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CORPORATE PARTICIPANTS

Scott A. Hill
Chief Financial Officer

OTHER PARTICIPANTS

Kenneth W. Hill
Barclays Capital, Inc.

MANAGEMENT DISCUSSION SECTION

Kenneth W. Hill
Barclays Capital, Inc.

Hi. Good morning, everyone. Wanted to kick it off here this morning with – my name is Ken Hill by the way, I'm the brokers, asset managers, and exchanges analyst here at Barclays. We're pleased once again to have Scott Hill, the CFO of ICE with us. Scott's been coming to this conference for a long time now. We're happy to have you here again today.

Scott A. Hill
Chief Financial Officer

Yeah. Thanks for having me, Ken.

Kenneth W. Hill
Barclays Capital, Inc.

Thanks. We're doing a fireside chat today, so got a lot to get through, just hoping to jump right in on some of the more important topics...

Scott A. Hill
Chief Financial Officer

Sure.

Kenneth W. Hill
Barclays Capital, Inc.

...right now, so thanks for coming.

Scott A. Hill
Chief Financial Officer

Absolutely.

QUESTION AND ANSWER SECTION

Kenneth W. Hill
Barclays Capital, Inc.

Q

The first thing I think that we tend to hear a lot about from clients right now is just really the volatility in the energy market. So, wanted to touch on a little bit what you're hearing from customers. And then from a positioning standpoint or trading standpoint, are you finding that a lot of people are trying to lock in lower energy prices at this point? Do you have any sort of forward impact on what you think volumes could be going forward as people are kind of locking in lower rates now or lower energy prices right now for the longer period of time?

Scott A. Hill
Chief Financial Officer

A

Yeah. I mean, historically, when you get to end of the spectrum on the price whether it was a number of years ago when we got to $180 or today when we're getting into the $30s and $40s, you certainly tend to see customers that are trying to think throughout where does it go from here and what's my best move? You know, is my best move to lock in now or do I think $40s going to $20? Or do I think $40s will naturally going back to $80? So, you do at times see very momentary pauses. But generally speaking, the reality is nobody knows. I mean, $40 may not be the bottom, $20 may be the bottom. It could be right back to $60. You just don't know.

And so, generally, what we hear from customers is we're not going to try and guess what the price is. We want to eliminate volatility. And so, what that means is they're setting their open-interest positions but then they're managing around that. And so, when we see periods of volatility, we see a lot of trading. When we see a little less volatility, we still tend to see those trading volumes. And if you look really over history whether it's $40 or $180 and even as it moves from $40 to $180 or the other direction, it's how volatile is it moving. That's what really tends to drive our trading volumes.

The other thing that I'm pleased with is not only have we seen with the volatility, good trading volumes, but our open interest levels are still moving in the right direction. So, if you look versus the end of the year, we're up in open interest in almost every asset class, obviously struggling a little bit with the European interest rates. But other than that, things are trending in the right way. And even interest rates [indiscernible] (02:29) up. So, that's my – as I think about and I am right now because we're moving into the budget cycle, as I think about the forward period, open interest rising is always a good indicator for future growth.

Kenneth W. Hill
Barclays Capital, Inc.

Q

Okay. Kind of on the other side of that, I mean the exchange space is one that changes quite dramatically, particularly in the transaction side as the model evolves. What do you think are the biggest threats when you look out over the next three years to five years? Is it new entrants to the space like you've seen that like more recently? Is it regulation, is it the macro environment? What kind of concerns you?

Scott A. Hill
Chief Financial Officer

A

Yeah. I think there's not anything necessarily out there that concerns me, but the thing that we constant – we look at all of these things, right. I mean, we're constantly looking at what is the next competitive threat that's out there. If you think about it, ICE didn't exist 20 years ago, right, and if you look at where we are today, we were a disruptor in the space. We were the ones that brought the technology angle to trading and really gave an alternative to the floor trading.

So, we're constantly looking for – is there another company or technology out there that could disrupt us or is there's something that we need to do to stay ahead of the curve. Regulation clearly continues to evolve. You've still got parts of MiFID II that are moving around, the whole one-day, two-day debates still moving around. So, I mean, we're a heavily regulated business and so, the continued evolution of regulation, its impact on not just us directly but our customers, is something that we carefully watch. So, again, there's not a specific concern that I see over the next three years to five years. I think the breadth of the business, the diversity of the business that we built really positions us to do well in almost any environment. And I think we do a reasonably good job as a management team of staying ahead of the curve as opposed to reacting to what others are doing.

Kenneth W. Hill
Barclays Capital, Inc.

Q

Okay. One business, I think, that surprised us a lot in the last quarter was the NYSE business and what you guys have been able to do with that since you've taken it over. You've got a lot of nice margin expansion there. What do you think is – I know you have goals to even move that higher towards the 60% level where you'd like to be for the overall company and help raise the company margins as well.

Scott A. Hill
Chief Financial Officer

A

Sure. Yeah.

Kenneth W. Hill
Barclays Capital, Inc.

Q

So, what's still left on the table there? What kind of things are you guys working on, on the NYSE business and specifically as far as driving out enhanced margin efficiency there?

Scott A. Hill
Chief Financial Officer

A

Yeah. So, I think there are a couple of things, and some of it's on the topline and some of it's in the expense line. So, on the topline, I still think there's room for us to gain share. You've seen us do it. I think when we first had acquired the company, we were typically in the 22% range. We're now pretty consistently 24%, 25% in terms of share. And that's with pricing that's been stable to modestly up, obviously to the extent that we can grow share and then also have some of the volatility driving trading volumes which we've seen recently.

That's all good for revenue and revenue helps with margins without question. And I don't think that's just a near-term phenomenon. I think there's opportunity for us to continue to grow the topline in that business listings. The listings pipeline is very strong and we've done very well in the listings business here. I forget what the exact number is, but I think there have been 14 or 15 large IPOs, and we won all but one of those. So, we're doing one on the listings business. That's a good annuity stream. The thing I love about that for the budget process is I know exactly what the revenues in 2016 are going to be, basically now. But I think we get growth out of that [ph] expense margin (5:57).

We've got the project, Pillar, which consolidates all of the technology platforms at the NYSE. That's going to be going on – it's going on now, and it will be rolling through the next year as well. I think as you look into 2016 and 2017, more efficiencies there. And in some of the investment, if you will, that we're having to spin now, will start to roll off once we've completed that project. So, out into 2016 and 2017, that's a major expense and capital-oriented engagement that will generate some synergies in the future.

And then there's still a few of the corporate functions that we're working to either make more efficient or to insource where our philosophy at ICE has generally been we don't have a lot of contractors, we don't do a lot of third-party consultants, we don't do a lot of outsourced service provision. We pretty much work through the contractor pool. Historically, we've been kind of 5%, and I think we're closer to 20%. We're headed back towards where ICE was. And there's still some opportunities to bring some outsourced services back in. And our view is our capabilities in building technology and tools, allows us to do many of those functions more efficiently, and that's another synergy that's still in front of us.

And then the last one is just the real estate consolidation. We'll start to see some of that in the back half of this year, but you'll get the full effect of it as we move to next year. So, I think there's topline opportunity and bottom-line opportunity. And as you said, and I agree with you, there's no reason to think that NYSE margins can't continue to expand, and that clearly contributes to our overall margins expanding.

Kenneth W. Hill
Barclays Capital, Inc.
Q

Okay. One of the other kind of themes we picked up on in the exchange space more recently has been the added emphasis around market data. I know you guys have thought this is an important growth driver as well. From your standpoint, you've got a lot of interesting opportunities with exchange data, very proprietary data, you've got benchmark data. You also have things that maybe aren't so proprietary like the SuperDerivatives acquisitions you guys have done.

Scott A. Hill
Chief Financial Officer
A

Yeah.

Kenneth W. Hill
Barclays Capital, Inc.
Q

So, can you walk through how you see maybe utilizing the exchange data longer term, SuperDerivatives, and how that kind of blends into an overall growth prospect for the market data franchise overall?

Scott A. Hill
Chief Financial Officer
A

Yeah. So, if you look at the data business, if you think back pre-NYSE ICE when we were kind of $1 billion a year company, our data revenues tended to be 10% to 15% of our overall revenues. And that was largely the exhaust off the trading. And so, our ability to grow that business at that point was really around how many more products are we launching, what new settlement prices are we discovering, but it really was directly related to the trading.

That's still a very large part of what now is kind of 23%, 24% of our overall revenues. If you annualize the first half, it would be about $760 million this year. But still a big part of that is the exhaust off the trading at the New York Stock Exchange, on the traditional ICE derivatives markets. And that's still really important. And it's an area where we continue to deliver more value to customers by providing more products and more information and delivering that product in new ways that make it more efficient, new packages, new bundles.

And when you're able to create value and actually show a customer that you are giving them more value, you typically can price and capture some of that value. And you've seen us do that. I think the indicator that it's not just a price increase, it's really an increase in the value delivered is the fact that when we've increased prices, we've actually seen the number of customers grow, which by the way in addition to open interest is another leading indicator for me of our forward growth. So, we move into next year with more OI or OI growing and customers continuing to want more of our data, that's a good indicator.

So, that's a big part of our data business. It's going to continue to be a really important part of our business. But I think there are two other pieces that weren't a big part of our ICE data revenues traditionally that you touched on. One is we've got the connectivity revenues.

When we bought the NYSE, we bought a thing called the SFTI Network. That's a very secure network in a world where there is a lot of focus on cyber security and making sure that Reg. SCI and all of the focus on making sure you've got very robust bulletproof technology. We think customers are going to be interested hooking up directly into our network. It's a very secure network. It's a network that we've invested a lot in and continue to invest in. And so I think you're going to see more and more people want to hook up through that SFTI Network. And then there's also the COLO services and things like that. So that's another important part of the data business. That's a little lower-margin business because that's got a little bit more capital orientation. To add more customers, you need more capacity. But it's still a good revenue business and a good profit generator.

The third piece, though, that I think is really interesting and a big opportunity for us to grow is kind of what I'll call the information and analytics space. And what I'm having in that is really ICE Benchmark. It's the creation of a LIBOR benchmark that the market and the industry trusts and wants to consume. It's Gold Fix. It's ICE Swap Rate. It's all the other IBORs that are out there in the world.

Once we've established the infrastructure that is ICE Benchmark Administration, the board, the rule book, all of that, it's a lot like our traditional businesses in the sense that I don't have to add a lot more investment to take on the next incremental product. And so I think to the extent we can deliver that kind of information, those kind of benchmarks to the industry through a secure process, through a process that people are confident that the number that's coming out of the back-end is the right number, I think we can continue to grow that.

And then on the additional information analytics side, you touched on SuperDerivatives, and I think that's a space that has a lot of growth opportunity, because I think customers today are overwhelmed with data. And what they're really looking for is help me out, help me turn that into information, help me turn that into analytics. Things that can help me on my trading desk, where is oil going to go and what's that going to mean to the books that I've got. And there are some parts of the portfolio that don't trade on exchange. Help me get a price for that because that product may trade once a week, once a month, once every six months, but I have to mark it every single day. So can you help me price that product?

And so that's really value add when you get into that with the back offices and the trading desk. And that's an area where I would suggest we're just early days in moving into that space. And it's an area where I think we can generate a lot of growth. I don't see any reason that that can't be a $1 billion topline business for us.

Kenneth W. Hill
Barclays Capital, Inc.
Q

Okay. And just to kind of tie a bow on all the revenue discussion here. We've talked through the transaction businesses, some of the market data. From your discussion, you do a lot of meetings with investors. What do you think people aren't really focused on enough right now? What do you think is going to surprise people over the next year or two?

Scott A. Hill
Chief Financial Officer

A

Generally speaking, the investors that I've spoken to, and we had some meetings here at this conference yesterday, I think they're very focused on the right things. And a lot of them are focused on the last question we talked about. I think we've surprised people with two things this year. One is the strength of the data business.

Kenneth W. Hill
Barclays Capital, Inc.

Q

Right.

Scott A. Hill
Chief Financial Officer

A

And I think the other is the [ph] NYSE (13:04) margins. And so I think people now appreciate a little bit more why we've been so bullish on. We like the New York Stock Exchange business and we think there's a lot of opportunity to grow and improve that business. And I think people are starting to understand a little bit more the SuperDerivatives acquisition and the focus on data.

So I think investors right now are focused where they need to be. And I think we need to do a little bit better job in breaking out those data revenues to help the investors get a little better understanding of what's in that seven – it's a big number, $760 million. So that's one of the things that we spend a lot of time talking about is what additional information can we give to investors to help them understand that area because I think that's going to be a really key growth area for us going forward.

Kenneth W. Hill
Barclays Capital, Inc.

Q

Okay. Why don't we jump over to regulation and some of the market volatility. It's been a popular topic at this conference this year. We've seen things that have impacted your business. More specifically I think talking towards the August 24 date with the open on the exchanges. You guys are across a lot of asset classes. You have a lot of regulators both here and abroad. You've got things like equivalents. You spoke to MiFID II a little bit earlier. Where do you find you spending most of your time on the regulatory front? And what do you think needs to get fixed now versus what things do you think are going to get pushed off and still need to be worked on now?

Scott A. Hill
Chief Financial Officer

A

Yes. So, look, I think there are a number of areas that still need to settle, if you will. I think what you saw on August 24 once again is the impact of the significant fragmentation of the cash equities market. And I think there's still work that needs to be done to figure out how to deal with that fragmentation better. And we are working with customers, we're working with other market infrastructure providers, and working with regulators to think through what are ideas and what are ways that we can do things differently to lessen the impact of that fragmentation. Just one example, coming out of the July 8 technology outage, if we hadn't come back up and been able to close our stocks that day, we would have sub-optimally had to use the average closing price across other venues.

But we and NASDAQ got together and said, look, in the future if that happened, if NASDAQ was down, we'd close their stock. If we were down, they'd close our stock. That's the kind of incremental improvements I think we need to make in those markets, because to me the fragmentation in those markets is a problem. Every time you get really significant volatility, you see the impact of that fragmentation. And so I think it's imperative that the industry and the regulators work together to continue to find a way to lessen the impact of that fragmentation. By the way, that's a big problem statement. So it's going to take some time to work our way through that.

On our derivatives business, I mean for the most part, Dodd-Frank has been settled for a while.

Kenneth W. Hill
Barclays Capital, Inc.

Q

Okay.

Scott A. Hill
Chief Financial Officer

A

The U.S. rules have been settled for a while. We've had a bit of a kerfuffle around one-day in the U.S. versus two days in Europe, but I'm sure you noted that ESMA recently put out a paper for comment that effectively would align European and U.S. rules, in that they're contemplating whether or not they would accept one-day gross, which is the U.S. regime. But then they would require U.S. clearinghouses to accept two-day house margin, which is explicit in their law, the two-day requirement. So that seems on a path towards something close to harmonization, if not complete harmonization.

Kenneth W. Hill
Barclays Capital, Inc.

Q

All right.

Scott A. Hill
Chief Financial Officer

A

On the MiFID II, we'll see. You've seen recently the French and the Germans and the British actually put a paper together that expressed some concerns in a number of areas of MiFID II, including open access and worries that if it's defined too broadly, it could harm markets. We've been saying that for a long time. We're glad to see others are starting to come around to that same conclusion. And you've also started to see the industry come out and say, hang on a second, we're not ready. So January 2017 sounds really close, and maybe we've got to think about January 2018.

Kenneth W. Hill
Barclays Capital, Inc.

Q

All right.

Scott A. Hill
Chief Financial Officer

A

So it's like anything else in regulation. When you have an event, the pendulum swings to one end, and it tends to swing back to the middle eventually. And I think what we're seeing right now is the pendulum in Europe coming back to the middle.

Kenneth W. Hill
Barclays Capital, Inc.

Q

Okay. The last kind of major topic I wanted to touch on was capital.

Scott A. Hill
Chief Financial Officer

A

Okay.

Kenneth W. Hill
Barclays Capital, Inc.

Q

We hear a lot about it from the investor base. You guys have been really consistent as far as share repurchases. You recently raised the dividend here, which we didn't really expect you guys to do. It was kind of a surprise for us. So, good to see the dividend moving higher over time. And clearly M&A has always been a focus for you guys. So could you give a little bit of an overview on maybe the M&A market right now, how you're seeing that, and then how you're thinking about that kind of as compared to dividends and your purchases over time and what might kind of make one of those [ph] factors screen (17:51) a little bit more attractive?

Scott A. Hill
Chief Financial Officer

A

Yes. So the way we think about capital allocation today is no different than it was when I started eight years ago. And whenever Jeff and I sit down, talk about it, whenever Jeff and I talk to our board of directors about it, the way we talk about it is how do we deploy a $1 of cash to the highest return for our investors.

And so we are a growth company. We do think there is growth opportunity out there. We think we've proven to be a good acquirer of businesses. I think in the eight years I've been here we've now bought 18 different businesses. And I think generally speaking, if you look at each of them, there's been significant contributions from each of those acquisitions, and it's allowed us to generate really positive returns on invested capital.

So we're still in the M&A space. I think today prices in the M&A space and in the market generally are pretty high. It makes doing deals difficult because I have to be able to look at the investors and say, with this deal, I didn't pay away all the benefit. There's actually a benefit we've retained for our shareholders.

And so, as we go through our analysis, we screen on a hurdle rate in a very disciplined manner. We've told you we're going to grow double digit. If we've got a deal that doesn't return double digits, we're not looking at that deal. If we have a deal that returns double digits and it's a strategic fit and it's a growth opportunity for us, then we're definitely going to consider it.

However, what we've said very strongly recently is to the extent we don't find those M&A opportunities, we're going to return 100% of our cash to shareholders, we're going to grow the dividends as we grow, and we're going to really focus more of our capital return on share repurchases. That's, again, been pretty consistent with what we've done historically, other than as you said the dividend growth. But again, we do intend to continue to do that as we grow, but the mix isn't likely to change.

Kenneth W. Hill
Barclays Capital, Inc.

Q

Okay. So hopefully we can do a couple audience response questions and...

Scott A. Hill
Chief Financial Officer

A

Okay.

Kenneth W. Hill
Barclays Capital, Inc.
Q

...get some feedback real time and...

Scott A. Hill
Chief Financial Officer
A

Great.

Kenneth W. Hill
Barclays Capital, Inc.
Q

...comment on that. [indiscernible] (19:50) the first one. So if you're not a holder – this one we ask across the space. If you're not a holder of the stock, what will cause you to change your mind? So, improving volumes, more attractive valuation, decrease in risk, more attractive capital return policy and more simplicity. So, for you guys, more attractive valuation, which is a little surprising because...

Scott A. Hill
Chief Financial Officer
A

I've got to say, I don't know how it gets any more attractive, but...

Kenneth W. Hill
Barclays Capital, Inc.
Q

Okay. It's a completely unbiased view up here.

Scott A. Hill
Chief Financial Officer
A

Look, as you said, we've been consistently buying. That ought to signal something.

Kenneth W. Hill
Barclays Capital, Inc.
Q

Okay. So, 43% felt valuation, which is actually fairly consistent across the exchange base we've seen at the conference...

Scott A. Hill
Chief Financial Officer
A

Yes.

Kenneth W. Hill
Barclays Capital, Inc.
Q

... so, and then 29% on the volume environment which is also something you can't really control there...

Scott A. Hill
Chief Financial Officer
A

Yes.

Kenneth W. Hill
Barclays Capital, Inc.
Q

...but you're doing a good job in the other areas.

Scott A. Hill
Chief Financial Officer
A

At the risk of being cheeky early in the morning, I completely wouldn't understand that answer with others in our space. I truly don't get it for us. I don't know how you can look at the business we've got, with the margin trends we've got, with the earnings growth, not only that we've delivered but what's expected over the next couple of years and come to the conclusion that $230 is fair value. But, I don't know what I'd say beyond that. We will continue to buy.

In terms of the volume and macro trends, you asked earlier what should investors be focused on? I think this is an area where investors are too focused.

Kenneth W. Hill
Barclays Capital, Inc.
Q

Right.

Scott A. Hill
Chief Financial Officer
A

We have had good volume growth in three years, and we've grown earnings every single year. And we've grown earnings strong double-digit every single year. And so, from my standpoint, we've built a business that even in the volume-based business is really diversified. European interest rates are bad right now. Okay. Oil is pretty good. Ag is doing really well. Overall volumes are okay and revenues are growing. Natural gas has been struggling. It started to turn the corner a little bit.

So I read a report the other day where the comment was we feel like with ICE we get it at an attractive valuation and we have a free option on volatility. And I think that's exactly right because we're growing revenues and earnings without much volume growth at all. And so to the extent you get any more attractive volume environment, that just adds on top.

Kenneth W. Hill
Barclays Capital, Inc.
Q

Right.

Scott A. Hill
Chief Financial Officer
A

And the data business isn't dependent on the volume. The listings business isn't dependent on the volume. So that's an area where – and again, to some extent we've done it to ourselves, because what's the one thing I've put out every single month, a volume report. And again, it's important, don't misunderstand me, 60% of our revenues are volume based. But it's not the only driver. And again, I think if all you're following for our stock is volume, that's why 43% think that it's a valuation issue because you're correlating valuation to volume and I think that's the wrong way to think about our stock.

Kenneth W. Hill
Barclays Capital, Inc.
Q

I think that's fair. Okay. Can we have the second question? We'll hit some audience questions. So, number two, where do you see the biggest opportunity for earnings expansion over the next three years? The NYSE transaction business, ICE Futures, Liffe for the non-transaction services. So...

Scott A. Hill
Chief Financial Officer
A

You should add all of the above. That's a possibility.

Kenneth W. Hill
Barclays Capital, Inc.
Q

Hopefully that is true as well. Okay. So, in agreement with what, I think, we've talked about here today. So, 69% seeing non-transaction services being the growth driver over the next three years, which is nice to see out of that slide. I'm not sure there's much else to add other than...

Scott A. Hill
Chief Financial Officer
A

Well, I think, again, my eyes are terrible, but it said, 0%. I think there is an opportunity in the next three years for earnings expansion at the New York Stock Exchange.

Kenneth W. Hill
Barclays Capital, Inc.
Q

Just in the transaction businesses, to be fair.

Scott A. Hill
Chief Financial Officer
A

Okay. But again, to be fair, I think there is share growth opportunity. There is Pillar. There is the corporate functions. So I agree with you, in terms of the non-transaction services, I think that's a big opportunity for us without question. Clearly, the Liffe business is right now struggling with the European economy. I do agree that eventually that will turn and we'll benefit from that. Our legacy ICE product open interest is moving in the right direction. So, again, I agree with those who said that's an opportunity. It clearly is. Don't discount the impact of the New York Stock Exchange. There is opportunity and it's not just this year and next.

Kenneth W. Hill
Barclays Capital, Inc.
Q

Okay. Third question. So, on the regulatory environment, do you see that being a potential negative or positive here for ICE's business over the next five years? So, 42% expect it to be a small negative with 25% a small positive. So kind of middle of the road. Not...

Scott A. Hill
Chief Financial Officer
A

Yes. So over the next five years, that kind of stays, plus or minus a little bit...

Kenneth W. Hill
Barclays Capital, Inc.

Q

Yes.

Scott A. Hill
Chief Financial Officer

A

...and that's probably about right. So generally speaking, we've done really well through regulatory evolution. And again if you step back and think what the laws generally are doing, it's pushing more business onto transparent execution venues, which we run.

Kenneth W. Hill
Barclays Capital, Inc.

Q

Right.

Scott A. Hill
Chief Financial Officer

A

It's pushing more business into clearinghouses, which we operate. And so, generally speaking, I think the regulation is moving business towards the model we've constructed. And we've constructed that model in a fairly diverse geographic manner, so that we're in Asia with Singapore – we will be in Asia with Singapore. We're solidly in Europe. We've got a strong presence in the U.S. We've got a good partnership in Brazil. So I feel pretty good about the geographic diversity and the ability that gives us. If regulation in one place becomes overly burdensome and markets want to go away, we're able to meet that challenge.

So, look, again, it's going to evolve. What you've seen with ICE since we went public is when regulation has changed, we've found a way to help our customers through that and we've found a way to generate value for our investors through that change.

Kenneth W. Hill
Barclays Capital, Inc.

Q

Right. Agree with that. So the last question we have here is on capital. What do you believe ICE's best uses for incremental free cash flow going forward: acquisitions, reinvesting in the business, repurchases, dividend increase, or a balance of all options?

Scott A. Hill
Chief Financial Officer

A

Balance of all. There you go.

Kenneth W. Hill
Barclays Capital, Inc.

Q

Balanced approach 38%.

Scott A. Hill
Chief Financial Officer

A

And repurchases in the middle at 30%.

Kenneth W. Hill
Barclays Capital, Inc.

Q

Yes. I think that's fairly consistent [indiscernible] (27:04).

Scott A. Hill
Chief Financial Officer

A

Yes. No. That's exactly what we're doing. The interesting one here, so, I think the balanced approach is right. And I've said kind of how we think about that balanced approach. Share repurchases, I indicated, really is the primary means of us returning capital. But the reinvesting in the business, I think, is an interesting and an important one. And we do invest in the business. But over the last year and this year, we've invested a pretty significant amount of CapEx, particularly in real estate, in consolidating our real estate in New York, in consolidating our headquarters in Atlanta, and expanding it for the job growth that we've had in Atlanta.

And so that's actually [ph] an area where (27:46) I think you're going to see us need less capital over the coming years than we've needed the last couple of years, which will free more up in the balanced view. And that's not that we're making a decision to under-invest in the business. It's just that we've had what I'll call some bubble investments that we've had to make the last couple of years that won't carry through. So, as opposed to where we've been around $250 million, I don't see any reason why we can't get that below $200 million and operate in kind of that $150 million to $200 million range over time.

Kenneth W. Hill
Barclays Capital, Inc.

Q

All right. Okay. I think we've got some time for some audience questions.

Q

Hi. Good morning. Mr. Dimon earlier spoke about clearinghouses and described them as big repositories of risk and so on. How much capital do you hold at each of your clearinghouses? I believe IOSCO sets that standard. What are the prospects for other regulators, just like bank regulators – Federal Reserve, ECB – to have a say in how clearinghouses' capital standards are set? And what is the direction of travel for the amount of capital in the clearinghouses over time?

Scott A. Hill
Chief Financial Officer

A

It's a really good question. And by the way, JPM is a terrific partner and an important customer of ours and I respect Jamie a lot and his views. I think, though, to say that clearinghouses are big repositories of risk without adding that it's fully collateralized risk is a bit of a misstatement. Clearinghouses have worked through every financial disaster because that risk is collateralized.

In terms of our regulatory capital, IOSCO really sets principles. It is the local regulators who determine what regulatory capital you have to hold. For example, in [ph] EMEA (29:33), there's a European Banking Authority, the EBA set rules that determines how much capital we have to hold at ICE Clear London. The CFTC has capital rules that are required by clearinghouses in the U.S. So I won't break it down individually, but we hold over $0.5 billion across our regulated entities. And that's including regulatory capital and the skin in the game that we've got at our various clearinghouses. We've got a little over $200 million of skin in the game inside that number.

So with a very significant amount of regulatory capital, call it $250 million to $300 million, we have a very significant amount of skin in the game in our clearinghouse default funds of, call it, $225 million to $250 million. I think that's largely built up over time. In fact, we said that there's a significant amount that's sitting in our non-restricted cash right now that will eventually move over into our European regulatory capital once we're [ph] EMEA (30:37) authorized.

So, I think largely the regulatory capital requirements have been defined by the regulators and have been funded by us and it's reflected on our balance sheet already.

Kenneth W. Hill

Barclays Capital, Inc.

Okay. I think we have to leave it there. I know you've got some meetings to get to. I appreciate the time [indiscernible] (30:53).

Scott A. Hill

Chief Financial Officer

Okay. Great. Thanks for having me, Ken. I appreciate it. Yes.