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Intercontinental Exchange, Inc. (ICE)

Credit Suisse Financial Services Forum

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MANAGEMENT DISCUSSION SECTION

Christian Bolu
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So, we'll get started with our next presentation. We're pleased to welcome back Intercontinental Exchange in what is always one of the highlights of our conference. With me on stage is the Chairman and CEO, Jeff Sprecher. Welcome Jeff, and thanks for making it down to the conference again.

Jeffrey C. Sprecher
Chairman & Chief Executive Officer

Thank you.

QUESTION AND ANSWER SECTION

Christian Bolu
Credit Suisse Securities (USA) LLC (Broker)

Q

So, I guess a good place for me to start, Jeff, is over the last two years, there's been a lot of change in your business mix, and the simple story of a high growth, plain commodities probably doesn't still play today. I guess from your perspective, or put it other way, how should we think about the story of ICE from here?

Jeffrey C. Sprecher
Chairman & Chief Executive Officer

A

Well, thank you guys for being here. It's nice to always be with you at this great conference that I look forward to. Yes, we spent the last year integrating the NYSE-Euronext transaction that we did and curating the various businesses that resulted out of that and then fine tuning our opportunity set. And if you look at the company today, there is a futures trading and clearing business, which you can still monitor by looking at the daily volumes.

But there is also a very big footprint in our business that's no longer volumetric. Things like over-the-counter clearing where daily volumes are not reported but are growing tremendously, and then we've ended up with a very large data and listings business. But basically recurring revenue business that is growing against a relatively fixed cost. So, similar model to when the business went from analog to digital on trading, which the allure of that was this fixed technology cost against growing volumes.

Today we have a number of different businesses that have relatively fixed cost and they all grow, but some grow against volumetric transparent variables like daily volumes that we report and then there is this kind of other big piece that I don't think people really recognize until we laid it out in that way on our last earnings call.

Christian Bolu
Credit Suisse Securities (USA) LLC (Broker)

Q

Okay. So, let's actually think about our business. So you're right, the data business has been a strength...

Jeffrey C. Sprecher
Chairman & Chief Executive Officer

A

Right.

Christian Bolu
Credit Suisse Securities (USA) LLC (Broker)

Q

...for ICE. So can you talk a bit about what's in that business and how we should think about the drivers of much longer-term growth?

Jeffrey C. Sprecher
Chairman & Chief Executive Officer

A

Well, we have our historical data business that we grew organically, which was all commodities data set. And when we acquired the NYSE, we acquired along with it obviously the data from trading U.S. equities and equity options. And then we acquired the Liffe Exchange, which gave us really an interest rate data footprint. We've built a new company called ICE Benchmark Administration, which is the company that took over the LIBOR administration, the Gold Fix and the ISDAFIX. So we've got this new footprint of what are really regulated benchmarks going forward, very global, very important regulated benchmarks.

And then the listings franchise on the New York Stock Exchanges is a business that has been growing. We've been doing very well in listings. There's been a lot of IPOs in the last year or so. And that is a massively recurring business with at least 2,500 listed companies, lots of ETFs and other things that are providing annuity revenue against a very fixed cost base.

So, you take all that together and about 40% of our business is in a form that is much more recurring than it used to be in the past. So very different footprint for us. Similar in the sense that when I say we curated the businesses, we have wanted to keep businesses where there are relatively fixed costs, where those fixed costs are relatively embedded in technology and where top line growth can fall predominantly to the bottom line, which is the strength of the model that your colleagues have got used to around exchanges.

Christian Bolu
Credit Suisse Securities (USA) LLC (Broker)
Q

And how do you think about the growth of that business longer term? Is it just case of new users or can you make the data more valuable over time?

Jeffrey C. Sprecher
Chairman & Chief Executive Officer
A

It's a number of things. One, we've just put the sale of our sailboat into the winds of a massive trend, which is the consumption of more data and the more use of indices as the benchmark transactions. And now the goal for ICE, we bought a company called SuperDerivatives, which did a number of things for us. It helped flush out our data set because SuperDerivatives was very strong in foreign exchange and interest rate swaps where we didn't have a big footprint. So, now for us, it's curating that data and repackaging it and finding different ways to distribute it to end users, so that they can pay for what they want and that we can add value to it and charge more. And that's what the SuperDerivatives desktop, which is a web-based distribution vehicle has done and will do for us. And we're working on rolling that out right now.

We have about 30,000 registered users on our own web-based interface for trading that we can immediately tap into in and we have somewhere between 2,500 and 3,000 listed companies that we talk to the CFOs and Treasurers on a routine basis at the New York Stock Exchange that will be really interesting customer base for more tailored data products.

Christian Bolu
Credit Suisse Securities (USA) LLC (Broker)
Q

Okay. So I guess maybe on NYSE, from what you've said so far, it seems like it's fairly integrated in how you think about the growth parts of your business. But there is always rumors in terms of what you intend to do with that business. I guess when we think about very long-term for ICE, how does NYSE fit in?

Jeffrey C. Sprecher
Chairman & Chief Executive Officer
A

Well, my goal is to grow earnings year-after-year and we targeted to grow double-digit earnings because we think of ourselves as a growth company and even though we're a much bigger company today than when we started it with a handful of colleagues, we still really feel that we're in a fabulous macro trend to grow. And so I am willing to own any business that we can make the bottom line grow, and the NYSE right now we've increased our revenue capture on trading, we've increased our market share of trading, and we've massively improved the pipeline of listings. And so it's really doing well, and at the same time, we're taking a lot of cost out of the business and it's probably one of our biggest contributors to earnings growth.

So, I like that company. I can understand why the market asks that question because when you go back in the history of New York Stock Exchange, it was a near monopoly and due to regulatory changes, it lost market share and went down from 80%, 90% market share to 20% market share and investors along the way and owners at that time along the way thought that it was not a good business.

The reality is we've I think bought the business at the bottom and it's now rising and it's a great thing to own in that environment. But we have sold off businesses. We took the French, Dutch, Portuguese and Belgian stock exchange public this last summer and ultimately sold out of them. They're good companies. They didn't fit our growth profile. We didn't think that we were the right management team to run those businesses.

So I'm willing to exit businesses that don't really work for us, and so I'm not wedded to anything. And I think because I say that and because there's been this history of the New York Stock Exchange the people feeling that it wasn't a good business, they conflate the two and assume we're saying we're going to sell that business. When realty is it's really been a great contributor to our EPS growth.

Christian Bolu
Credit Suisse Securities (USA) LLC (Broker)

Q

Okay. Makes sense. Let me switch over to regulation. You've spoken a lot about the divergent trends in clearings or regulation around clearing in Europe and the U.S. I guess how are you positioned to capitalize on that?

Jeffrey C. Sprecher
Chairman & Chief Executive Officer

A

It's a good question. First of all, when I talk like that, I'm jumping to conclusion as to what the regulatory landscape is going to be in the U.S. and in Europe, and it's dangerous to do that because they're both works in progress. But they do seem to be diverging and so we are working on different solutions for these different regions. We support both and we're going to be in various places around the world and we'll be locally compliant, but customers are going to be making a decision on where they put their business. And I think this regulatory overlay which will be different in different jurisdictions will have a big impact on where people want to do business going forward and that may be different than where people did business in the past.

Europe is going towards a much more open access model for clearing houses to give customers more choice of execution venues, but I believe that the ultimate cost of that will be much more expensive for clearing. And so the question is will European customers pay more and the payment will be in the form of having to put up more capital than they otherwise would in other jurisdictions in order to have more execution choice versus the non-European model, which is going to continue to have major exchange groups doing both trading and clearing. So less flexibility on choice, but more capital-efficient clearing house.

And so we're going to be in both. We're building both kinds of clearing houses and we'll be somewhat agnostic as to – we're going to position ourselves to do well either place to be somewhat agnostic where customers take business. But I mentioned on my earnings call that the last piece of our puzzle is we're opening a clearing house and regulated exchange in Singapore and I really think that there's going to be – that Asian trading and clearing is going to be a magnet for otherwise westernized companies as to how business gets done in the Far East. And so we're making a big commitment there as well.

Christian Bolu
Credit Suisse Securities (USA) LLC (Broker)
Q

Let's get to Asia, but just let me just finish on the regulatory theme.

Jeffrey C. Sprecher
Chairman & Chief Executive Officer
A

Okay.

Christian Bolu
Credit Suisse Securities (USA) LLC (Broker)
Q

MiFID II level 2 text came out.

Jeffrey C. Sprecher
Chairman & Chief Executive Officer
A

Right.

Christian Bolu
Credit Suisse Securities (USA) LLC (Broker)
Q

And as you dig through the text and try and parse through all the language there, anything new and different that you and the team have found?

Jeffrey C. Sprecher
Chairman & Chief Executive Officer
A

What Christian is asking about is the details that are now coming out about how this MiFID is going to work, which is the so-called Level II language. It's as confusing to us as the Level I language was. MiFID II is a broad group of fixes and changes to equity and derivatives and futures trading and the details and some of the definitions that have come out in the current documents are confusing to us, and we honestly don't have real clarity as to what we're supposed to operate and how our customers are supposed to interface with us.

So, that language is open now for comment. Many people will be commenting on this language. I assume it will go through another round of clean up and ultimately we'll see exactly where it is heading. And then once it's cleaned up it has to be voted on by the European countries. So there's a ways to go in that process yet, but if you freeze right now at this moment in time, I would tell you that we're just somewhat confused and our comments will be seeking clarity in some of the definitional parts of the – not to change the law but just to help define what the law is really intending to do.

Christian Bolu
Credit Suisse Securities (USA) LLC (Broker)
Q

Right. So you mentioned Asia and I guess your Singapore exchange should go alive I guess sometime this quarter. How do you think about initial uptake? What do you expect in terms of volume trends and customers that come onto that platform?

Jeffrey C. Sprecher
Chairman & Chief Executive Officer
A

Yes, it will be interesting to see. We, for many years in the history of my company through the 2000s, we had this great luxury where we largely sat in London and our customers came from both the east and west time zones and did business with us sitting in London and the rule of law in London was recognized around the world and the role of the regulator there was recognized.

But as these new derivatives laws come into effect, I think there is going to be much more regionalization of trading. I'm not sure that our Asian customers are going to be as comfortable coming to meet us in Europe, for example, in London as they were before. I think they will prefer to be in a regulatory regime that is easier to understand, closer to their homeland and bankruptcy regime that they appreciate.

And I think even though regulators are trying to harmonize regulation across the globe, it's just the reality of the legislative process that regulation that's being passed is not identical. There are nuances to all of it. Not the least of which is more transparency, in other words reporting to government, what you're doing in that jurisdiction. And I think that increasingly with all the geopolitical tensions that you may see global players choosing, which governments they choose to report their actions to, their lawful actions to and relative mistrust that's going on around the world about how jurisdictions are rolling out regulation.

So we saw this trend, I think it's a trend we will see if I'm right, but we postulated this a few years ago after the financial crisis and began. Today, we own six clearing houses and the Singapore clearing house will be our seventh, we own 11 exchanges. So we are positioning ourselves with exchange and clearing in different regulatory avenues. The goal for us is to have it all on one common platform. Have as common a rule book as you can in these different jurisdictions, make it easy for customers to be passported around. For us it means, having our various jurisdictions applied for to third party regulators, to be passported into various countries and be respected by other regulators. But long story short is I think, then customers will be able to get on our highway and tell us exactly which jurisdiction they choose to do business in and we'll be set up to oversee that, that's the vision.

Christian Bolu
Credit Suisse Securities (USA) LLC (Broker)
Q

So, the way I think about in the near term it's more of a case of Asian customers, currently Europe and U.S. moving back to Asia, but what about the actual [indiscernible] (16:31) in Asia, how do you think about that growth?

Jeffrey C. Sprecher
Chairman & Chief Executive Officer
A

It's clearly a growth area, my company grew all through the financial crisis. We've grown earnings every single year since we've been a public company through an amazing amount, if you look at that clock which is we went public in 2005. If you look at that clock, a lot happened geopolitically during that period of time. And the reality is that, one of the things that we saw after MF Global collapse was a lot of complaints from our Asian customers that were using MF Global as a clearing firm, the decisions were being made under Western law and in Western business hours, that affected their position and there just is this overall conversation in Asia, which is you know is not one thing, it's a huge area that we and the west lump together as Asia.

But there is a general sense that, they would prefer to be in a time zone that they are awaken and that there is a rule of law, that is closer to what they understand. We're betting that Singapore is that nexus for all of Asia, which would include China, Japan and these growth areas of Malaysia, Indonesia and Vietnam. And we'll see if we can treat all of Asia in one location, but that's our goal for right now.

Christian Bolu
Credit Suisse Securities (USA) LLC (Broker)
Q

Okay. Makes sense. And then I guess switching over to topic I think which is in a lot of people's mind, which is obviously oil and the impact, they've even proven right in terms of volumes and volatility, I would think that correlate, but maybe thinking a bit longer-term just in a world of structurally slower growing demand for oil, how do you think about the growth prospects of actually oil trading?

Jeffrey C. Sprecher
Chairman & Chief Executive Officer

A

Well, oil trading is an interesting commodity because you and I will never buy a barrel of oil. So it is a raw material and so, it's a market where the raw material gets traded not the finished product. And so, the natural buyers are producers of this raw material, I mean consumers of this raw material to do some other treatment to it. And the natural sellers are the people that pump this out of the ground. So it's a highly commercial market not a retail market, but the price of oil is really the flagship for the price of energy in most places around the world. And it's just fraught with geopolitical risk and acts of God that impact supply and demand.

And a lot of the places where oil comes from are very unstable, politically and infrastructure wise. So it just feels like a product that's just going to have natural volatility in it, in our lifetime, regardless of how much oil we can find in the U.S. and bring out of the ground through fracking and other things. And the market has really evolved a lot. We trade a grade of crude oil called Brent and there is very little Brent crude oil in our Brent trading. Brent is really an oil field that has extincted for all intents and purposes. In fact one of the major oil companies is removing the major oil rig called the Brent oil rig and taking it out of the North Sea.

What's happened is that the index that we calculate called Brent has continued to morph over time and other grades of oil are in Brent and I think that will continue to be a dynamic index that will change over time as the use and the location of oil changes. What it represents is the highest quality grade of oil in the world and so then it allows all other grades of oil and oil products to be priced against Brent. And so what the market really cares about is do you have the most Utopian grade as the flagship and then the markets gotten used to discounts against that. And so I feel pretty good about it, because the use of oil, the growing parts of the world, where oil is produced, all of that is – continues to change, yet we've got a pretty flexible infrastructure in the way we trade that contract and evolve that contract that has been working now for many many years.

Christian Bolu
Credit Suisse Securities (USA) LLC (Broker)

Q

But are there any sort of indicators in your mind that point to structural group [ph] affecting just this (21:32) volatility, so penetration, hedging, et cetera?

Jeffrey C. Sprecher
Chairman & Chief Executive Officer

A

Yeah. We are seeing – there was only – a few years ago there was really only one airline for example that hedged crude that we were aware of and yet you think of an airline and one of the major factors of production is their cost of jet fuel. We've now seen more airlines, there is a new one that we've just been talking to that for the first time is talking to us about hedging. So, as an example there is a company that has a very, very high earnings correlation to the price of energy, and hedging tools have been available around Brent crude for – our crude for around 30 years or so. It's been electronics since 2005, so pretty easily accessible, and more transparent to see this price.

It's just now that we are seeing for example a major player think about hedging. So, I still feel like it's an underpenetrated market. And the data shows that I mean that it continues to grow, and our open interest, in other words of the open hedging positions that people have continue to grow. So, we haven't seen any abatement of it. And obviously, whenever there is a massive price change like we've just seen recently, it calls attention to the product which is a good thing for us and it gets people thinking about how they're going to deal with either rapidly rising or rapidly falling prices depending upon which side of the supply chain you're on.

Christian Bolu
Credit Suisse Securities (USA) LLC (Broker)
Q

Switching over to nat gas and I guess which is a different market, from the oil market, just in the world of oversupply or a lot of supply from the U.S. shale, I guess how do you think about growth for that product?

Jeffrey C. Sprecher
Chairman & Chief Executive Officer
A

Yeah. The natural gas market – first of all, natural gas is a regional product. So, it's not really a global product. It's not easy to ship and in the U.S., we have environmental and other regulations that make it hard to ship natural gas out of our borders. You have to liquefy it, for example. So that is starting to happen and we are starting to see a global natural gas market and I'm setting the company up on the anticipation that some time in my lifetime and in many of your colleagues investment timeframe that we're going to see a more global natural gas market. But what's been interesting is the U.S. has been a wash in natural gas, that natural gas a lot of it was not fracking to find natural gas. A lot of that was fracking to find oil and the natural gas has been associated with oil.

And so, and these wells degrade very quickly, both oil and gas fracked wells degrade quickly. And typically only last, people tell me, around 18 months or so, so we're seeing already rig count for oil go down. We're all sort of hearing those stories that these wells will be degrading. And so it will be interesting to see if how correlated the U.S. natural gas price is to this falling drilling counts. It's hard to know because natural gas has been so cheap that a lot of gas has gone into storage. So there's a huge inventory of natural gas in storage but as oil associated natural gas drilling falls, we'll see what it does for supply and demand. I suspect that it's just another new wrinkle in the way economists think about supply and demand in the U.S. gas market that will ultimately impact the way people have to hedge.

Let me just make one other point, which is, we find interesting is that European natural gas, the trading and hedging of it has really been on the rise, it's been a big growth product for us. Part of that is that after the Japanese tsunami, there has been sort of a European push back towards nuclear power. Europe has much more aggressively adopted carbon caps and cap and trade, so old coal plants are coming offline. So, the marginal fuel has ultimately been renewables and natural gas.

And natural gas, what was interesting about it to us was the natural gas received an exemption from mandated clearing under their reform rules, financial reform rules. And yet it's been one of our fastest growing cleared products. The trend in another word is towards clearing and transparent trading is in that market. Oddly, in the markets where regulators want to force people to clear in financial derivatives sort of the regulatory process and all the dates and details and timelines that have come out of that have in a weird way slowed the movement and where it was exempted, you see this underlying trend, which is a trend that my company was riding for the last decade, prior to the Lehman collapse.

Christian Bolu
Credit Suisse Securities (USA) LLC (Broker)
Q

Okay. Instruments of capital management. Jeff, so I mean obviously high class problem, a lot of free cash flow generation and what's the thing new and different this time, is it's very current given some of the different businesses that you have now. Could your capital management philosophy favor a bit towards more consistently growing dividend or how should we think about [ph] your dividend (27:34) policy?

Jeffrey C. Sprecher A
Chairman & Chief Executive Officer

Yeah. So, if you haven't followed my company, we've only paid a dividend now for four quarters, prior to that we – in the whole life of the company, we never paid a dividend. So, we've just started to become a dividend payer, but last year, we paid down $2 billion worth of debt or retired $2 billion worth of debt, paid out a $1 billion in dividends and share buybacks to shareholders and did about $0.50 billion of acquisitions. So, we got a lot of cash move through our balance sheet and income statement last year.

And so going forward now, we're incredibly cash generative. We've tried actually to in our financial reporting to make changes, so that the investors can see that cash generation capability. And so, as you say, it's a good problem to have, we just announced our dividend. We continue in the market to do share buybacks and have heretofore last years have felt that our shares were undervalued relative to our peers. So, it's been an easy decision for us to be somewhat aggressive in returning capital through share buybacks.

We look at it, my board meets once a quarter and we continue to look at allocation of capital. I think the point is that, we're pretty aggressive at returning capital right now and the discussions in the board context are, what is the most efficient manner at a moment in time. So, it's a topic that – it's a good problem to have and it's a topic that we continue to discuss at the board, and it's a relatively new conversation for us given that we've only been a dividend payer for four quarters, but certainly that's going to continue.

Christian Bolu Q
Credit Suisse Securities (USA) LLC (Broker)

Okay. I guess on M&A, I think same time last year, I asked you [indiscernible] (29:31) were, you said risk management and clearing and since then you put $500 million of your motive behind that. So I'm guessing the bank has been listening carefully now but what you think about it next year. What are your M&A priorities for lack of a better word?

Jeffrey C. Sprecher A
Chairman & Chief Executive Officer

Yeah, so we run everything through return on invested capital model that we hold ourselves to discipline and so, we'll look at our own, the buyback of our own stock as an M&A opportunity as well as third-party opportunities. And we have a buy versus build strategy, so we sort of look where we are geographically and where our customers are moving and can we get there organically, which is what we prefer. Do we need to buy something to leapfrog and if we do buy something, can we be a better manager of it than third parties. But what you've seen is, is the evolution of my company from trading into clearing and now increasingly into data and indices and so it's somewhere along that spectrum are the things that we look at, really in a buy versus build context, but we are a company that does well with acquisitions. My colleagues are particularly good at integration. So we don't shy away from doing M&A, but we're not actually just trying to get bigger, we're trying to be a better solution provider to our end-users. I'll just leave it at that, see if your bankers can figure out. They've already jumped me at this conference by the way.

Christian Bolu Q
Credit Suisse Securities (USA) LLC (Broker)

Great. So it sounds to me, I don't know if for some reason it's right, but it sounds to me the pivot is always more towards things like market data type, acquisitions as opposed to, maybe more traditional exchange.

Jeffrey C. Sprecher
Chairman & Chief Executive Officer

A

One of the ways you can look at exchanges, particularly my company is that, we have a network, we're a network, and we have a lot of consumers on our network and then the question is, is there other hit programs that we should acquire to run on our network and if we do those, can we do it through joint venture or just contractual relationship or do we have to actually own the television show?

And so we look for things that fit with our network that we can up-sell our clients to and that's why I mentioned, we have a really interesting opportunity with the New York Stock Exchange with these thousands of listed companies that we have a very close relationship with because we have a regulatory role with those companies. We deal with them when they go ex-dividend. We deal with them – we help their stocks, so we're in constant dialogue with the finance teams of listed companies. And then the question now is what does corporate America need in a world of increased regulatory oversight, increased hedging activity that we talked about, mandated clearing for certain of their products and are there television programs that we should buy to put on the network that they have increasingly on their desktop with us.

Christian Bolu
Credit Suisse Securities (USA) LLC (Broker)

Q

I like that analogy. So I'll ask one more question opening it up to the audience. I guess, putting everything you just said today, are you thinking about the current business mix, how should we think about top-line growth, not so much earnings growth but top line growth? Can you return to the sort of double digit type numbers you used to put up pre-acquisition?

Jeffrey C. Sprecher
Chairman & Chief Executive Officer

A

I don't know. And honestly because we don't run the business that way, so I don't actually even pay attention to our top line growth in that way anymore. It was easy earlier when we were just going from a market that was analog going to digital and you could just sort of count the heads of who has now made the conversion and you could see that in volume growth and top line growth. We grew top line last year. A lot of our trading volumes were depressed like our European interest rate franchise was depressed. But so, that is no longer a proxy for a revenue growth for us because we have so many other recurring revenue businesses and businesses like OTC clearing where we don't report those numbers. So, consequently, I don't look at them. I really look at and we try to hold the company to delivering double digit earnings growth or EBITDA growth and that's how we measure ourselves month-to-month and how we sort of guide the company through our customers' needs.

But what we have seen is as economies recover, as risk goes into and out of markets that at any moment in time when you just look at trading volumes, they could easily pop to double-digit figures which is a good thing because that volume does fall to our bottom line as well.

Christian Bolu
Credit Suisse Securities (USA) LLC (Broker)

Q

I'll open it up for the questions. Go ahead.

Q

[Question Inaudible] (34:50 – 35:01)?

Jeffrey C. Sprecher
Chairman & Chief Executive Officer

A

Yeah. So, the question is if Europe goes along open access, how would we protect our assets there? First of all, the MiFID law has been passed and that law does say that they're going to go open access. So, Europe is going open access. What Chris and I were talking about is the details of what that means, is what this level 2 language is, and that is more confusing as to what it means. But generally, we are building for an open access clearing house where third party exchanges and trading platforms will have the ability to hook to us and we will supply services to them. I think that oddly – and that's to promote competition of trading, oddly it kind of has the opposite impact on competition for clearing. Because it would be hard to imagine why given that you have large incumbents there that can provide low cost service, I don't know why anybody would ever build another clearing house, particularly given how expensive these clearing houses are now. The amount of capital that you're talking about in these clearing houses is becoming pretty massive. So we'll have this great clearing franchise and we'll just seek to maximize our value out of it.

The open access what it does is it unbundles trading from clearing is what the regulators are trying to do, but it unbundles more than just trading. It unbundles the price discovery and the market. Now you're going to have fragmented markets theoretically and whenever we've been in markets that are fragmented, the value of data goes up, because people want to be able to see as clearly as possible. They want to reconstruct the market that's been fragmented, so data streams become more valuable, colocation becomes more valuable because people feel like they've got to reconstruct the market and be there first. So, the value of the match goes down, but the value of data, colocation, other things go up. Value of clearing probably goes up. All told, I mean, it may actually be economically better for us as an infrastructure provider. I think it's oddly kind of anticompetitive, not pro-competition, which is what regulators are trying for and I think it's going to be expensive ultimately for end users. So, in a global world end users will be able to move their business and I think it will go, because of capital constraints generally, particularly on bank balance sheets, which we are all aware of. But increasingly the demands for clearing that buy side people are going to be pushed into, there is going to just be a lot more capital in the trading environment and that's what regulators want.

And I think capital tends to find the most efficient location, it's so portable now. And that's why we're building infrastructure around the world, because I think capital is going to flow. Oddly we have been seeing a lot of European business coming to the U.S. over the last six months or nine months well in anticipation of these rules. But, it's a combination of us as an infrastructure provider, reallocating where we put money, more in clearing houses where we think we're going to do better, less as the model is less clear to us and then customers sort of following that capital flow and really what we're seeing right now is sort of an early exodus of non-strategic European business leaving Europe. We'll see if that continues but – by the way, we saw when Dodd-Frank passed, a lot of U.S. business leave the U.S. because there were fears about Dodd-Frank. So, it's a data point that European business is leaving Europe whether it ultimately migrates back, it's hard to know.

Christian Bolu
Credit Suisse Securities (USA) LLC (Broker)

Any other questions? Okay. With that, thank you very much.

Jeffrey C. Sprecher
Chairman & Chief Executive Officer

Thank you all. Thank you. I appreciate you being here.