Intercontinental Exchange Inc at Goldman Sachs US Financial Services Conference

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PRESENTATION

Alex Blostein, Goldman Sachs - Analyst

Thanks for joining us everybody, we'll get started with our next session. Next up, it's my pleasure to introduce Jeff Sprecher, Founder, Chairman and CEO of ICE. Over the years, ICE has evolved into the most diversified network of global exchanges and clearing houses, which has now been also further transformed into a leading data business with the most recent acquisition of IDC, which closed I guess about a year ago this point. Importantly ICE continues to deliver double-digit EPS growth among the highest in the exchange space, which remains a cornerstone principle for the Company, which I'm sure we'll get to talk more about to Jeff today. So thank you so much for being with us and welcome.

Jeffrey Sprecher, Intercontinental Exchange, Inc. - Chairman & CEO

Thank you for having me, Alex.

Alex Blostein, Goldman Sachs - Analyst

So let's just jump into the business.

Jeffrey Sprecher, Intercontinental Exchange, Inc. - Chairman & CEO

Welcome to the world of financials.

Alex Blostein, Goldman Sachs - Analyst

So let's start with the data business. Obviously it's been a huge focus for you guys over the last year, lots of changes and the way I want to kind of structure the discussion around the near term and the longer term opportunity for this business. So in 2016, you're on track to deliver something like seven plus percent organic growth in the business. You talked about something in probably more 4% to 5% range for next year if you exclude the recent acquisitions that you made. What are the some of the parts of the business that you're more excited about versus you're more nervous about into 2017 relative to what we saw in 2016? And I guess more importantly, what do you think is a reasonable kind of sustainable long-term growth for the data business for ICE?

Jeffrey Sprecher, Intercontinental Exchange, Inc. - Chairman & CEO

That's a big question. First of all, we've been in -- I started the Company in the trading business and the data has always been the exhaust that comes from trading. And one of the things that we noticed that people would buy the data every day, but they would make a separate decision on whether they were going to trade every day. So as a manager, the data business has always been alluring because it's consistent and it's easy for me to predict. So when my CFO gave guidance on the call that you're referring to, he basically said, I think we're going to do data sales next year, the growth in data sales next year, at least equal to what we've done this year, which is about to double of what our peers are doing. And so we feel pretty good about the model we've built and the fact that we think it can grow above the norm and it's partly because of the breadth of data that we have right now and I think that's a long-term sustainable trend. We have some proprietary data and we have some commoditized data and we also have some wires and screens, so that we can deliver data. And we can put those packages together to serve you all in various different ways that bundle that and ultimately may reduce your cost, but increase the spend with ICE. And I think that -- it's interesting, there is more focused on the spend for data, but yet you and I are all spending more on data. It's quite interesting that we see people wanting more and more information, and so I just don't see anything that's going to break that trend for a while.

Alex Blostein, Goldman Sachs - Analyst

Makes sense. Let's talk a little bit about, I guess, about the strategic structure of the two businesses. So the trading and clearing segment and data segment, how do the two complement each other and what should we think of them as really kind of separate parts of the business now?

Jeffrey Sprecher, Intercontinental Exchange, Inc. - Chairman & CEO

We've really organized ourselves so that it's a holistic single business in the sense. We reported as two segments, because one is very variable, particularly levered to volatility and the other one, as I mentioned, the data business is consistent and growing, so we've reported them two ways because we sort of manage the business and look at the revenues two way, but the reality is it's a holistic business. Traders need information to trade, increasingly there algorithms that are making trading decisions, passive investors that are benchmark to indices that are making decisions based on data. So trading decisions are being made that way, but now increasingly, you've got the mid and back office, that needs data to mark-to-market, needs data for regulatory purposes to report out for audit purposes, and so that's all in the way Goldman Sachs operates their trading desk with the front, mid and back office. It's increasingly becoming a holistic part of a single operation and that's how we're addressing it, with trading and clearing.

Alex Blostein, Goldman Sachs - Analyst

Okay. Let's talk about some of the market trends and you talked a lot about market fragmentation and that's being one of the drivers of the increased consumption, especially around exchange streaming data for ICE. At the same time, competition to your point in some of the products is becoming a little bit more intense. So when we take a step back and we think about this continued fragmentation, potential spilling into other asset classes, is it a net positive, net neutral, net negative for ICE as you think about the whole products you're offering today?

Jeffrey Sprecher, Intercontinental Exchange, Inc. - Chairman & CEO

Yes, it's -- I've been talking about -- as you mentioned, I've been talking about this as a trend for years and we've organized the Company geographically with exchanges and clearing houses in various jurisdictions, and now data in various asset classes, because we really believe there's going to be continued fragmentation of markets. One of the things that happened in the conversion from analog to digital exchanges is that trading can now -- an entrepreneur can list a product on a network and create a network virtually overnight as opposed two years ago when he had [open our product exchange] where he had a piece of real estate and the infrastructure to support that.

Today, it's much easier to create competition for trading and we have these techniques of paying for order flow where there will be some people that are willing to move their business if you pay them. So it's easy to compete. We also -- we got used to particularly in the commodities and derivatives worlds of sitting in one location and doing business 24 hours a day around the world, and that's being fragmented by changes in regulation, capital requirements and other things. So it's Balkanize. So these two trends are converging and there's just going to be much more fragmentation. So, I've built the Company to benefit from that. I don't think it's good for the market, and publicly we advocate against fragmentation, but I think it's partly an inevitability, and so we've designed the Company to profit from it.

So you'll hear me kind of speak out of both sides of my mouth, which is -- there is the ethical side of me that thinks we should do the right things for markets and then there's a side of me that runs a public company that's going to profit from the chaos that's being created. And we've built a good chaos capture device. Years ago -- we have a big presence in London of trading and clearing, and data dissemination. And years ago, we decided we should get on to the continent -- on the European continent and we bought an exchange there, and then we bought a clearing house and we've linked the two up, thinking that Europe and the UK may actually divorce at some point and true enough, that's what's going on.

So we've been very well positioned to benefit from what is probably not a helpful trend. And you can see it in our growth. We've record open interest in trading, we're going to have record revenues this year. We have lots of trading volumes that are at record highs, we're going to have record data sales. So the Company is profiting from all of that, but unfortunate I think it's inevitability, particularly for you all in the audience that are trying to manage risk and find opportunity.

Alex Blostein, Goldman Sachs - Analyst

Makes sense. Let's talk about the pricing power of the data business for a second. Up until now and again, you really need to push into data probably a year, a year and a half ago, but up until now, you spent a lot of your time and focus around new products, new solutions, analytics, things like that really driving growth. But taking a step back, it feels like, once somebody moves these products, they become incredibly sticky and the integral part of the processes. How much pricing power do you think you guys will have in these businesses over time?

Jeffrey Sprecher, Intercontinental Exchange, Inc. - Chairman & CEO

Yes. It's interesting to talk about pricing power and data, because let me give you some context, which is the price of the data is collapsing and has been collapsing since we went from analog to digital, but the amount of data that you and I are consuming is increasing and if you multiply the two together, the overall wallet is getting bigger and bigger and bigger, but the actual unit price of data is collapsing. So when we talk about pricing power, it's really changing the direction of the downward slope, but it's still a downward pricing -- change in the downward price, not necessarily upward. What do I mean by that? When ICE used to sell commodity data, when I first started the Company, we had four products. Today we have thousands of products that you are buying on our tape. The price to buy the entire tape has gone up, but the unit price for each commodity has dramatically going down. So what we see happening is as more markets digitize, more information digitizes, people want to take that information on a wire and are willing to pay for it and the wallet is getting bigger, even though my unit price has been collapsing.

We have -- if you look at my portfolio, we're kind of unique in the data space and the people have ranked us as the third largest data provider, behind the Number 1 and Number 2, which are resellers of other people's data, and what we're doing is really selling our own information, we don't resell anybody else's information. Some of the information that we have is highly proprietary and sort of hard to glean, some of it is highly commoditized and easy to get elsewhere. And so what we've tended to do and the reason that we've been successful and going back to your first question, the reason I think we're going to grow well, is we can provide a bundle sort of an enterprise package to people where we say, look, you're going to buy this proprietary data from us and you're cost conscious. So why don't you buy all of this commoditized data from us. We'll bundle it all together and give you of a macro deal, and by the way, we don't care if you want to buy it on a screen, we don't care if you want to buy it on a wire, or we don't care if you want us to send you an end-of-day file, I really don't care how you want to digest the information, we have all of those metrics and we can charge you different things for different delivery devices. So let's work out an arrangement. And that has been very well received in an environment where people are conscious of the fact that their data spend is going up.

Alex Blostein, Goldman Sachs - Analyst

Switch gears a little bit, let's talk about cash, equities, market data for a second. Occasionally there is always an outcry in the industry around pricing and increases in pricing within cash equity space, probably a little bit more recently than not. How do you think about that for ICE, sustainability of pricing in cash equities and really growth in that specific bucket?

Jeffrey Sprecher, Intercontinental Exchange, Inc. - Chairman & CEO

Yes, it's a highly competitive space. There've been a lot of -- there been lawsuits against the exchanges and actions by governments, investigate and every one of these continues to show that it's a very competitive space. And if you look at the price of data for the US equities market, it's been collapsing just as I've said over a long period of time. However, people want more data, there is more fragmentation, so they want to see all the markets, there is -- people want data faster, people want data cleaner, there are all kinds of add-on services that are going on and that we're providing that are increasing the wallet even though the unit price of data is collapsing.

So, yesterday, one of our competitors announced a big price decrease in the fees, if you will, and that continues to go on. But the real value that we see is what can we do to that data. So we have a data center by the way where the New York Stock Exchange is located and I've been moving more of my data businesses into that data center. And one of the things that we see is that people are buying bigger pipes now. They say, okay, I've got New York Stock Exchange data, have the [options opera SIFF data there], and we've got a bunch of new data from ICE. I'm going to move from a 10-gigabit to 40-gigabit pipe.

Well, we've a network and I'll sell you the bigger pipe. And so we continue to see ways of monetizing the fact that all of us in this room are just literally on a personal basis and on a professional basis dealing with more digital information. And I don't see anything that's going to change that trend. I don't believe my personal smartphone bill is going to be dramatically different 10 years from now than it is today. I literally think it's going to be higher. And I think I'm becoming more dependent on that thing. It used to be, you go to a restaurant and there was Pear Clafoutis on the menu and you would ask the waiter what is Pear Clafoutis. Now you look down on your lap and you Google Pear Clafoutis and you read what it is instead of asking the guy. Now that's -- I think we all -- I knew that anyway, I don't know if you do, but -- I honestly don't know what Pear Clafoutis is sitting here today. I would have Google it. But my point is we just gotten used to researching information, dealing with information on our own, even though there is a waiter standing right here, he is going to take your order, he'd be happy to answer the question. And that behavior I think is just -- it's going through the way we do business.

Alex Blostein, Goldman Sachs - Analyst

Makes sense. Let's switch gears entirely, and talk a little bit about the trading businesses. The oil markets have been obviously very volatile over the last year or so and you guys have put out very strong results in the oil business for multiple years now, but this year is obviously very strong for you with open interest continues to rising. Talk a little bit about where is the incremental demand coming from, and also on the competitive side, obviously there's been a number of people trying to break more aggressively to this market with pretty aggressive pricing tactics. What gives you confidence that your core end-user base is not going to ultimately follow the lower pricing and move?

Jeffrey Sprecher, Intercontinental Exchange, Inc. - Chairman & CEO

So there are two benchmark contracts in the world. There's West Texas Intermediate, which is US oil and there's a Brent, which is global oil. Brent is the global oil marker that most of the commercial users use and we're the largest venue for trading Brent. And if you look at (inaudible) we have record open interest right now. We had some, obviously some record volumes after the changes that OpEx just recently made are alleged to make. And we're doing very, very well with that global oil marker. And then you have WTI, which is the US marker and that's very levered to changes in fracking here, what is the incremental cost of fracking, are we going to get more US fracking, are there going to changes in regulation, are they going to allow more fracking, and also the fact that that oil has got a complicated distribution system in the sense that there aren't great pipeline to service that area. And so storage issues come up all the time. So you've got kind of two different sets of trends that they're both oil, but at any given time, one may have more volume than the other. So for us, it's important to have both, but having the global oil marker Brent has really been a tremendous asset, a flagship, if you will, to get people to come into our store.

When they come into our stores, to answer the second part of your question, we have dozens and dozens and dozens of other petroleum related contracts that are more specific, different grades, different products that come out of a barrel and different delivery points that really allow a commercial user to fine-tune the way they hedge. And having that broad suite and having that for years and working with the industry to develop those products is something that will be very, very hard for a competitor to -- it'll take decades for people to get to where we are because we've done that over decades. And we've got very big customers that we work with, and are loyal to us that we talk to every day, and appreciate the service we're providing. So they're not going to be easy to peel away.

Alex Blostein, Goldman Sachs - Analyst

Let's talk about pricing within trading for a second. So, your largest competitor in US recently announced modest pricing increases for a suite of their trading product. We haven't seen you guys do that a time -- or really ever in the recent kind of history. How do you think about pricing power on the trading side of things and at what point of time do you think you'll be able to, if you want to, raise prices?

Jeffrey Sprecher, Intercontinental Exchange, Inc. - Chairman & CEO

Yes, we've been fortunate in that we've been able to grow volume. And I think for Brent Crude, just going back to Brent, for example, I think this year will likely be our 19th consecutive year of record growth. So we haven't had to touch pricing really much because, why would you do that if everything else is going well, but if you talk about price increases a lot of time those are headline numbers and those aren't really the numbers that people pay. And our largest competitor actually, their rate per contract has been going down while the headline number has been going up. And so there is something going on there where there's actually rebates, payment for order flow and other things that are not healthy in my mind. And so, I try to avoid that kind of business, I find that if we can, -- I don't like the payment for order flow concept, I've been vocal about it for years. I don't like kickbacks, I don't like paying intermediaries, where the end user doesn't know that the intermediary has a vested interest in advice. Those kind of behaviors I don't think are helpful for markets. So we tend to avoid them.

So some of the pricing techniques that our competitors are using, we just don't follow. And I would just say to you that it doesn't necessarily yield the results that you think it will, which is partly why we don't follow them.

Alex Blostein, Goldman Sachs - Analyst

Let's switch gears entirely. I want to spend a couple minutes in regulation. Obviously a lots of focus on the topic over the last couple of days at conference but really since the election. We're going to get new administration, we're going to probably see changes at both CFTC and SEC. You guys are regulated pretty much by every regulator around the world. What do you think these changes could mean for ICE and kind of futures exchange clearing businesses broadly?

Jeffrey Sprecher, Intercontinental Exchange, Inc. - Chairman & CEO

Well, I think it's going to be good by the way, because our costs have been going up due to regulation. And some of the regulation is completely not helpful, and I mean not helpful to investors, not helpful to me as a manager and not helpful to society for things where we're having to report information to different -- the same information to dozens of different entities and it's going into a black hole and not being used. Some of this stuff has almost gotten to the point of being counterproductive. So rolling some of that back, which I hope will happen globally with the US-taking leadership, but a rethink -- has too much happen too fast globally. I think it's going to be helpful. Why will be helpful? I think it's going to help Goldman Sachs run their business in a way that allows you to take more risk on behalf of your customers. I think for you in the audience that are on the buy side, I think it's going to removes cost from you and allow you as professional managers to be more competitive with a low cost algorithmic-type stock picking, if you will.

And so I think it's better for our ecosystem. Specifically to my business, what's interesting is that the movement to more standardized listed contracts and cleared contracts was happening before Dodd-Frank happened. There was underlying trend of movement towards more standardized cleared contracts already. Government came in and tried to institutionalize that. In a weird way, that was helpful as a tailwind for my business, but then they became very prescriptive about the dates and the deadlines and who and when and why and how that somewhat frustrated what would have ordinarily been an organic trend. And I think if they back off a little bit, that organic trend will come back, which I think will be helpful. We have -- we clear credit default swaps and this year, we're going to have a record in the buy-side participation in credit default swap clearing. There is no regulatory mandate for the buy side to clear credit default swaps. Not one hasn't even been proposed. It's likely in the future if we stay on the same trend, the government will want to propose one, but there is nothing. Yet the buy side has come in.

I think it's part of that organic movement that you as a buy side have gotten more comfortable with clearing, you like the , you like the counterparty, some of the things that we've done around, the governance and what have you, you impressed the buy side, and there is just kind of this natural trend. So I think it might be, oddly for my Company having sort of a jump-start of government kicking people towards us and then stepping out of the way maybe the best possible scenario that one could have designed.

Alex Blostein, Goldman Sachs - Analyst

Shifting gears a little bit, want to spend a couple minutes on the Q2 and specifically the open access provision as we're kind of getting closer and closer to deadline. Spend a couple minutes on your latest thoughts around open access, how this is likely to go and get implemented, and what it means for ICE's European business.

Jeffrey Sprecher, Intercontinental Exchange, Inc. - Chairman & CEO

Yes, I think, first of all I think open access is bad for the market. So I've advocated against it and I think MiFID II is a terrible piece of legislation that's adding a lot of cost to people and not really giving them the -- giving anybody any increased benefit. So I don't understand the giant societal cost versus what the anticipated outcome is. So I'm very open about being against it, that being said, MiFID II sort of institutionalizes the incumbent clearing houses of which I have one, makes it less likely for an entrepreneur to ever start one, forces me to unbundle my services to you all instead of providing it as a bundle. I just talked about how we're benefiting personally my Company by bundling data services, so that you have a lower spend and easier access. In Europe, they want everything unbundled. And the overall wallet is going to go up. People are going to have more choice but as a result of it, they're going to spend more. And I'm going to be in that beneficiary of the increased wallet. So I think my Company does better under that environment. But I don't think it's healthy. So I talk out of both sides of my mouth where I advocate against it, but then I build a company designed to profit from.

Alex Blostein, Goldman Sachs - Analyst

Let's talk about Brexit and LSE. I think on the most recent call, interesting you talked about your commitment to preserving London as a place for global financial markets. And in light of Brexit and if LSE does end up moving, you actually see it is an opportunity for ICE. Can you expand on that a little bit and what kind of revenue opportunity could you see out of that situation?

Jeffrey Sprecher, Intercontinental Exchange, Inc. - Chairman & CEO

Sure. I think London has an opportunity here. There's a lot of negative concern about London if you read the press, but I think there's very little positive conversation and I've partly why mention is, I think you should have a two sided discussion about it. And I think that the UK has an opportunity to rethink its financial infrastructure, its regulation of financial infrastructure, and rethink its tax code and its other ways of attracting business, which is the UK that existed 200 years ago, 300 years ago when commerce -- global commerce sort of started to begin to gravitate to London as a place where East meets West under the Queen's law that people know and respect. And so getting away from the European courts, getting back to the Queen's law, rational regulation, low tax code, business friendly, I think it's an opportunity for them and I think that is the only way for the UK to really do well post Brexit. So that's why I say I'm optimistic, regardless of the debate people are having, I think that's where it's going to have to end up if it wants to do well and I think that's good for me as a manager that has a business in Europe and I think it will be good for all of us that run global operations to have a pro-business low tax regime. Interestingly, with the election of President Trump, they're going to have a little competition if you believe everything that's starting to come out of the administration, which is the same vernacular, more rational regulation low tax pro-business environment. So, if London is going to do well and UK is going to do well, they've really got to get on with that idea, because otherwise I do see business gravitating back to the US.

Europe is an important continent for us, and so we have in Amsterdam an exchange and a clearing house. We've continued to invest in it, we've put a lot of new technology in it. We want to be in Europe and we want to serve Europe, because we have important clients there, but Europe is still talking about financial transaction taxes, Europe is the one that came up with this MiFID and MiFID II. And so they at least directionally seem to be going the other way. We want to be there to serve them, but I don't think that global business is going to come to Continental Europe. I do think global business can come to the UK and the US under the kind of direction that I think both are going to destined to head.

Alex Blostein, Goldman Sachs - Analyst

Let's talk about London and LSE for second. So, early in the year, you decided not to pursue LSE as an acquisition. If for whatever reason, Deutsche Borse and LSE does not happen, would you reconsider? I guess that's part one. And then part two, if it does close what kind of a competitive threat do you think that creates for ICE's European business?

Jeffrey Sprecher, Intercontinental Exchange, Inc. - Chairman & CEO

Well, we made a decision not to pursue it. And I was pretty public about the decision not to pursue it and pretty open with my shareholders and you as an analyst that I didn't know what the company was worth and I didn't have any visibility into it and they didn't want to provide us any visibility and nothing about that has changed. So I don't know what the company -- I don't know -- I would never do a deal that isn't a good deal for shareholders. And I'm a shareholder, in my Company, every employee is a shareholder. And the management team who I've put together, his work with me, my partners are all shareholders and we all think about shareholder value. And if we can't create it, then we're not interested in it and I don't even know what that thing, if we can or we can't, because they didn't engage with us. So it was easy to walk away and nothing about their deal, success or failure will sort of change that view.

In terms of success or failure, they're in -- the Brexit change complicates doing business cross-border in Europe. And I don't know how they're going to navigate that. I don't know that they know how they're going to navigate it. It's part of the debate that's going on right now about whether the deal should be approved. So it's hard to know what they're going to end up with, and which regulator they're going to have and which banks are -- European Central Bank or Bank of England's going to oversee them, and whether they're going to be able to get any synergies that can benefit customers out of the deal in terms of cost margining or anything else. So it's really hard to know because it's such a politicized deal in the middle of a political debate going on with Brexit. So I don't fear it for sure. I think it is a complicated web that they're creating over there that are going to take years to figure out whether it's a boy or girl.

Alex Blostein, Goldman Sachs - Analyst

Fair enough. So we have a couple minutes left. So I want to make sure we give the audience chance to ask some questions. So if you have questions, raise your hand.

QUESTIONS AND ANSWERS

Analyst: Unidentified Audience Member

Question – Unidentified Audience Member: Just on the IDC integration. So the cost synergies have been ahead of plan. In a way, IDC wasn't a single company. It was kind of a boutique of I don't know, maybe 20 or 30 data providers that have been really not integrated and you had to assess it very quickly. What's the chances that actually the potential synergies are going to be actually greater than you initially thought rather than just kind of ahead of plan?

Answer – Jeffrey Sprecher: So let me just step back and tell you what my Company does well, what we really the reason we've been successful is that we know what we do well. We do well taking financial information, putting it in databases and moving it in and out, manipulating it with algorithms or what have you and permissioning who can see what when. That is my business. So IDC as you rightly said, grew up -- even in an individual business unit, they grew up saying, well Goldman Sachs wants information, so I'm going to build a specific server for Goldman Sachs that manages data for Goldman in the way they want to see it, and they had different servers for every customer.

And so the synergies for us are broadly, they are technical synergies and saying you know what we want to build a single financial data superstore that has data in it. We want to be a Costco, or a Wal-Mart and low cost and then people can come into the store and buy what they want to buy, but we're not going to build a bespoke system for every person, because oddly if you look at what the differences are, some of our customers use 365 days a year as a calendar, some use 360, some use 250. We're just going to say, look a year is a year, and if you want to take our data and mathematically multiply it by 360 instead of 365, you can do that, we don't have to do it, or we'll build you, here's the data with this year, here's the data with this other year, here's another way to look at it, here's another way to look at it. Here's 50 calendars, you pick the one you want.

So that will take time and people, not just us moving from individual servers to the superstore, but the people that consume our data are going to have to build things on their end. IDC had been apprehensive to touch the contraption. They thought nobody would be open to the idea of changing it. We went out and started talking to all the customers and they said, thank God you're here. We have a rats nest inside our organization, why don't we build all this stuff together and make it cleaner, simpler, easier. So that's the opportunity set. It's hard for us to say how long that takes because it involves our customers making some changes as well as us, but I can tell you we're well along with the major users of our information. They tend to be the intermediaries that take our information and redistribute it, working with them to come up with the superstore. And the good news for us and we didn't know that until really we've got deep into the business was there is a willingness and an openness to revisit the way information moves around the financial services space, and people are willing to spend money in order to clean up their own house and that's going on right now.

Analyst: Alex Blostein, Goldman Sachs - Analyst

Question – Alex Blostein: I think we have one more, on there. Jimmy.

Analyst: Jimmy Hannan, Goldman Sachs - Analyst

Question – Jimmy Hannan: Jeff, it's Jimmy Hannan. As I think back five, six, seven years, there was large scale exchanges consolidation. So you guys made a play on CBOT, CME, eventually got more to trade. CME and NYMEX, yourselves and NYSE. If I think back recently or more recently, there's been a little bit of activity again between CBOE and BATS, NASDAQ and ISE. And I think about the evolution of the model that's gone from transaction business, revenue diversification away from transactions, clearing, you guys have been on the lead on market data. Are there opportunities today for you to participate in large scale merger of exchanges and are those opportunities still present? And if so, do you have the bandwidth to undertake those?

Answer – Jeffrey Sprecher: So, let me just say one other trend that's going on that underlies exactly what you said is that what we have found -- my Company become big enough that we tripped a wire and became a systemically important company. And my first meeting I ever had with the US Treasury Secretary here, he called me in to lecture me that we're not spending enough time and attention and money on cyber security issues. And when you get that lecture from somebody that important, you go back and you say, okay, I got to change my behavior.

So we have for the last few years really focused on vendor management, for example, who can come in our building, how do they get access to our building, who can come in our data center, who is hooked to our data center, what software is in our data center and what is the maintenance of that software and how does people maintain it, do they come in and are they hooked to us, and do we have agreements and are there confidentiality agreements, and everything that flows from that. And so a lot of our customers, certainly Goldman, and a lot of our customers are in the same place that we are the large financial services firms. And what we have found is that a lot of our customers prefer to have a single vendor to provide a breadth of services that can do so under conditions that the [CFOs] of the two firms can talk about how we're going to handshake with each other, when and how, and what the barriers are. And do that under the agreements that can be audited and checks and balances.

And so it means to me that there are smaller companies that are going to struggle that may have great services, entrepreneurs that are going to start great ideas. There's a FinTech revolution going on as we know. But people are going to struggle to get through that gate that exists there. So I think there will continue to be roll ups of smaller firms and the people that can overcome that. And I think there will be more of an appetite for larger firms to even get larger if they can provide those services better and give the end user some benefit of that larger consolidation.

Analyst: Alex Blostein, Goldman Sachs - Analyst

Question – Alex Blostein: Okay, great. Well, I think we're out of time, Jeff. Thanks so much.

Answer – Jeffrey Sprecher: Thank you.
