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ICE - Intercontinental Exchange Inc at Sandler O'Neill & Partners Global Exchange and Brokerage Conference

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Richard Henry Repetto *Sandler O'Neill + Partners, L.P., Research Division - Principal, Equity Research*

PRESENTATION

Richard Henry Repetto - *Sandler O'Neill + Partners, L.P., Research Division - Principal, Equity Research*

Well to try and stay a little bit on time. So we're going to get started. So the next exchange to present is the Intercontinental Exchange, well known as ICE. CEO, Jeff Sprecher. I'd say I've known him a number of -- at least a dozen years now. And they just had an Analyst Day this past Friday. And I think there is one thing that certainly impacted me was I remember the exchange when it was an energy trading platform, and what it is now, is a much more diverse, not just trading platform, but it's an integrated data trading clearing virtuous cycle. And I'm sure Jeff will talk more about that. But here, I want to welcome CEO, Jeff Sprecher of ICE, Intercontinental Exchange...

QUESTIONS AND ANSWERS

Jeffrey C. Sprecher - *Intercontinental Exchange, Inc. - Founder, Chairman, CEO and Chairman of New York Stock Exchange*

Thank you, Rich. Yesterday, we went into the Fortune 500, which as a company founder is freaking shocking, I got to tell you, but not something you set out to do in life.

Richard Henry Repetto - *Sandler O'Neill + Partners, L.P., Research Division - Principal, Equity Research*

I think as I sat there last Friday, I think, your skills as a Manager, but also as a selection of management talent and delegator, I think it has to be home as you...

Jeffrey C. Sprecher - *Intercontinental Exchange, Inc. - Founder, Chairman, CEO and Chairman of New York Stock Exchange*

Honestly, if I -- in my own self-criticism, I'm not a good manager, but what I have been is good at finding people that have our culture and are hard-working honest, collaborative well-intended people. And not necessarily people that went to ivy-league schools or had the best resumes or what have you. But people that had a passion for business. And I have been really fortunate to work with these people. And part of our Investor Day was, we wanted to kind of show them off a little bit.

Richard Henry Repetto - *Sandler O'Neill + Partners, L.P., Research Division - Principal, Equity Research*

I don't think -- you answered part of my first question, but the Investor Day, and I think now we have a fire gun solution so you should go full speed now. So just -- is the answer the part of the question, but what -- at the Investor Day, I think this is the first -- it might have been the first ever or is it long time?



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Jeffrey C. Sprecher - *Intercontinental Exchange, Inc. - Founder, Chairman, CEO and Chairman of New York Stock Exchange*

It's the first ever, yes.

Richard Henry Repetto - *Sandler O'Neill + Partners, L.P., Research Division - Principal, Equity Research*

So what was the goal, certainly the -- showcasing of the management talent was one thing, I certainly think -- I have my comments, but I'd like to hear, what were you trying to accomplish so investors know.

Jeffrey C. Sprecher - *Intercontinental Exchange, Inc. - Founder, Chairman, CEO and Chairman of New York Stock Exchange*

Well, we started to realize that we had made a number of strategic decisions and evolved the company in ways that we understood, and we woke up one day and realized that our investor base probably didn't understand what we were doing. Kelly Loeffler runs IR and Communications for us kept getting a lot of similar kinds of questions. And we could see that the people just didn't understand what we have built and what we were doing. So it was her recommendation that we should step back and reset our investor group with what exactly we've built and where we're going. And it's hard Rich I talk to you once a quarter on a public earnings call. And we have 20 minutes of prepared conversation and then a bunch of questions. And that prepared conversation is very much about our earnings and things that are driving EPS growth. And it's very, very hard to talk about other parts of the business that are less well understood and that short period of time. So certainly, Kelly's idea of an Investor Day was a good one. It's a lot of work to do an Investor Day. And we looked at a lot of other people's Investor Days to figure out what they did and what people liked about them. We talked to a lot of our analysts and investors about what they wanted to see from us. But you got to take your whole company and ask your management team to pause for a while, and think about their business and think about how to put that on a slide and think about how to articulate it. And so it was a big lift, but it was one that was well worth it. It was good for us too. We got the management team together. We got to go out to dinner a number of times, and laughed and reconnect and tell old stories. So that was kind of the good side.

Richard Henry Repetto - *Sandler O'Neill + Partners, L.P., Research Division - Principal, Equity Research*

I think one of the things that jumped out at me is that, maybe it's -- I give you as much credit for vision as any CEO in space.

Jeffrey C. Sprecher - *Intercontinental Exchange, Inc. - Founder, Chairman, CEO and Chairman of New York Stock Exchange*

Yes, you do. Thank you.

Richard Henry Repetto - *Sandler O'Neill + Partners, L.P., Research Division - Principal, Equity Research*

When you've made acquisitions that certainly were ahead of the curve so to speak. And clearly we talked about this several times. The move to electronic. What jumped out at me last Friday was, some of these acquisitions that you've done, smaller ones, maybe not as big as NYSE or Euronext or say the NYBoT and stuff like that but -- or IDC, IDC upfront, but you have accumulated these assets like safety -- the safety network and make it a point Jeff to try to give -- if you're a new investor or the most advanced, just sort of explain safety network, you can explain it better, but it's basically it's the pipes and the telephone lines that you can send messages that can control network. But you brought together these assets, and isn't just in one acquisition but over a number of years that give you now -- and I'll use your phrase, a highly tailored bespoke data delivered a lot of different ways.

Jeffrey C. Sprecher - *Intercontinental Exchange, Inc. - Founder, Chairman, CEO and Chairman of New York Stock Exchange*

Correct.



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Richard Henry Repetto - Sandler O'Neill + Partners, L.P., Research Division - Principal, Equity Research

So I guess, could you expound on that?

Jeffrey C. Sprecher - Intercontinental Exchange, Inc. - Founder, Chairman, CEO and Chairman of New York Stock Exchange

Yes. So this was one of the areas where it was good to actually lay it out in -- for investors because on past earnings calls, I've said these comments where I say, we noticed in our own business that cyber security is becoming an increasingly dominant focus on the company. And I'll tell you that under the last administration, I met Jack Lew, the Treasury Secretary. I think only 4 or 5 times, but every single meeting with him saying to me, you need to be investing more in cyber. At one point he said, we want to see that you have a cyber security expert on your board, which we do have now, that this is a board level matter. And so, I mean, this was really percolating in our company to a certain degree because we own the New York Stock Exchange and the symbolism that if the New York Stock Exchange was attacked. But it started to pervade every part of our business. So as we were thinking about delivering our own services, we started to realize that all of our major customers are going through this, and having a secure, reliable network that uses all of our cyber knowledge over top of it that is not hooked to the Internet, is a delivery vehicle that we don't really -- that nobody that we know has. And we started to assemble it. And I kind of mentioned it in passing -- thinking that people would understand that but never really laid it out the way we did last week. And so we have an amazing asset. At a moment in time, we start to see our peers going into public data centers, multi-tenant data centers, doing sale-leasebacks for their networks, using third parties to provide the network, providing more Internet access at the moment in time when we saw the market going the other way. So we went the other way with the market. What we have now is the ability when we have new content, new products, technical content, we have a ready group that's already connected to us that we can put this on the network and the sale cycle is so much shorter now because a big part of the sales cycle in delivering information, digital information is figuring out how is it going to get used and how are you going to connect to it. There's a lot of gatekeepers in that process. We're already in most major firms now. So it's really more of convincing people to just turn on a port and listen to the information that's already on that network. And we've assembled 500 other data providers now that are on that network. We get hundreds of exchanges that are on that network. So we can pretty much route you anywhere in the financial services if you join that network. And our most recent acquisition -- and it's called the safety network because it was thought of as a safe, secure network, but the most recent acquisition that we've done, we've acquired some high-speed microwave capabilities. So rather than being sort of a grandma's slow, steady network, we're now adding to that higher speed, higher throughput, interesting connections that we think will be used by many, many firms now that quantitative investing has really taken off.

Richard Henry Repetto - Sandler O'Neill + Partners, L.P., Research Division - Principal, Equity Research

And speaking specifically then to the safety network as well as Atrium, I believe. So this was a slide but when you talked about the ICE private cloud infrastructure, it was to include the NYSE data networks, the safety network, 7ticks, RTS and Atrium. So all combined. I guess, the question that comes up, we started to get -- we should have known this just by the size of the revenue, I guess, in IDC, but the robustness of the market data offering.

Jeffrey C. Sprecher - Intercontinental Exchange, Inc. - Founder, Chairman, CEO and Chairman of New York Stock Exchange

Right. Because people say well you're an exchange, and we've always had market data since the first day we started. Exchanges as a natural output of exchange. And that has been a growing part of our business since the first day we started. And I think, when people say, well they're an exchange and they have this data component, they are thinking that it's the tape that's comes out of the exchange. And that is an interesting product, and it's one that we monetized for years. But what we've built now is so much broader than that. We are doing daily pricing on 10 million securities, much of which used to be done end of day. And we're moving that into real-time pricing -- 2.7 million securities and 10 million reference data points. I mean, it goes way beyond what ICE has on an exchange -- on its exchanges. We really want to be the source for companies to get proprietary information that they need to value their portfolios, to make decisions on risk management and what have you. And by the way, that came out of -- Richard and I talked for years about how we saw years ago, that clearing was an actual business that it didn't have to be a back office. And we didn't have any clearing infrastructure. So we built clearing infrastructure from scratch and by acquisition. And one of the -- what goes on in the clearinghouse? Well, all we're doing is valuing people's books. So we started to -- our strength is really in building technology. So we started to build technology to value people's positions. And we were doing it for our own clearing work. Well, then lo and behold we started to say, my God,

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that's a business. We don't have to just value what's in our clearinghouse, we should help people value what's in their portfolios. And it was that kind of light bulb that we had good technology and a network and real valuation skills. I mean, the people that write code for us understand that goal. And so that's really what we brought together in a pretty unique data offering given the customized nature of what we do.

Richard Henry Repetto - Sandler O'Neill + Partners, L.P., Research Division - Principal, Equity Research

And I think you used my line. Or -- you either you gave me the line and I used after, you used. But I'm fine, one of my favorite story is to tell is, when we talked, maybe it was '06 or '07, and you said to me, clearing -- trading is great, it's growing, it's electronic but the CEOs of exchanges that had a pretty easy to ride the wave of automation. Those clearings, where it's going to win the important value is going to be over time. And lo and behold as I joked, they said it did take an economic downturn. But to play that out, maybe it sped up the process. But it did ultimately play out because now clearing is looked at as being risk management of the world economy.

Jeffrey C. Sprecher - Intercontinental Exchange, Inc. - Founder, Chairman, CEO and Chairman of New York Stock Exchange

Right. And more recently, in the last few years, I've been saying, we see the markets balkanize -- the change now is going on as we see the markets balkanizing because every local regulator wants to regulate their banking industry. But yet banks are -- the big banks particularly are global players. So you got this mismatch of local regulation of the global business. So it started to fragment markets. And we see -- we have these valuation skills. So what do we do, we talk pretty openly about it. Again, we wanted to deal with it on Investor Day, which is, we started buying exchanges and clearinghouses or launching them around the globe in different locations, putting them all on a common network, all on common technologies. So that as these markets are moving and changing, we're already there. So for us a move, if you will, is really a digital change. It's just going into a database and changing a file as opposed to actually moving people. And it's given us a tremendous flexibility right now, and our customers a lot of flexibility in dealing with Brexit, in dealing with implementation of MiFID II and some of the other, and sort of the change in potential regulation that may happen in the States. So a lot of uncertainty right now. And none of us know how it's going to land. All I know is, we've got a very flexible infrastructure with all the right people on it. And these changes can happen in a database for -- and we can solve customers' problems in over a weekend.

Richard Henry Repetto - Sandler O'Neill + Partners, L.P., Research Division - Principal, Equity Research

So you're answering the question before I even asked.

Jeffrey C. Sprecher - Intercontinental Exchange, Inc. - Founder, Chairman, CEO and Chairman of New York Stock Exchange

You're going to ask a question. You always said, I can see the future.

Richard Henry Repetto - Sandler O'Neill + Partners, L.P., Research Division - Principal, Equity Research

You are. I guess, the question that, that answer is, the impact of -- I'm sure you can expound on the it, but the impact of these regulations with Brexit, whether it's clearing those -- there is a focus on geography as far as euro-denominated clearing or MiFID II if that forces changes in customer behavior, but I -- your answer to...

Jeffrey C. Sprecher - Intercontinental Exchange, Inc. - Founder, Chairman, CEO and Chairman of New York Stock Exchange

Yes, earlier this week, the Exchange industry had a large conference in London. And most exchanges and technology firms were there and represented on panels. And if you sat through these couple of days, what you would realize is that nobody knows what's going on. The uncertainty levels around all this in Europe are high, exacerbated by the elections going on today. But nonetheless, people don't really understand what MiFID means for their markets. People really don't understand what Brexit means. People really don't -- there was a representative of the CFTC there who spoke



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about how the pendulum is going to move back on regulation in the U.S. So none of us really understand what the full implication of that are. And if you had sat there and took one thing away from that conference is that, there is a lot of uncertainty in the community right now. And we left feeling pretty good. Because we said, jeez we've, for years, had the expenditure of positioning ourselves for a lot of different outcomes. And it's pretty clear that whatever the outcome, it's going to move relatively quickly, because there's a lot of dates and deadlines around regulation. [Steven Mejer] who is one of the key regulators over there made a point of saying, we in Europe are not going to extend anymore deadlines. So you left there with the sense of, this is -- in Europe at least there's impending change, and yet none of us really know what that means. So ICE is in very good position to help our customers, which ultimately will help our investors.

Richard Henry Repetto - Sandler O'Neill + Partners, L.P., Research Division - Principal, Equity Research

And before I move off of sort of this market data concept, when you said -- here's an example, when you say, you provide pricing, ICE evaluations, SuperDerivatives valuation, CMA, IDC reference data, ICE data, ETF I guess, this is the -- I don't know whether if it may look conglomeration of assets...

Jeffrey C. Sprecher - Intercontinental Exchange, Inc. - Founder, Chairman, CEO and Chairman of New York Stock Exchange

Yes, so all these various businesses we've done a lot of M&As as you know, and we took different pieces out of all these businesses and combined them together. And sum of the parts is -- as a whole is greater than the sum of the parts because it is broad and inclusive now. And it's so proprietary. So we're working with a lot of ETF managers. We're looking -- a lot of hedge funds that are trying to develop proprietary products with people that need this underlying data in order to fuel these things. And we're getting into their plumbing, getting into the workflow. And you couple that with the following on what I just said with the regulatory demand that people have to make sure they're getting best execution and to get ready for changes in regulation. Oddly while I said there's a lot of uncertainty in Europe. Last quarter the #1 growth area for us in sales of this data business was Europe. And it was just what I said, people trying to get ahead of what they think are trends.

Richard Henry Repetto - Sandler O'Neill + Partners, L.P., Research Division - Principal, Equity Research

So when you look at this -- the data that conglomerate that you put together, and I think -- I really think people are just starting to appreciate that -- Friday is the start. You look at valuations of other data companies. Some of them even growing again single-digit, low single-digit percent. You talked about -- data on how precise you want to get it out. Whatever, but it's going to be 6%. I believe that at least 6%. So I guess, my question is your -- is there frustration do you think that investors aren't getting the value of these assets you've accumulated over time or do you take some responsibility that is taking some kind of packages the way you have or how do you...

Jeffrey C. Sprecher - Intercontinental Exchange, Inc. - Founder, Chairman, CEO and Chairman of New York Stock Exchange

Yes, first of all, I don't think we have done a good job of explaining it, so I would never blame an investor for not understanding our story, because it's up to us to make it digestible and we're certainly doing that through our sales force. I have had put people in charge of retraining the sales force to cross-sell all of what we've done. So we see it internally and we've not done a good job until Friday. We started to open the kimono and expose it to people. So I'll take responsibility for that. But what we said there, and I think a misconception and partly is what drove us to do an Investor Day, is that, if you only read news stories, you would think that the growth in the data business has been because all the data guys are raising prices every year. And we knew partly what we wanted to do was show that, that isn't true. I mean, certainly not true for us. Our growth has come from new customers, a massive expansion of new products and a small amount of price increase that's largely, if you look at it over time, it's largely an inflation type number. And you mentioned that we've given some guidance for this year, mid- to high single-digit growth. And we wanted to show people that the formula on how we were going to get that, which is sort of equal parts of all those things. And I don't think you would get that if you ever read just traditional press. A lot of the conversation about price increase comes from people that are talking about the price of data coming out of stock exchanges. And what's happened at stock exchanges ours, particularly, is not increase in price as much as a massive explosion in the number of new data products that we provide, and people who feel compelled that they want to have everything that every exchange provide so that they can have an edge. And when you add up the cost of that, it looks like a price increase. But it actually isn't or haven't been individual price

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increases as much as an explosion in the consumption of digital information. And exchanges, all of us coming -- being innovative and coming up with all kind of different ways of slicing and dicing, just the exchange portion of the data business, which is a just a subset of what my company is doing right now.

Richard Henry Repetto - Sandler O'Neill + Partners, L.P., Research Division - Principal, Equity Research

I think if we just read, I am not going to say but if you just read the press you might think that the biggest competitive threat might be that, that's market is on close order to

Jeffrey C. Sprecher - Intercontinental Exchange, Inc. - Founder, Chairman, CEO and Chairman of New York Stock Exchange

Well, and yes. And first of all, by the way, a lot of data companies have news organizations. And I have noticed the -- our coverage has gotten slightly more negative as our data business has gotten slightly more positive. Yes, so market on close is interesting, which is -- you want me to talk?

Richard Henry Repetto - Sandler O'Neill + Partners, L.P., Research Division - Principal, Equity Research

Not really.

Jeffrey C. Sprecher - Intercontinental Exchange, Inc. - Founder, Chairman, CEO and Chairman of New York Stock Exchange

Unless you want that. I mean, we saw that product has existed in the market for years. You can get that from your broker. And your broker offers that product already. It's just not relevant to overall revenue. So unless you're certain exchange and you want to try to convince all that it should be. I am just teasing.

Richard Henry Repetto - Sandler O'Neill + Partners, L.P., Research Division - Principal, Equity Research

Moving right along.

Jeffrey C. Sprecher - Intercontinental Exchange, Inc. - Founder, Chairman, CEO and Chairman of New York Stock Exchange

Yes, please.

Richard Henry Repetto - Sandler O'Neill + Partners, L.P., Research Division - Principal, Equity Research

The other thing that's changes -- other thing I thought helped from Friday was the discussion about M&A, so that the guidelines of M&A, being it's focused on content -- it's a 3-step process. It focused on acquiring content and distribution. Then leveraging that the existing platform to unlock existing value. When you combine the content and distribution with the platform, then finally driving the synergies and taking the cost.

Jeffrey C. Sprecher - Intercontinental Exchange, Inc. - Founder, Chairman, CEO and Chairman of New York Stock Exchange

Right.



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Richard Henry Repetto - Sandler O'Neill + Partners, L.P., Research Division - Principal, Equity Research

And I guess, my question as you look at -- that all make sense, especially when you look back -- backward looking. I guess as you look at acquisitions going forward, you do sort of a breakdown. You break say exchange L into different components of distribution and content and then see how it all work -- what works out.

Jeffrey C. Sprecher - Intercontinental Exchange, Inc. - Founder, Chairman, CEO and Chairman of New York Stock Exchange

Yes, and in part of -- the first part of what Ben Jackson talked about that and Ben's here with me today, so some of these people in the audience had an opportunity to ask Ben in private one-on-one sessions about this. But the first thing we do is, we're very good at M&A integration, but it's only because we do a lot of homework on the front-end. And I've been very public about certain deals where we couldn't do the homework on the front-end. And if we can't do the homework on the front-end, we won't go to the next step. And many people thought I was mad when I was saying this. But we really like to analyze the business up front, figure out where different parts would fit, whether or not that justifies any premium that we would have to pay. And then in our internally figure out, can we make that business by reorganizing and putting it in on our platform, grow faster than it would ordinarily grow. And we never give revenue -- we never do deals where we say, here's revenue synergy. We've never ever in a deal said, here's a revenue synergy. We want to justify our deals solely based on our ability to do cost. But we only do deals where we are convinced that if we got that business in our system, on our platform, we can grow them faster. And so -- as we're thinking -- that's really the formula that Ben laid out last week. And so it worked quite well for us. And there have a been number of circumstance -- many circumstances actually, many of which you will never hear about, where we just couldn't get the right kind of information going into it to be able to come up the other end of our process to convince ourselves that somehow with that business was on our platform, it would be a better business.

Richard Henry Repetto - Sandler O'Neill + Partners, L.P., Research Division - Principal, Equity Research

Is that more of a refined approach, say over the last 3 years or -- when I look back it's potentially you're bidding on new CDO team or some sort of the interloper with NYSE the Deutsche Börse at the time, was it the same type of analysis -- have you matured in your M&A analysis over time?

Jeffrey C. Sprecher - Intercontinental Exchange, Inc. - Founder, Chairman, CEO and Chairman of New York Stock Exchange

We are better at it and we're most sophisticated. But it's the same thing. If you go back to, we bought the New York Board of Trade, which was the Coffee; Cocoa; Cotton Exchange, it was the tiny little exchange. It was largely open outcry. And we said -- we think that it will go electronic, and that's one thing that would happen on our platform. And secondly, they had a really good clearing platform. A tiny little clearing system that cleared cocoa. But it was the most state of the art clearing system in the industry, and it was very, very web-enabled and it had all the right infrastructure that we knew we can scale it. So going back to that deal, which we did 10 years ago, we said, we're buying the business and paying a premium for the cocoa business. But we're really buying it because it's going analog to digital, and we get a clearing infrastructure. When we went to interlope on the board of trade deal, what we said is, and which happened right after we bought the New York Board of Trade, we said, we have this amazing clearing infrastructure, and we think if we had The Board of Trade, that you could clear OTC interest rate swaps, this is in 2007. And the market was like, scratching their heads like, what is an OTC interest rate swap and why would anyone want to clear it, and what the hell does that have to do with The Cocoa Exchange. And we weren't able to articulate the vision. Today, if you said we were trying to clear interest rate swaps, people go, of course, you are. And if we said, we were going to put in the old Cocoa infrastructure, you'd say, well, of course, you are, because it's one of the largest clearing infrastructures in the world now. But we couldn't quite make that case. That was my bad. I was really the salesman on that. And I just couldn't get those guys over the hump, if that's what we were going to do. I'm answering your question by saying, we didn't buy the Board of Trade because we wanted to -- because we thought we would be a better owner of the Board of Trade. We bought the Board of -- we want to buy the Board of Trade because we thought we can move it into another adjacent business on our network.

Richard Henry Repetto - Sandler O'Neill + Partners, L.P., Research Division - Principal, Equity Research

So I can talk to you for another 2 hours here, but unfortunately, the schedule doesn't allow us to do.



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Jeffrey C. Sprecher - *Intercontinental Exchange, Inc. - Founder, Chairman, CEO and Chairman of New York Stock Exchange*

Is there a bar?

Richard Henry Repetto - *Sandler O'Neill + Partners, L.P., Research Division - Principal, Equity Research*

We'd enjoy it even more. So I guess, the wrap-up question here is, the #1 strength I would give ICE is -- or is vision. So you know you have a strong feeling of the way things are going. So let's take that up, and that's I believe that's the way the company has been led since its inception. Now it's starting to appear that after Friday and after seeing some other things, it could be some other things like the value of possibly unlocking trapped assets as well as combining things that you said -- you certainly saw the clearing. And I want to bring the NYBoT into real-time as well as we're not -- people don't think you and I run this, which we want to do. But MERS so you had bought an asset, now, like you said, today, we can look back. Of course, you brought that clearing asset. But MERS is a mortgage asset that you highlighted last Friday. Are we going to go back and look at that to say, what you're saying that's obvious now?

Jeffrey C. Sprecher - *Intercontinental Exchange, Inc. - Founder, Chairman, CEO and Chairman of New York Stock Exchange*

I hope so, that's why we talked about it on the Investor Day. It's not material enough to our earnings that it would rise to the level that I would talk to you on an earnings call. But it's a very interesting market. And the U.S. mortgage market, which is a completely analog market. If you go refinance your home or buy new home, you're going to end up with a pile of paper at some kind of lawyer's office and you're going to sign your signature dozens and dozens of times at the closing with documents that you won't have had an opportunity to really review. And it's so obvious to us that, that market is going to become more electronified in terms of the paperwork, that it's going to use a digital signature that you'll be able to do. You will be able to read the document at your kitchen table 3 weeks ahead of the closing, actually understand what you're going to do, [with effect to] the digital signature. Those documents will be moved around to warehouses. They will make their way to the various people that need to know them. There will be a note that will be attached to that mortgage that will be an e-note, that will be able to be securitized in some manner or sent to Fannie or Freddie who ultimately may securitize it. And then that will -- that process of moving all that around will be digital. Importantly, as that's happening, and one of the lessons of the financial crisis is, that there should be a golden record. There should be a place where everyone could go to look up the data to find out who owns that note at any point in time. Who is the mortgage servicer any point in time? Who are the borrowers. Who were the lenders. And a documentary history, digital history of that transaction. And that's what MERS is. MERS stands for the Mortgage Electronic Registry Service. It's been an industry consortium of 5,000 people, all the big banks, Fannie, Freddie, the Mortgage Bankers Association, all the title insurance companies, big underwriting firms, et cetera, are all members. And it is the logical place for that digital backbone to be. And we -- I very quietly 4 or 5 years ago, we bought a Silicon Valley startup, which we still run, we've some people trying to figure out how to digitize a mortgage. And we had them start to build this digital backbone on handling digital mortgages. And we went to MERS and said, we're building this thing. And MERS sold us a majority. It was an industry consortium. So we privatized it and they sold us the majority of the business. The big user stayed in and they're still on the board. And ICE is going to deliver next year an all-digital backbone for the mortgage industry. That will lead to open source way for people to connect and we'll keep the golden record. And I think it's where the market wants to go. And I think we're at the right place, right time and it's the right vehicle for us. And we just wanted to show people that, while we have very, very high operating margins at my firm and we're very good at technology, we have been investing in a lot of very interesting businesses. And just -- we haven't run the business just purely to exploit what we've been doing, but we're always looking for new things, the next trend and reinvesting. And MERS is just one of those examples.

Richard Henry Repetto - *Sandler O'Neill + Partners, L.P., Research Division - Principal, Equity Research*

I can sense some of the excitement.

Jeffrey C. Sprecher - *Intercontinental Exchange, Inc. - Founder, Chairman, CEO and Chairman of New York Stock Exchange*

I'm excited about it. Hope I live long enough to be back up here with you and you can say, "Wow, you were really ahead of the curve."



JUNE 08, 2017 / 5:30PM, ICE - Intercontinental Exchange Inc at Sandler O'Neill & Partners Global Exchange and Brokerage Conference

Richard Henry Repetto - Sandler O'Neill + Partners, L.P., Research Division - Principal, Equity Research

Exactly. Or I could say the opposite. You could have the Mortgage thing and...

Jeffrey C. Sprecher - Intercontinental Exchange, Inc. - Founder, Chairman, CEO and Chairman of New York Stock Exchange

You had it and you lost it.

Richard Henry Repetto - Sandler O'Neill + Partners, L.P., Research Division - Principal, Equity Research

Anyway, I would love to go on. I can't. It's always we get to look at vision when we talk...

Jeffrey C. Sprecher - Intercontinental Exchange, Inc. - Founder, Chairman, CEO and Chairman of New York Stock Exchange

You are very kind. Thank you.

Richard Henry Repetto - Sandler O'Neill + Partners, L.P., Research Division - Principal, Equity Research

When we talk...

Jeffrey C. Sprecher - Intercontinental Exchange, Inc. - Founder, Chairman, CEO and Chairman of New York Stock Exchange

I have a vision because I have a great team and a flatter organization, and we talk to a lot of customers and get their views. And that's what -- I can't see into the future. I can listen to a lot of complaints that come in from people about the way business is done and we just amalgamate that. But thank you very much. You're very kind.

Richard Henry Repetto - Sandler O'Neill + Partners, L.P., Research Division - Principal, Equity Research

Thank you.

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