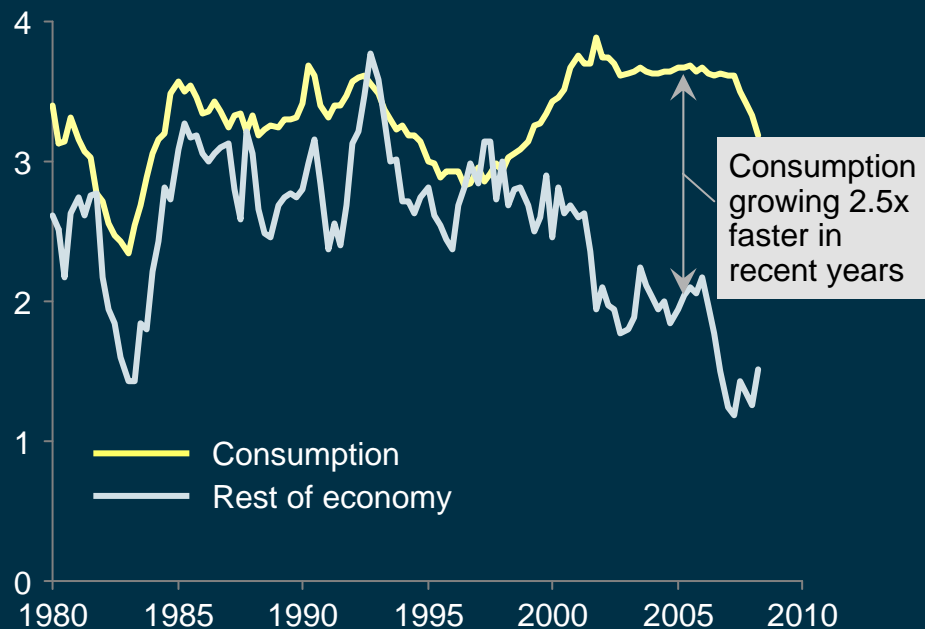
Financial services contribute ~8% of US GDP<sup>3</sup>

1. Includes asset management, wealth management, and alternative investment 2. Private sector only 3. As measured by value added; as of end of 2007  
Source: US Bureau of Labor Statistics, NY Dept of Labor; Bureau of Economic Analysis Report

# Over-reliance on debt throughout the economy led to unsustainable economic growth...

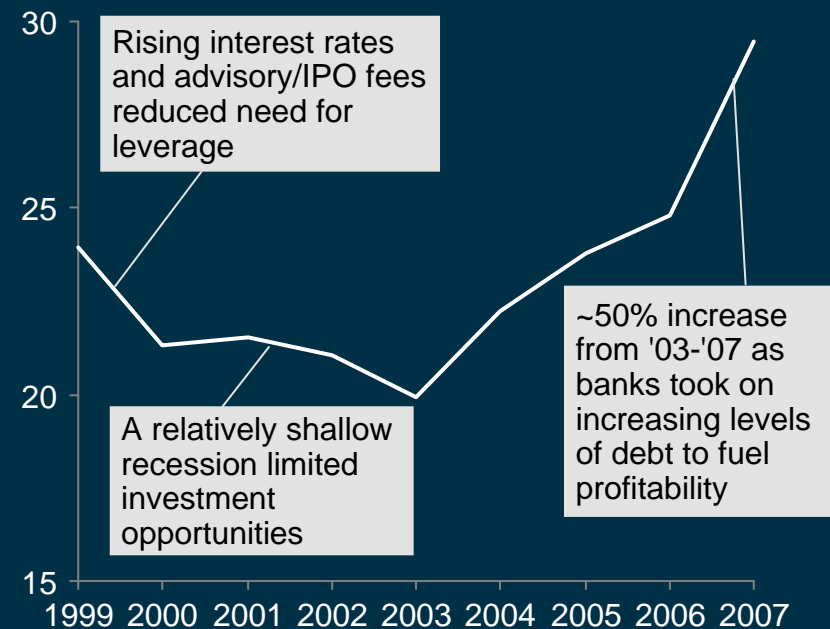
US consumption growth has outpaced underlying real economic growth...

US real GDP, 10-yr rolling CAGR (%)



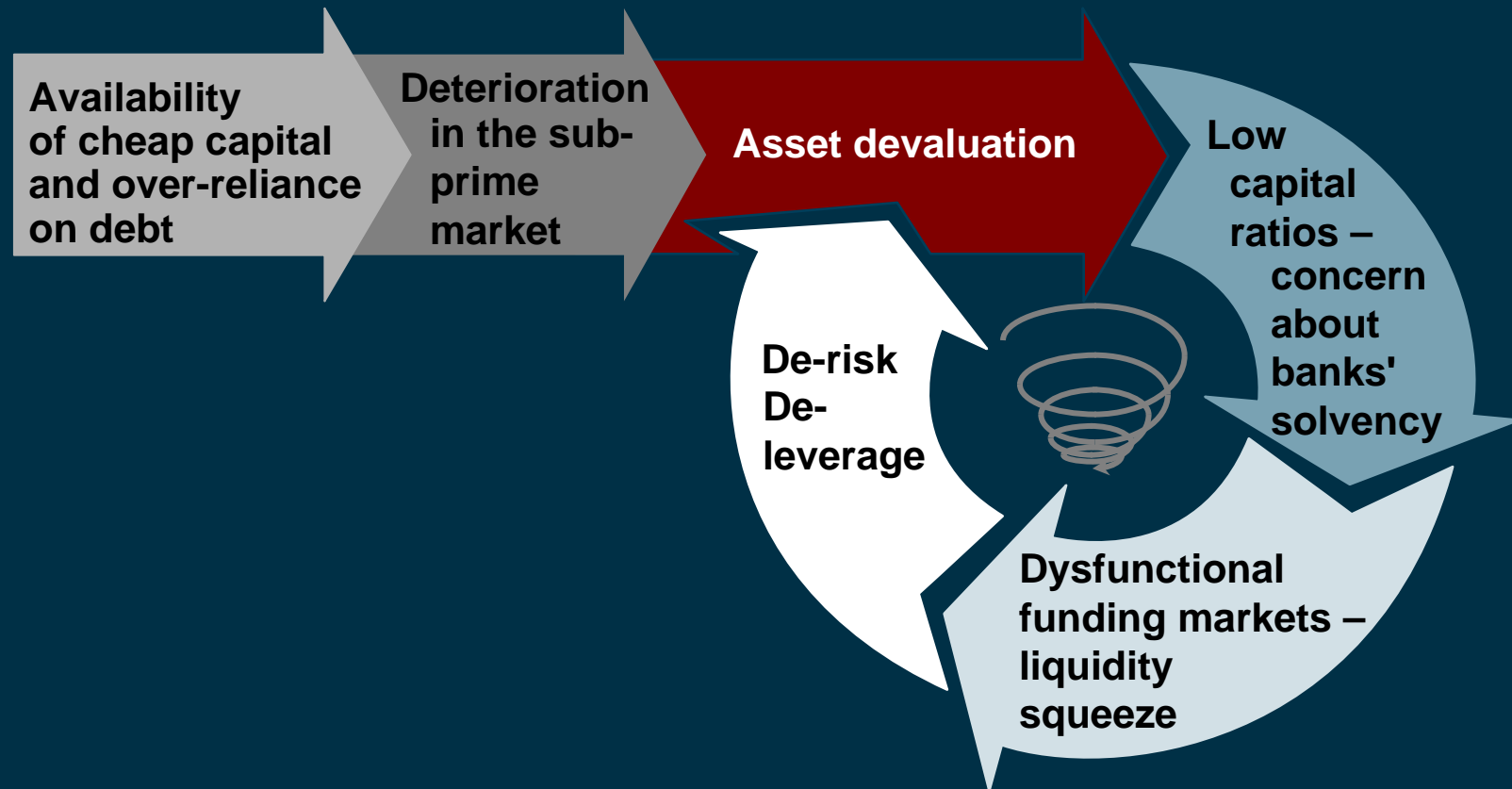
... with consumption fueled by rising debt among businesses, consumers and banks

Overall leverage ratio of largest US investment banks



1. Includes consumer debt, business debt, local and federal government debt, and financial sector debt  
Source: US Federal Reserve, US Bureau of Economic Analysis, SNL database

# ... helping to create a vicious circle that sent the FS industry and the economy into a downward spiral

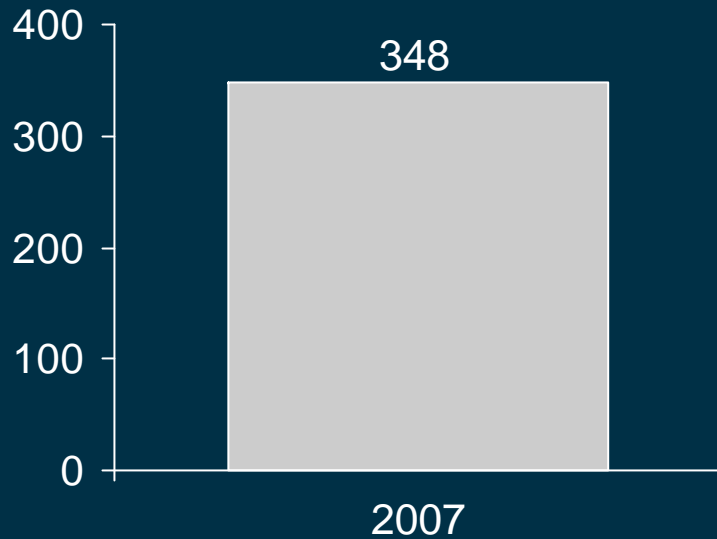


**Regulatory weakness compounded the problem**

# Impact on NYC will be substantial, given the importance of financial services

FS industry provides ~348k private sector jobs in NYC...

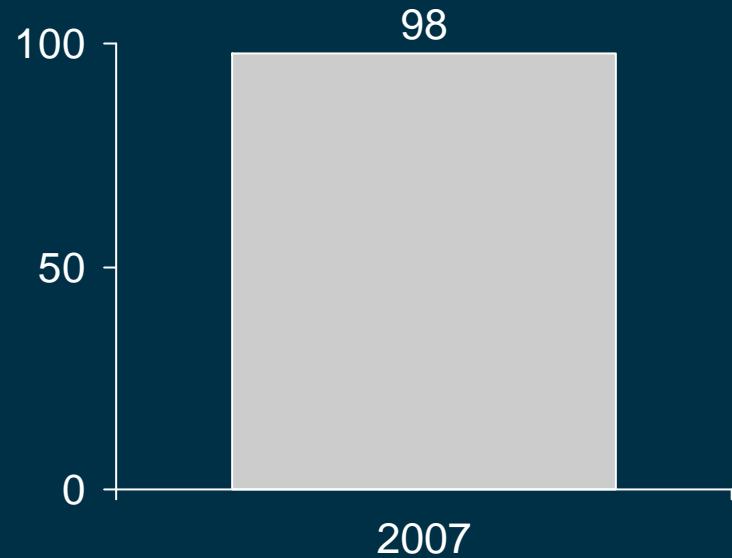
NYC private sector FS jobs ('000)



**9% of NYC total**

...and almost \$100B of NYC's private sector payroll

Annual NYC FS payroll (\$B)



**34% of NYC total**

## Due to the prominence of FS in NYC's economy, the recent downturn will impact the City in 3 unique ways

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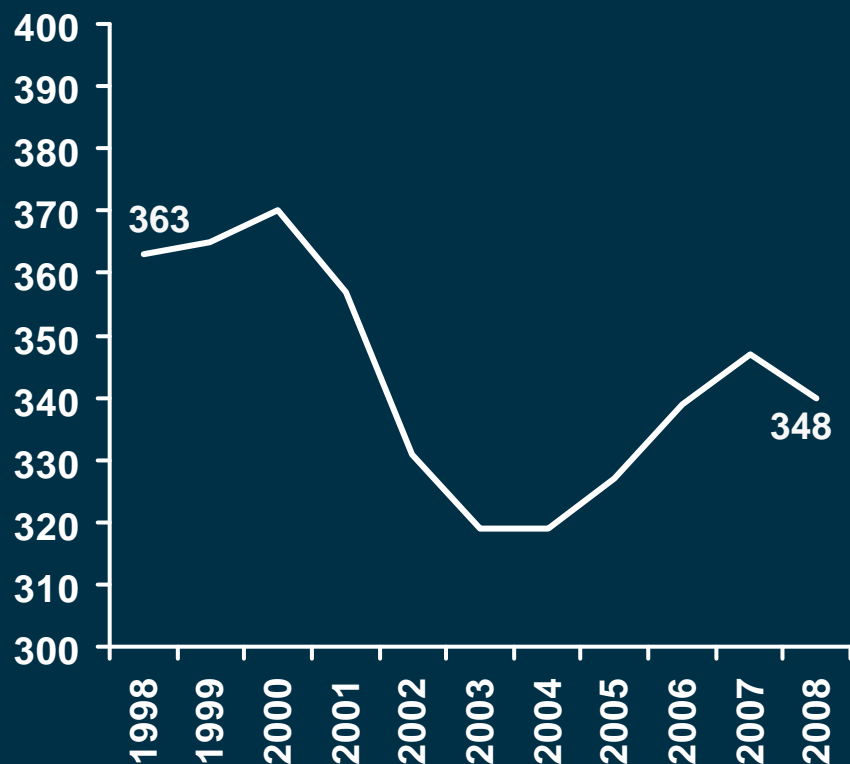
- 1 New York City's FS "network" will be placed under continued stress
  - The challenges to the City's place as the global financial capital began prior to the latest crisis
- 2 Capital markets, the City's largest sub-sector, may face long-term or permanent structural changes
- 3 FS employment is likely to decline significantly in the short- to medium-term and potentially in the long-term
  - Without intervention, ~65,000 jobs expected to be lost

**New York City must move quickly to address these challenges directly**

1

## New York City's FS "network" will be placed under continued stress

New York City  
FS Employment  
(‘000)



### Exchanges and service providers

- Rise of exchanges based outside of NYC
- Diminished need to be near NYC institutions

### Regulatory system

- System considered onerous, inefficient, and ineffective

### Financial institutions

- Failures of major NYC investment banks
- Reduced profitability resulting in large-scale layoffs

## 2 Capital markets, the City's largest sub-sector, may face permanent structural changes

### Potential structural changes...

#### Lower profitability

- Lower leverage leads to lower profits
- Lower compensation levels
- Cross-subsidization (profitable units to subsidize overall corporate losses)

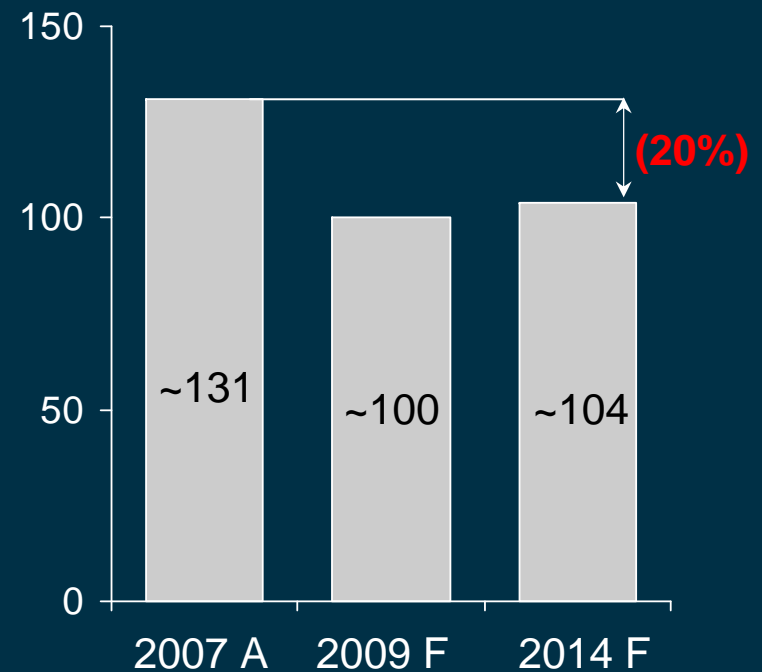
#### Shifts in business model

- De-leveraging/ reduction in high-risk activities
- Less risk-taking
- Increased focus on deposits

#### Changing industry structure

- Barbellization (consolidation of existing players; increase in niche players)

### NYC Capital Markets jobs, ('000)



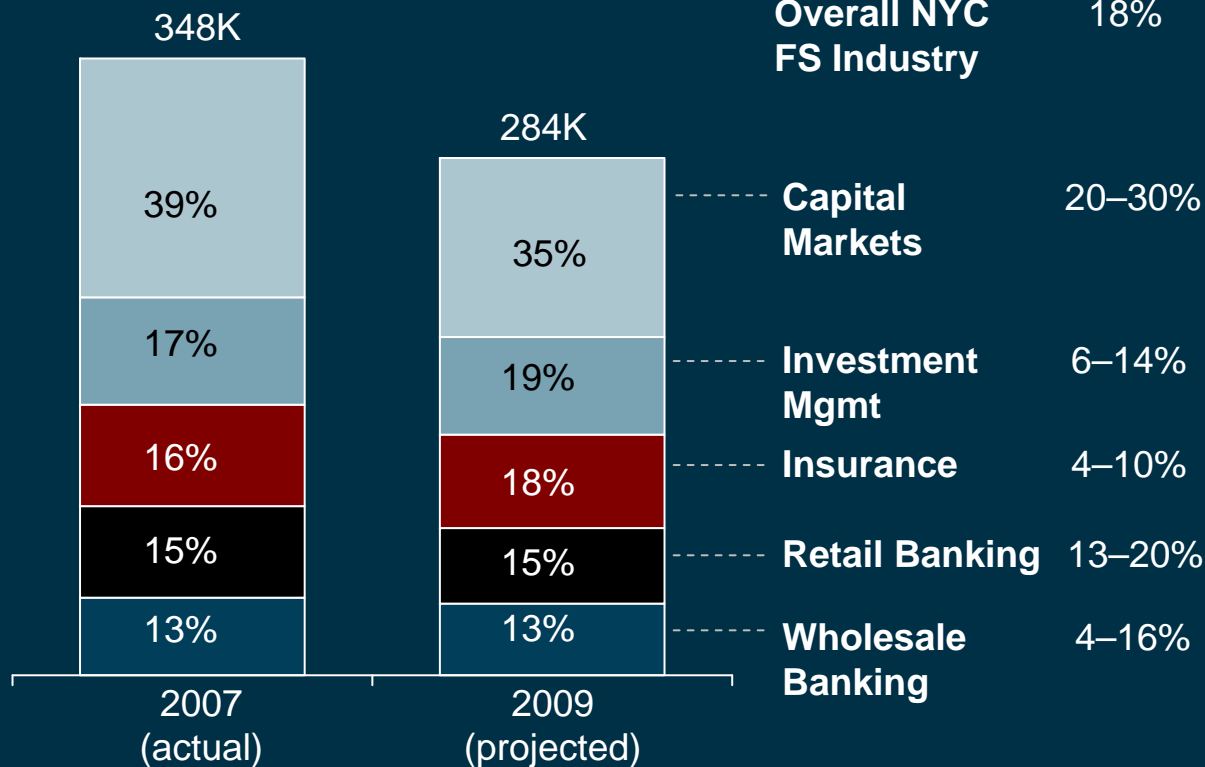
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# FS employment is likely to decline significantly in the short to medium-term and potentially long-term

Approximately 65,000 jobs expected to be lost in FS industry

**Total NYC Financial Services industry jobs**

**Preliminary projected reduction '07 – '09**



**If recovery lags, NYC risks losing significant talent**

Source: Bureau of Labor Statistics, OMB, BCG analysis

Note: Includes 45,000 of 46,000 total peak to trough job losses in securities sector (i.e., capital markets and investment management) as per Financial Plan Summary presented by Mayor Bloomberg on 1/30/2009

# City has created a suite of responses to address these challenges

Challenge	City's focus
1 New York City's FS "network" will be placed under continued stress	<ul style="list-style-type: none"><li>• Take concrete steps to nourish and grow NYC's financial eco-system</li></ul>
2 Capital markets, the City's largest sub-sector, may face permanent structural changes	<ul style="list-style-type: none"><li>• Grow select sub-sectors of FS where NYC has opportunities to expand (e.g., Venture Capital)</li><li>• Encourage growth of new FS start-ups</li></ul>
3 FS employment is likely to decline significantly in the short- to medium-term and potentially long-term	<ul style="list-style-type: none"><li>• Retain and retrain FS talent to work in FS and non-FS sectors</li><li>• Expand City's entrepreneurial sector</li></ul>

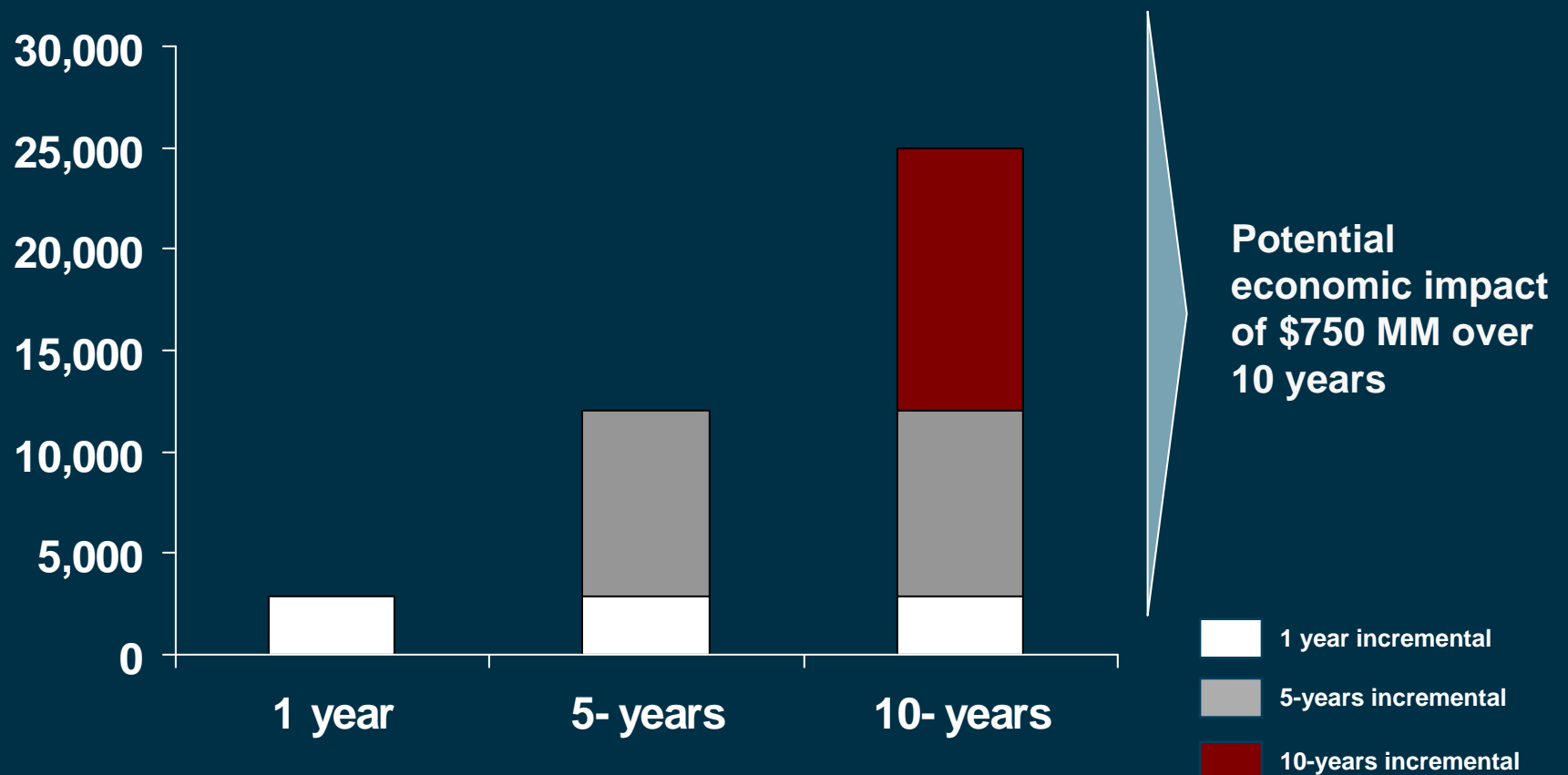
**City is focused on addressing short-term issues AND preparing for next wave of growth**

## The City's suite of initiatives directly addresses each of these three challenges

Initiatives	City Focus		
	Strengthen FS network	Diversify FS Strengths	Retain & Retrain
① Launch international FS recruitment campaign	✓		
② Support and grow financial services utilities	✓	✓	
③ Target \$30MM in incentives to cos. locating in LM	✓	✓	
④ Establish ongoing FS Advisory Committee	✓		
⑤ Refocus FS regulatory advocacy in DC	✓		
⑥ Launch international FS business plan contest	✓	✓	
⑦ Support and connect entrepreneurs in NYC		✓	✓
⑧ Launch NYC startup incubators		✓	✓
⑨ Launch ~\$10MM NYCEDC Angel Investment Fund		✓	✓
⑩ Launch Jump Start NYC to put FS talent in VC cos.			✓
⑪ Launch FastTrac to teach basic entrepreneurship		✓	✓ <sub>11</sub>

# The City's initiatives are expected to create 12,000+ jobs within 5 years and 25,000+ jobs within 10 years

Projected number of jobs generated by the initiatives



Source: BCG analysis

Note: total jobs include both direct and indirect jobs created through the initiatives

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## **Appendix: Initiative details**

# The City's suite of initiatives directly addresses each of these three challenges

	Initiatives	Description	City Focus		
			Strengthen FS network	Promote innovation	Retain & Retrain
1	Launch International FS Recruitment Campaign	<ul style="list-style-type: none"> <li>Focus on attracting target international FS companies with high growth potential (e.g., from China, India, Mid-East, etc.)</li> </ul>	✓		
2	Support and grow financial services utilities	<ul style="list-style-type: none"> <li>Use City assets to foster the growth of existing FS utilities and the formation of new FS utilities</li> </ul>	✓	✓	
3	Target incentives for companies locating in LM	<ul style="list-style-type: none"> <li>Work with State to redeploy \$30MM in federal aid for Lower Manhattan to attract FS job growth</li> </ul>	✓	✓	
4	Establish ongoing FS Advisory Committee	<ul style="list-style-type: none"> <li>Continue monthly roundtable discussions between public and private sectors</li> </ul>	✓		
5	Refocus FS regulatory advocacy in DC	<ul style="list-style-type: none"> <li>Work in D.C. on regulatory "must haves", based on info. garnered from FS Advisory Committee</li> </ul>	✓		
6	Launch int'l FS business plan contest	<ul style="list-style-type: none"> <li>Launch competition at leading international institutions to enhance NYC's FS reputation and foster innovation</li> </ul>	✓	✓	
7	Support and connect entrepreneurs in NYC	<ul style="list-style-type: none"> <li>Create information clearinghouse and support network for entrepreneurs and startup companies</li> </ul>		✓	✓
8	Launch startup incubators	<ul style="list-style-type: none"> <li>Partner with NYC landlords, space operators and universities to create affordable start-up space</li> </ul>		✓	✓
9	Launch ~\$10MM NYCEDC Angel Fund	<ul style="list-style-type: none"> <li>Partner with the private sector to raise NYC seed funding by 25% to expand FS sector and help start-ups</li> </ul>		✓	✓
10	Launch Jump Start NYC	<ul style="list-style-type: none"> <li>Create "boot camp" to redeploy FS talent into VC portfolio companies</li> </ul>			✓
11	Launch FastTrac program	<ul style="list-style-type: none"> <li>Create "how to start your own business" courses</li> </ul>		✓	✓

# 1 Launch International FS Recruitment Campaign

## Overview:

- Launch and operate a focused international business development program designed to attract financial institutions to NYC from China, India, and select other countries, and to assist these companies with transition and integration

## Problem being addressed

- Need to secure NYC's role as the global financial center of the 21st century by attracting key next generation global financial institutions from emerging markets

## Key details

- Target specific strategic countries (e.g., China, India, United Arab Emirates)
- Focus efforts on strategic companies identified in these countries
- Make marketing efforts country specific in terms of language and content
  - Create a specific business case for target countries/ regions using the value proposition guide created
  - Create and update a NYC specific demographic database and international business directory
  - Create a guide to help interested companies navigate the regulatory process
  - Produce marketing materials in foreign languages and put information on website in different languages
- Leverage partner network of service providers and the FS business community to assist and attract foreign companies
  - Develop strong network with selected RE brokers, industry organizations & private sector FS leaders
  - Form industry committees with FS leaders in NYC who will reach out to 3 foreign companies each
  - Create groups of foreign FS executives in NYC to participate in country-specific forums and to welcome and guide new companies from their countries
- Hold forums, conferences and networking events to attract and integrate foreign companies
- Provide targeted financial incentives where appropriate (refer to Financial Incentives initiative)

## Status

- Signed up Credit-Suisse, MMC, and Standard Chartered to act as global partners for attraction
- Targeted a recruiting trip from June 8-12, 2009 in Beijing, China
  - Deputy Mayor Lieber to participate in roundtable discussion about the future of international financial centers
  - Meetings scheduled with private sector leaders and government officials (e.g., FS regulators) to discuss the benefits of expansion to NYC
- Scheduling recruiting trip to Middle East (Qatar and Abu Dhabi) in April/May of 2009
- Completed country-specific marketing materials and is translating them into Chinese and other languages

## 2 Support and Grow FS Utilities

### Overview

- Use City assets, both tangible and intangible, to foster the growth of existing FS utilities and the formation of new FS utilities
- Financial services utilities include exchanges, clearinghouses, delivery and settlement firms. These institutions tends to attract other financial institutions to locate nearby

### Problem being addressed

- Need to reinforce and strengthen NYC's FS network by helping to support, retain and grow entities that act as the "glue" of the sector overall

### Key details

- Leverage existing assets to create additional opportunities/ markets
  - Connect fledgling utilities with existing players, regulators and potential investors to speed development
  - Utilize City-controlled assets (e.g., future carbon credits) to help drive growth in emerging local players
  - Engage NYC-based financial institutions in encouraging current FS utilities to locate jobs in NYC
- Publicize activities of developing utilities to increase liquidity (e.g., promote greater awareness of new markets)
  - Raise awareness of new utilities, e.g., Green exchange, alternative markets, to further NYC's reputation and develop liquidity / initial client base for emerging players
- Offer incentives (see Financial Incentives initiative for more detail)
  - Potentially leverage targeted financial incentives to help build out or speed development of utility firms, create new jobs, and attract fledgling utilities to NYC

### Status

- Continuing to monitor national developments on the cap-and-trade market to seek ways to position NYC-based exchanges (e.g., NYMEX) to capture market share
- Actively working to connect new exchanges (e.g., Second Market) with existing players in NYC
- Developing plans to provide liquidity to NYC-based exchanges in emerging areas such as carbon trading

### 3 Target Incentives to Cos. Locating in Lower Manhattan

#### Overview

- Utilize targeted financial incentives to speed creation of new jobs in FS utilities, emerging FS boutiques, and international FS firms in the City's traditional FS hub, Lower Manhattan

#### Problem being addressed

- Need to strengthen Lower Manhattan as a key financial hub

#### Key details

- Announce jointly with New York State

#### Status

- Finalizing details with Empire State Development Corporation (ESDC) and US Department of Housing and Urban Development (HUD)
- Expect joint City-State announcement within one week

## 4 Establish Ongoing Financial Services Advisory Committee

### Overview

- Foster regular dialogues between private sector participants and public sector leaders through regular roundtable or forum discussions

### Problem being addressed

- Need to ensure consistent flow of information between private and public sector to ensure that initiatives are responsive and effective.

### Key details

- Engage private sector in frequent, open and substantive dialogues with Bloomberg Administration
  - Leverage NYCEDC's convening power to organize dialogues between key industry players (large FS players, small FS firms, regulators, utilities, other service providers), NYCEDC, and Mayor's Office
  - Provide private sector with a way to voice concerns, needs or ideas to City in a neutral discussion
  - Allow City to test initiative ideas and gauge private sector reaction
  - Potential topics: Green investing, regulatory structure/ reform, financial innovation, risk management, attracting international business (e.g., reinsurance/other), private equity

### Status

- Held two events with senior representatives from private and academic sectors in November and January
  - Hosted by Deputy Mayor Lieber
  - Validated City's findings on the causes and impacts of the FS crisis
  - Received feedback on, and gained support for, initiatives
  - Confirmed private sector and academic partners for implementation of initiatives
- Planning regular sessions for duration of 2009, with future topics to include:
  - Shared Services discussion – lowering cost of operations in NYC
  - Venture Capital discussion – increasing VC investments to NYC
  - Regulatory discussion – positively influencing regulatory reform in DC

## 5 Refocus FS Regulatory Advocacy

### Overview

- Leverage NYC's relationships in DC to influence the national debate on regulatory reform, acknowledging that, while NYC does not control regulatory reform, the City needs to focus on crucial decisions that will impact its status as the global financial capital

### Problem being addressed

- Likelihood of substantial FS reform in DC that could have a substantial impact on NYC's competitive position

### Key details

- Use dialogue with FS Advisory Committee to understand key "must haves" and "must not haves" to ensure that NYC remains world's FS capital, while also preserving the overall stability of the system
- Communicate to key decision makers key objectives of new regulation (potential examples include the need for a simplified regulatory model, the need for regulations that are comprehensive and internationally compatible, the need to avoid onerous regulation, the need to ensure expertise in key regulatory positions)

### Status

- Began regulatory dialogue with FS Advisory Committee
- Conducted initial conversations with key NY Congressional staff members during fall and winter
- Conducting review of the Bloomberg/Schumer report recommendations vis-à-vis regulatory reform
- Report back to Mayor and Senator Schumer on updates to Bloomberg/Schumer report recommendations
- NYC to work through DC office to bring updated recommendations to fruition

## 6 Launch International FS Business Plan Competition

### Overview

- Attract new talent and innovative FS startups to NYC by marketing and conducting a business plan competition with top business/ engineering schools in US, Europe, Asia and/or Latin America.

### Problem being addressed

- Need to retain NYC's reputation as the center of financial innovation

### Key details

- Target top-priority schools
  - Select 3-5 target business/ engineering schools in key regions
  - Form on-campus contacts to help with promotion, distribution
  - Market competition to relevant professors and clubs, as well as e-mail and flyer blasts on campus
- Assemble judges from NYCEDC, angel investment partners, and universities
  - First round of competition judged remotely by vetting executive summary of business plans
  - Second round of competition judged remotely by vetting full business plan
  - Final round judged in New York City
- Reward winners with cash prize, trip to NYC, space in new incubators and access to additional investments through Angel Fund if operationalized in NYC
- Assist winner in relocation, launch of business, and general support throughout early stages of business

### Status

- Focusing on US, Europe, Asia and Latin America for first competition
- Contacted foreign business and engineering schools (to date, 4 Asian schools slated to participate)
- Will complete outreach by June 2009
- Will name first winner in September 2009 and lay foundation for ongoing competitions

## 7 Support and Connect Entrepreneurs in NYC

### Overview

- Encourage entrepreneurial activities and foster the growth of the VC sector in NYC, with the goal of rebranding NYC as a top international center of VC activity

### Problem being addressed

- NYC's traditional area of strength, capital markets, faces unprecedented pressure in the current downturn.
- VC, an area where NYC has lagged competitors like CA and MA, presents an opportunity for growth

### Key details

- Develop/ maintain a dynamic and up-to-date information portal for NYC venture capitalists and entrepreneurs
  - One-stop access for entrepreneurs wanting to start businesses in NYC and potential funders
  - Website to include calendar, location/real estate service, "how to" guide, discussion forum, featured start-ups, "WebJams", city data, and other resources to support entrepreneurs
  - Website to be constantly updated to ensure its relevance
- Leverage City assets to create additional business opportunities for NYC start-ups
  - Increase connectivity between City's large IT contractors and smaller tech start-ups in the City
  - Increase availability and ease of access to City data (leveraging the website as a consolidated location)
  - Encourage City agencies to purchase from small IT startups
- Provide targeted event support and improvement
  - Support, and target expansion of, existing events in high demand in the startup community, including teaching "startup skills" (e.g. how to write a business plan), focused pitches for investors, networking between entrepreneurs

### Status

- Releasing RFP for website development by April
  - Website to be completed by June
  - Launch event to be held in June/July
  - Marketing of City's entrepreneurial assets (e.g., websites, incubators, serial entrepreneur/mentors) to commence in Q3 of 2009
- Scheduling "purchaser-buyer meeting" for start-ups for June 2009

## 8 Launch Startup Incubators

### Overview

- Stimulate the growth of the entrepreneurial community in NYC by providing affordable office space and mentorship to startup companies

### Problem being addressed

- Need to retain talent of laid-off workers (including in FS) and not lose them to other cities

### Key details

- Develop incubators in partnership with universities to provide affordable space to start up companies in NYC
  - Landlords to provide below market rate space to university operator
  - University operators to provide startups with affordable space, mentorship, and networks to improve success rate
- Partner with existing private sector incubators to lower costs, increase mentorship and provide networking opportunities to start ups
  - Leverage existing for-profit incubators in New York City
  - Encourage discounts for space and increased support for tenants (e.g., more networking events, vetting of business plans)
- Utilize components of VC Connect and Support initiative to provide assistance (e.g., training, networking)
- Partnership with universities will also facilitate tech transfer from our universities into the private sector

### Status

- Brokered signing of lease for first incubator by Trinity and NYU-Poly in February (160 Varick Street)
  - Location ready to take in start up tenants by March
  - 8-10 companies ready to move in already
- Brokered deal-in-principle between Moinian and NYU-Poly in Lower Manhattan
- Facilitated formation of “Coalition of Office Space Providers” (existing low-cost, flexible space providers)
  - Coalition will work to discount offerings and improve services for the entrepreneurial community
- Expect incubators to be able to accommodate up to 1,000+ entrepreneurs
  - ~700 desks ready for occupancy
  - ~100 additional desks by March
  - ~200 additional desks by April

## 9 Launch ~\$10MM NYCEDC Angel Fund

### Overview

- Stimulate entrepreneurship in NYC by providing approximately \$10MM in additional seed-stage funds to City-based startup companies through the creation of a privately-managed seed-stage venture fund

### Problem being addressed

- Shortage of seed-stage capital in NYC, which impedes the growth of high-tech and other startups in the City

### Key details

- Increase available NYC seed funding by ~25% by establishing seed funds dedicated to startups in NYC
  - NYCEDC to seed several angel funds focused on start-up companies in NYC
  - Private Fund managers selected by RFP to match City capital with private investments
  - Investments expected to be between \$20 and 250K in early stage companies of all sectors
    - o Likely to support funding for up to 450 NYC-based startups
  - Private fund managers to drive investment decisions with NYCEDC representatives to sit on investment committees and boards
  - NYCEDC to receive principal plus interest on investment in 8 years

### Status

- Releasing RFP on February 23rd
- Seeking to make first investments by fall 2009

## 10 Launch Jump Start NYC

### Overview

- Redirect displaced FS talent to startups by developing a targeted retraining program in conjunction with VCs and universities

### Problem being addressed

- Desire to leverage experience and talent of displaced FS workers for startup businesses, while acknowledging “skill gaps” of these workers

### Key details

- Provide “bootcamp” courses for employees displaced by from FS industry, with trainees then to be offered 10-week internships (unpaid) with a startup companies in NYC (with the potential to convert to full time employment at the end of the internship)
  - Pilot program being conducted by Levin Institute (SUNY)
- Launch additional modules based on demand
- Expect at least 100 students to participate in program

### Status

- Selected Levin Institute (SUNY) as university sponsor of program through a competitive bid process
- Promoting program (e.g., meeting with corporate HR and outplacement firms)
- Securing internships for trainees (applications available online; first class to start in April with 50 students)

## 11 Launch FastTrac Program

### Overview

- Retain displaced talent (including displaced FS talent) in NYC by redirecting them into startup activities (FS and otherwise) through training programs involving basic entrepreneurial skills

### Problem being addressed

- Need to retain talent of laid-off workers (including in FS) and not lose them to other cities

### Key details

- Program to be administered by NYC Department of Small Business Services (SBS) with support from Kauffman Foundation
  - Kauffman Foundation to provide curriculum and training for instructors
  - Scheduled to run 30 students/course; 2 courses/mo. for next 12 mos.
- Program to consist of two entrepreneurial courses
  - How to start your own business
  - How to change your business plan to adapt to the current economic environment
- More than 700 people expected to participate in program over next 12 months

### Status

- Launching program in March