## MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the IntercontinentalExchange Third Quarter 2009 Earnings Call. This call is being recorded. I would now like to turn the presentation over to your host for today's call, Miss Kelly Loeffler, Vice President of Investor Relations and Corporate Communications. Please proceed.

**Kelly Loeffler, Vice President, Investor Relations and Corporate Communications**

Good morning. To obtain a copy of the company's third quarter earnings release and presentation, please visit the Investor section of our website at theice.com. These items will be archived and our call will be available for replay. Before we begin, please be aware that our comments may contain forward-looking statements that represent our current judgment and are subject to various risks, assumptions and uncertainties as outlined in the company's filings with the SEC, including our Form 10-K and Form 10-Q, which we expect to file today. For a description of the risks that could cause our results to differ materially from those that are described in the forward-looking statements, please refer to these filings. Actual results may differ materially from those that are expressed or anticipated in any forward-looking statements.

We may discuss adjusted net income, adjusted earnings per share, and adjusted EBITDA on the call this morning. These are non-GAAP financial measures that exclude certain non-operating charges that we believe are not reflective of our normal operating performance. The reconciliation of these non-GAAP financial measures to the equivalent GAAP results and an explanation of why we deem these non-GAAP measures meaningful appear in our earnings press release and earnings presentation.

With us today are Jeff Sprecher, Chairman and CEO; Scott Hill, Chief Financial Officer; and Chuck Vice, President and Chief Operating Officer. At the conclusion of the prepared remarks, we'll take your questions until 9:30 AM Eastern time. I'll now turn the call over to Scott.

**Scott A. Hill, Senior Vice President and Chief Financial Officer**

Thanks, Kelly, and thank you all for joining us today. We are pleased to report strong third quarter results. We once again achieved record revenues in the third quarter reflecting broad demand for our markets, clearinghouses and services despite ongoing market challenges. These results show continued healthy trends in our core commodities business across futures and OTC markets and were achieved while continuing to invest in several key growth initiatives including a launch of our European CDS Clearing business.

Throughout 2009, ICE has taken a leadership role in delivering on important reform initiatives that are reducing systemic risk and enhancing market. We have made a substantial commitment in terms of capital, time and human resources and we are confident that these investments will enable us to continue to outperform over the long term.

Beginning on Slide 4, you'll find a summary of our third quarter results. During the quarter, ICE achieved record consolidated revenues of $256 million, an increase of 27% over last year's third quarter. Consolidated operating income was up 17% over 3Q '08 to $140 million and up 4% over this year's second quarter.

Operating margin once again improved sequentially to 55% in the third quarter. Importantly operating margin for our non-CDS business was 65% during the quarter. Though our credit offerings remain an early-stage investment, we are the global leader and have established a solid base for future growth without impacting profitability in the quarter or the year. We have continued our successful strategy of leveraging the profitability of our core business to invest in future growth while generating solid current period returns for our shareholders.

Before leaving this slide, I want to focus you on our adjusted EBITDA metric on the lower left hand side of the chart. 3Q adjusted EBITDA was up 33% year-to-year to a record $154 million. For the first three quarters of 2009, this measure of financial performance is up 10% despite the global recession.

We believe a good business produces strong results throughout market cycles and not just in periods of economic health or expansion. We also believe that a good business does not need to rely upon one-time cost cuttings to deliver strong financial results. Instead, it must be able to deliver solid returns even as it funds investment in future growth by executing on integration and cost efficiency initiatives.

Let me provide a few examples. Since we acquired NYBOT in January 2007, we have more than doubled both operating margins and quarterly revenues. Since acquiring Creditex one year ago, we've improved operating margins in a commission-based business by nearly 20 points despite the soft CDS market. And as noted previously, we've integrated acquired assets and leveraged the existing resources to start an OTC derivative clearinghouse that is already self-funding in its first six months of operations. Each of these examples reflect our strategy to build a global exchange business that is well positioned to outperform in any environment.

Moving next to Slide 5, I'll discuss our consolidated financial and volume results for the first three quarters of the year. As you can see, we are on track for a record year in many key financial metrics. Our customers, products and geographic diversification are key competitive differentiators. OTC revenues represented 49% of our consolidated revenues during the third quarter. Futures represented 40%, and market data contributed 10%. Further, over one-third of our revenues come from outside of the U.S. driven by the global relevance of our market.

Turning to Slide 6, I'll detail our consolidated revenues and expenses. Third quarter transaction revenues increased 34% to $229 million. This includes nearly $104 million from futures, $82 million from OTC energy and $43 million from OTC credit. Market data revenues were stable year-to-year and quarter-to-quarter at $25 million.

On the expense side, consolidated operating expenses were $116 million compared to 82 million in 3Q '08. The expense growth was driven by a $27 million year-to-year increase related to the addition of our OTC credit business and a $6 million increase in amortization relating to our Russell license.

Moving now to Slide 7, you'll find detail on our energy futures business. In ICE Futures Europe we achieved record transaction revenues of $66 million, up 44% year-to-year with average daily volume or ADB of 676,000 contracts. The rate per contract or RPC for energy futures was $1.53, up from $1.22 in 3Q '08.

While RPC decreased slightly on a sequential basis, our average daily volume and our Brent and Gas Oil futures revenues all reached record levels during the quarter. Open interest exchange-wide has grown 33% this year reflecting the strong presence of commercial customers in our markets and offering a solid base from which to grow in 2010.

As reported this morning, October numbers in our energy futures market remain strong with ADB up nearly 12% over the last October, including European Brent ADB growth of 11%. The three-month average RPC in October was $1.52.

Turning now to Slide 8, you'll see the third quarter performance of our agricultural and financial futures business. ADB was 386,000 contracts per day, up 33% year-to-year. Strengths in our largest agricultural contract, sugar, along with the addition of the Russell contract, underpinned this growth. Despite continuing sluggish volumes in cash equities and index products, we saw record volumes and open interest in the Russell 1,000 contract and continued to increase our Russell 2,000 market share relative to the S&P500 futures.

Agricultural RPC in the third quarter was $2.08 compared to $2.22 in 3Q '08. As with our oil market, while RPC for our ag contracts was down, volumes were up materially, especially in our benchmark sugar contract, which drove solid revenue performance. This is an important point in that we managed to maximize profitability rather than a single discrete metric. RPC for equity indexes and foreign exchange for the quarter averaged $0.89.

This morning we reported that October ADB for ICE Futures U.S. declined 15%. The first full month of Russell trading occurred in October of 2008 and our volumes reflect the aforementioned difficulties in the index market. However, while industry volume is not where we want it to be nor where we expect it to be over the long term, we are pleased with our relative performance in share gain. The three-month average RPC in October was $2.05 for ag and $0.86 for financial contracts. We continue to see improving open interest trends across the agricultural commodity complex and as we look to 2010, agricultural and financial products are poised to benefit from improving credit markets, increased share and a return to more traditional equity market activity.

Our OTC segment performance is detailed on Slide 9. Total OTC transaction revenues rose 39% year-to-year. Third quarter average daily commissions or ADC in our OTC energy markets were $1.25 million, up 12% from 3Q '08 and up 11% sequentially from our second highest quarterly ADC on record. While natural gas prices have rebounded from the historic lows we witnessed in the second quarter, storage levels remain high due to a weak U.S. economy, mild temperatures and an uneventful hurricane season. However, the combination of the winter hedging and storage season and mixed expectations for an economic recovery has resulted in increased price volatility in recent months.

The healthy OTC energy performance reflects our second consecutive quarter of revenue records in both OTC oil and power. It was also driven by the 150 new products that we've introduced for clearing since last November. These new products contributed $2.8 million in net revenue or roughly $0.02 of earnings per share in the third quarter and, reflecting the markets move in advance of regulatory and political calls for clearing solutions, 96% of our 3Q contract volume was cleared.

Our OTC Energy business continued to perform well in October, with average daily commissions for the month of approximately $1.4 million, up from our third quarter average and up significantly from the prior year's period.

Turning to our Credit business, revenues totaled $43 million during the third quarter. This includes $30 million from Creditex, which was down roughly 27% over the third quarter of 2008 on a pro forma basis. In addition to the seasonally slow volumes typical of the third quarter, the credit markets remain subdued as the industry recovers and focuses its efforts on standardization and clearing. However, while the traditional brokerage environment remains difficult, our electronic offerings continue to provide growth at attractive incremental margins. These electronic services include post-trade processing, execution and risk management and accounted for 43% of our third quarter Creditex revenue.

ETS Clearing generated $13 million of revenue during the third quarter and as updated previously we now expect full-year revenues to be at or above $30 million. I'd like to emphasize that we expect this initiative to be profit accretive in 2009 despite heavy investment typical of any start-up business. We've worked closely with industry participants and regulators to establish a global clearing solution backed by a sound risk management regime and a dedicated guaranty fund.

During the third quarter we began backloading in Europe and continue to process those trades while adding the Anderon index trade. In the U.S., backloading is largely complete and like Europe, we've added new clearing members. We continue to expect to launch our single-name and buy-side clearing operations this quarter.

Our forward visibility in the CDS clearing revenues remain limited. However, we've established ourselves as the global leader in the space, and we are confident that this initiative will yield further revenue growth in 2010 even as costs decline as investment levels subside beginning in the fourth quarter.

We will continue to provide updated guidance as our progress continues. We are pleased with what we accomplished in the quarter and year to date. Our operational and financial performance continues to distinguish ICE from our peers. We've grown our top line, improved margins for three consecutive quarters, added cash to the balance sheet, reduced leverage, integrated improved margins in our voice brokerage business, and built a global OTC derivatives clearing business from the ground up. We have a demonstrated track record of being consistently ahead of the curve, which has allowed us to outperform in any business context. And we believe we have positioned ourselves to continue to outperform in 2010.

I'll ask that you please refer to this morning's earnings press release for further details on our quarterly performance as well as updated guidance. We expect to file our 10-Q later today. And, of course, I'll be happy to address any questions during the Q&A. Jeff, over to you.

**Jeffrey C. Sprecher, Chairman and Chief Executive Officer**

Thank you, Scott, and good morning everyone. You've just heard about the strong performance of our business, so I'd like to take a few minutes to provide some context for that performance as well as outline some of our larger opportunities.

There have now been several quarters that have followed since the global downturn in economic activity began. During that time many of our market participants have come under financial pressure and significant regulatory changes have been occurring in our business. Yet ICE has continued to grow throughout this period.

Despite an extended global recession and the regulatory requirements added to our business over the past year, ICE's net income in the most recent quarter was 34% higher than when the crisis began in the fourth quarter of 2007. And open interest in many major contracts in our clearing houses are at all time highs. ICE remains one of the strongest performing exchange businesses globally.

It's against this backdrop like I'd like to cover four key topics this morning. These include the legislative and regulatory activity, ICE's profitable product innovation, our move towards over-the-counter clearing and the strength in our core commodity businesses. These are also detailed on Slides 10 and 11 of the presentation.

So turning first to the legislative and regulatory landscape, there's been a decided policy shift toward increased transparency and contract standardization around the world. These important transitions have actually been taking place since ICE first established its electronic energy markets in year 2000. But obviously recent events have resulted in new and renewed focus by policy makers.

Transparency promotes increased liquidity and inspires confidence in markets, and contract standardization allows markets to be exchange traded and cleared. While many over-the-counter markets remain largely voice-brokered, ICE led the development of a liquid electronic market in over-the-counter energy.

Today even transactions that are executed via voice brokers typically end up on exchange as swaps dealers lay off the risk they manage on behalf of their customers. As evidence of this focus in the United States, two separate bills were advanced to the House Financial Services and Agriculture committees in October. Each bill has a central tenant of ensuring that qualifying transactions are executed and cleared on exchange using standardized contracts.

Regulation encompasses many aspects of an exchange's obligations to the market but position limits have been the most recent area of focus by many of our stakeholders. ICE has advocated for CFTC established limits that take into consideration the overall size of the market, should the Commission deem it appropriate to use their authority in this way.

In the meantime, ICE has already instituted position-limit regimes in our two largest U.S. linked contracts: our WTI Crude futures and our over-the-counter Henry Hub natural gas swap. We expect that position limits may apply to additional over-the-counter contracts as the CFTC works through its obligations under the 2008 Farm Bill. However, for our key revenue-producing products, such measures are already in effect.

We believe that prudently set limits will lead to an increased confidence in properly functioning markets and will drive transaction growth as more hedging follows with the increased adoption of risk management practices.

Our customers have been anticipating position management changes, and we believe most are already acting to stay ahead of this regulatory trend. In fact you can see this shift in our third quarter operating results as more over-the-counter bilateral positions are migrating into ICE's clearinghouses. I'd like to point out the tremendous resiliency of the market in managing through this period of significant regulatory uncertainty.

In addition to bringing transparency to the energy markets, we've seen great strides being made in transparency in the credit derivatives market. Credit derivatives markets are among the youngest major derivatives markets and were essentially spreadsheet based just less than two years ago. As nascent markets, credit products were not typically standardized and daily price transparency and clearing were not widely available. These issues were similar to those that we experienced in the over-the-counter energy markets when we began developing energy clearing for energy swaps. Today, however, due to efforts by industry, regulators, and companies like ICE, we've established electronic CDS solutions that support back-office connectivity, real time confirmations and enhance price transparency.

Each of these has helped the credit market become more accessible and more accountable and we're continuing to develop services to meet the expanding requirements of a restructuring market with strong potential.

I'd next like to highlight ICE's demonstrated ability to innovate to drive top and bottom line growth. We put a premium on innovating to provide best in class service to our customers and producing profitable growth for our shareholders rather than simply seeking to become a large exchange. As entrepreneurs we've taken calculated risks and we've made substantial investments in domain knowledge and assets to reach new markets rather than waiting for those markets to come to us. As a result we're delivering on our promises to more deeply penetrate the over-the-counter markets to grow through the business cycles. While it's human nature to be adverse to change, we look for opportunities that exist within change, including changes in regulation and demand for new products to serve emerging markets such as emissions and credit derivatives.

  

This leads me to the third area I'd like to talk about today, which is our progress in clearing the over-the-counter markets. We've made a significant investment of resources, capital and time to demonstrate our commitment to clearing the OTC markets. Over the past year we've built a new European Futures clearinghouse and we've acquired a second U.S. clearinghouse at the moment in time when markets are demanding more clearing alternatives. With these assets we've launched a new OTC credit clearing business in March, which is already cash accretive, something virtually unheard of in the first six months of a major start-up business. As a result, ICE is introducing a new standard for risk management globally. In fact, last week our clearing operations in the U.S. and Europe were recognized by Futures & Options Week for their innovation in solving market challenges.

And the numbers are backing up our success. Since March, ICE has cleared CDS swaps totaling $3.5 trillion in notional value as noted on Slide 11. As of October 31, the cash in ICE Trust U.S. guaranty fund was $2 billion, which we believe is the largest cash guaranty fund of any global clearing organization and it all supports just one single product, credit. In addition to providing the only large dedicated default fund for CDS, we believe that we have the most stringent risk standards of any competing model and we're working with regulators to ensure the competing risk models are more consistent and adequate across all solutions.

During the quarter, we expect to roll out additional phases within our derivatives clearing effort. We're operationally ready to begin buy-side and single-name clearing. However, the regulatory reviews have taken substantially longer than we expected. We have a robust and tested single-name clearing framework and we continue to expect to roll it out in November. As we announced last month, we're also expecting the launch of our segregated fund solution shortly. Testing is underway with participants and we've made excellent progress in a very short amount of time. This important solution will allow the buy-side to participate in clearing and we're eager to bring these systemically important services to market to meet the demands for clearing.

I'd like to close out my remarks by addressing our core global commodities business. When we meet with many of our shareholders, we often spend more time on questions about clearing and global regulation. So I'd like to take advantage of the captive audience that I have here today to discuss the subject that often gets very little mention and that is how well our core business continues to perform. Commodities markets play central role in the global economy and our markets are vital to a growing number of customers. In the soft ag commodities market a significant number of commercial participants were credit constrained but volumes are now recovering, with sugar volume up 11% in October. On the energy side, historically high oil inventories are being offset by a resurgence in Asian demand, a reduction in refining capacity and improving global economic indicators.

Given these conflicting signals and the volatility that they produce, our energy futures markets continue to perform at or near record levels. ICE's European crude and refined oil futures have grown significantly over the past several years and this is largely due to the importance of Brent and gasoil contracts in Europe and in Asia. In fact I'll note that our European energy products have already provided us with an important footprint in Asia that is unmatched by most other derivatives markets.

We continue to expand our over-the-counter energy market cleared products offerings and today ICE operates the largest cleared marketplace for over-the-counter energy swaps, both in terms of volume and revenue. Our new products, in addition to our existing over-the-counter product suite, continue to attract the attention of risk managers around the globe. In total we offer more than 230 cleared over-the-counter energy contracts, a figure doubled from this time last year, which is a result of our successful move into clearing. Scott also mentioned the contribution from these new OTC energy contracts and you can see the growing volume on Slide 11. This is notable because generating meaningful revenues tends to be very challenging for products in our sector.

I'll summarize my discussion of ICE's core business by reiterating our opening remarks this morning. ICE achieved record revenues coupled with the highest third quarter profit results in our history on the backing of strong commodity performance, and our continued outlook for growth remains strong. On Slide 11 you can see the healthy open interest increases that we've experienced since last October: 38% open interest growth in our over-the-counter markets, 20% open interest growth for Brent crude oil, 44% for gasoil, and open interest in our key soft ag markets up 21%.

You can also see that our emerging utilities and emissions markets are truly a source of opportunity, with open interest up 130% year-over-year. Because open interest trends tend to support trading volumes in the future, we have a high confidence level in the health of our markets.

In closing, drivers that are having a positive impact on our business are numerous. There are things like the ongoing shift towards clearing and execution in more transparent markets, innovation in financial services, the global reach of our model, and the increasing reliance on commodities in derivatives markets for risk management. These are the transformative changes that are shaping ICE's results. The model that we pioneered in the over-the-counter markets over the past decade and our global footprint in commodities markets positions us to meet the demand for global risk management around the world.

I'd like to congratulate the ICE team on today's milestone. It's the one-year anniversary of the launch of ICE Clear Europe. This successful clearinghouse has driven new revenue opportunities including serving as a platform for the launch of ICE's European clearing services. And on behalf of everyone at ICE, I want to thank our customers for their business during a quarter of great uncertainty.

Operator, I'll now turn it back to you to moderate our question-and-answer session.

  

## QUESTION AND ANSWER SECTION

Operator: Thank you. The question-and-answer session will be conducted electronically. [Operator Instructions]. We'll take our first question from Ken Worthington of JPMorgan.

**<Q – Kenneth Worthington>:** Hi, good morning.

**<A – Jeffrey Sprecher>:** Morning.

**<A – Scott Hill>:** Good morning.

**<Q – Kenneth Worthington>:** I'd love to dive a little bit deeper into kind of the financials around the CDS business. You spent a lot of money building up the CDS business and now that it's off the ground I'd love to know if you could update us on the targeted return you expect on the investment. And even if you give us something more generic like an IRR that you expect in deals, like I'd take that. But I'd love to figure out what needs to happen for you to get there. Because I think what we don't understand is what is gravy and what is part of your expectations. So, for example, is buy-side clearing gravy or is that part of what you need to make CDS really work for you from an investment standpoint? Thanks.

**<A – Scott Hill>:** All right, thanks for the question, Ken. Look, we look at the overall credit investments we made the same way we that we look at any deal. We take a very disciplined approach. We look for returns that are in excess of our weighted average cost-to-capital, which is around 11 to 12%. So we typically target deals that will yield at least the 12% return. So you can think of that as kind of the hurdle rate. And again, we're looking at the investments we've made collectively across the Creditex acquisition and the ICE Trust and ICE Clear Europe build out as the investment upon which we'll deliver that return.

I think you'd be hard pressed with any investment six months in to say that it's exactly where you expected it to be, but I would tell you that we have established a global leadership position in the CDS clearing business. We've cleared over $3 trillion. We're up to 13 banks in the U.S., 13 clearing members, excuse me, in the U.S., 12 clearing members in Europe. We've got the index clearing going in both places. We're in tests right now with the buy-side solution, the single name, and we're operationally ready on both of those. So I feel very good about the position we've established.

The things that we need in order to make the return on the investment come to fruition are continued performance in index, we continue to add new clearing members, we continue to bring the buy-side in through our customer segregation platform, we get single names launched. And then, frankly, as we made the investment I don't think any of us envisioned the CDS market quite imploding the way it did the month that we did the Creditex deal. It's not something we haven't seen before. It's the same thing that happened in the energy business. And so our expectation is what will really drive the return on this investment is the CDS market recovery and people going back to viewing that product as a key place where they can hedge their credit risk, and frankly, treat the CDS almost as if they do equity today. So I think we've got all of the elements in place that we expected to have in place. I think we're very well positioned in terms of the leadership position we've established, and I think we're well on our way to generating an above hurdle rate return on the investment.

**<Q – Kenneth Worthington>:** Okay. Thank you very much.

Operator: We'll take our next question from Rich Repetto of Sandler O'Neill.

**<Q – Richard Repetto>:** Good morning, Jeff. Good morning, Scott.

**<A – Jeffrey Sprecher>:** Good morning, Rich.

**<A – Scott Hill>:** Good morning, Rich.

**<Q – Richard Repetto>:** Yeah, I guess my question is more broad and general. Your results have been good on the beat, but across the trading companies, whether it be equities, whether it be interdealer brokers, the agency, even with Creditex, the trading companies have underperformed – to my knowledge, every single one of them. So I guess the question is, is there some explanation in this economic turmoil to explain this, and then, more specifically, with you – the only trading company you have is Creditex, and I've seen the electronic portion, went down a bit. Is there a shift going on between exchanges and sort of their customers or so?

**<A – Jeffrey Sprecher>:** Rich, let me just walk you back in time to the point of our IPO and when we first started talking to the public about our business. I think you'll recall that we have always made a conscious effort to try to figure out where there are emerging asset classes where we can provide services and position ourself in those, basically set our sails in that wind to ride the growth. And I think our exchange business has outperformed other exchanges because of decisions we made a long time ago that commodities were being globalized and that electronic trading was taking screens around the world and trading was moving to 24-hour real-time risk management.

And so, if you think about ICE in particular, we've really targeted, and very selectively targeted, markets that are growing because of the growth of right now largely Asia and the BRIC [Brazil, Russia, India, and China] countries, that in our exposure to energy which is obviously global but also soft ags, which are really non-U.S. products, things like sugar, cocoa and coffee, are non-U.S. products. These are all consumptive products by emerging nations. We've moved into the credit business because it, in our mind, is the one asset class that is never electronified.

The management of credit is a huge – it is the banking industry, the global banking industry. Obviously, the global banking industry has been turned down, but we expect it to recover like most, and that industry had never risk managed using anything other than telephone. And so we think it – we've seen how global the interconnected banks are now, and we think that it's going to move off the telephone onto the screen and it's going to be cleared. And so that's the positioning that we've made in that OTC market.

I think in terms of you looking at the interdealer brokers and other kinds of platforms, there's no question that in interest rates and in equities and in interdealer services, the velocity has slowed down. And banks themselves who have trading companies have made a lot of money in this because they're doing a smaller number of trades with larger spreads. And so those markets, where you can capture the spread, are doing well.

That happens to be the bond market and some of the interest rate markets if you happen to be a dealer. So but as you know the platform business that we're in really is based on velocity and the number of trades because that's how we charge our commission. We've avoided that because we haven't really been levered to the industries that have turned down, other than credit. But we've made a conscious decision that that is the one business that is still analog in a digital world. And I think you'll see long term that taking a small piece of our effort and equity to get into the credit business will pay long-term results.

**<Q – Richard Repetto>:** Okay. That's very helpful. And then my one follow-up would be I guess more what do you call it, concrete, is they've talked, these headlines about the Saudis moving away from the WTI benchmark, and just get your thoughts as I know you'll be very neutral and unbiased bystander. You're actually not, with your WTI bond. What are your thoughts on their move, I guess, and the impact on ICE and CME?

**<A – Jeffrey Sprecher>:** Sure. The Saudis have never used the exchange traded WTI futures as a benchmark. They actually lacked confidence in the WTI market that we trade, so they have not been relevant per se. I'm sure people, major oil companies that the Saudis do business with may have used the WTI markets as a hedge, but the Saudis themselves have not. There are now – we've talked a lot about even on past earnings call, how the WTI market is really structurally flawed because there is no such oil anymore as West Texas Intermediate crude that's particularly relevant and Cushing, Oklahoma, is not really the center of the oil industry any longer.

And so really what the Saudis are doing is because Cushing is hooked via pipelines to the Gulf of Mexico, and really oil going into Cushing comes from Canada and from the Gulf via pipeline, they're simply moving geographically closer to the Gulf to get rid of the pipeline and storage constraints that exist at Cushing. And that's probably a positive move for the exchanges because they will start hedging with a contract that is traded in the world right now and that is this differential contract between and it's a locational differential between the Gulf and Cushing, Oklahoma.

I think -- we've seen that even though ICE talks about WTI as being a flawed marker, it's still a highly traded contract because people do hedge and speculate around those storage problems at Cushing because the pipelines do go through there. But I think it's accretive ultimately to the business. I should mention we have the rights to that license at Argus that they're going to be benchmarking to. We licensed that just recently in anticipation of this move. We have a relationship with the Saudis. We know and understand their concerns, and we've built that product into our systems. We haven't announced its launch yet or exactly what we're going to do, but we will be a player in that market as well. And so net net I think, frankly, you could think of it as just a new contract that's going to provide a new differential to the market and that's probably a net positive for exchanges.

**<Q – Richard Repetto>:** Okay. Thank you. I'm assuming that Argus is not exclusive, but I have no more questions so I won't ask that.

**<A – Jeffrey Sprecher>:** Yeah, it is. They have a non-exclusive license with us and with some of our competitors.

**<Q – Richard Repetto>:** Got it. Thanks, guys.

**<A – Jeffrey Sprecher>:** Thank you.

Operator: We'll take our next question from Roger Freeman of Barclays Capital.

**<Q – Roger Freeman>:** Hi, good morning. I wondered if you could just, just on CDS, maybe Jeff, can you talk a little bit about what some of the challenges have been on the single-name side with clients? Has it all been regulatory or – I think over the summer you were suggesting that there were some operational issues with just the different ways the dealers require less margin than the clearinghouse does. And then sort of tied to that is you look at what CME is now announcing from a customer perspective. It seems like they're getting some traction because they take wider collateral that you do, i.e., more than treasuries and cash, and maybe have more efficient marginings, so maybe you could address both of those.

**<A – Jeffrey Sprecher>:** Sure. Well there's a number of things that have gone on. First of all this is a start-up market, and so, and it's changing behavior. What we are doing is building a clearinghouse that fits into the current workflow. In other words, any mechanism that you use to do a trade today will make its way into the clearinghouse. And we have integrated with the DTCC warehouse, which is where all these trades ultimately go for accounting purposes and confirmation purposes. And we have integrated with the ISDA master agreement process, which are the agreements that govern credit default swaps today. So we have built a truly over-the-counter platform.

What we have not done is to try to make these things look and smell and act like futures. In futures you don't necessarily connect to the DTCC warehouse. You don't use the ISDA master agreements. You use your clearing agreements. In futures, in the United States, all members of a U.S. futures clearinghouse must be a U.S. FCM [Futures Commission Merchant]. There are capital requirements there, and we have worked on a global framework having a lot of non-U.S. members in our clearinghouse. So there are two different models out there. These will ultimately converge, I suspect.

If you look at what's going on in the bills that are making their way through the House and from our conversation about what the Senate is intending to do, it's very, very likely that ultimately credit will be overseen by the FTC and the CFTC in some regard, with the Fed being involved in some systemic role. In other words, all the regulators are somehow going to be brought together for some common oversight, which we support. And so I think over time, the various models will, by regulation, merge together. But we're starting from two different end points. There's no question there are some buy-side people that would like to trade this like futures, that would like to have a one-stop shop to do everything as futures.

There's also a lot of people that want to keep this in the over-the-counter market, particularly because of the risk management and the way that prime brokerage works today. And all those eventually, I think, will come together somehow, but as we're mentioning, they have two different starting points. The people that you hear – the buy-sides that you're probably referring to that are most vocal, many of them like the futures model. I think ultimately what they're going to realize is that they're going to get that, something like that through regulation, probably in 2010. So I'm not sure that making a decision today really matters because it's all going to converge by the time this really gets rocking and rolling.

**<A – Charles Vice>:** And, Roger, just to put a fine point on it, despite all the challenges that Jeff mentioned that we've overcome, from a single name standpoint, we are operationally ready on every single one of those elements. So right now it is a discussion with the regulators to get launched similar on the buy side initiative. We're in tests right now and expect to be operationally ready in a matter of a couple of weeks. So we have developed a solution that works the way the industry trades today, the way they traded yesterday and we're operationally ready on all aspects in both areas.

**<A – Jeffrey Sprecher>:** Yeah, and, Roger, just to finalize, you had asked about the regulatory interface, the regulatory – this is a very unique product, a single name CDS. It has a binary risk element to it where it can either expire worthless or completely in the money, and it can go from zero to 100% overnight. So it is very complicated to figure out how to margin that without requiring full margin. Regulators are obviously aware of the AIG problem, where there was a lack of margin, and want to make sure as we introduce the buy side that people are properly margined and that we truly are breaking systemic risk.

Similarly when we introduce the buy side and there's a sense that it will provide liquidity in the market because the markets are right now somewhat stunted because we're in this interim period where the buy side knows it's going to move into clearing but doesn't have everything in place yet. The regulators know once that's in place, the velocity of trading can increase and people like the SEC and others want to make sure that they have transparency into the way the buy side is acting so that we prevent any kind of trade that may ultimately result in a run on the banks by blowing out CDS spreads and pulling prime brokerage lines and the kinds of things that happened around Lehman and Bear.

So you can imagine from our advantage point we're having to deal with various regulators about both trading and risk, and they all want to get that right before we unleash the gate, and it's just taking a while because it involves a lot of regulatory jurisdictions. I think in our offices today there are probably 14 regulators who are there full time, from various agencies, we've been working with the OCC, the FDIC, the New York Banking Commission, the Fed, the SEC and the CFTC, and the FSA, all of whom are working together on this. So it's quite a global regulatory work that's going on right now.

<**Q – Roger Freeman>:** Okay, that's very helpful and very thorough, thanks. I have a very quick follow-up. What percent of dealer-to-dealer CDS volume is – of new volume is being cleared today?

<**A – Jeffrey Sprecher>:** Well the dealers have promised I think by the end of November that 95% of all eligible trades, in other words the trades that we offer for clearing, will be cleared, and I was with a group of dealers on Friday, and they are close to making good on that commitment. So it is a very high percentage right now that's going in.

<**Q – Roger Freeman>:** Got it. Okay, thanks.

Operator: We'll take our next question from Daniel Harris of Goldman Sachs.

<**Q – Daniel Harris>:** Hi. Good morning, everybody.

<**A – Jeffrey Sprecher>:** Good morning.

<**A – Charles Vice>:** Good morning.

<**Q – Daniel Harris>:** I'd actually like to follow up on that comment there, Jeff. So as you think about new trades coming in to the CDS clearing house, if I look at the open interest in the U.S. it really ramped up through the end of August to about 190 billion that's been flat there. So I mean would you anticipate that as, if we just focus on the index for a second, does that grow from here or is that about the right level, i.e., that's the majority of clearable transactions that are occurring today and historically?

And then as I think about single names, how does that fit into both the open interest and then to the guaranty fund given what you're talking about with the differences in requirements for margin? Looks like it's a little bit less than 1% given some of your data points earlier. Does that really grow much going forward?

<**A – Jeffrey Sprecher>:** Good questions. First of all, it's hard to get sure visibility into what's going on in the credit market because it's under a lot of stress right now. It's not only the fact that credit is constrained. You know, CDS is, will be very tied to new lending, but, which obviously you need the banks unlocked and lending, which I expect will happen, but you do get the sense we're in a transition right now.

And you have the buy-side that right now doesn't know whether they're going to go cleared or not and how much each new trade is going to cost them. So there's some trepidation on entering into new trades knowing that when they put them in clearing house it may change their margin. So it's kind of stunted right now but I'll give you, anecdotally the banks are hiring in the credit space, in the derivative space. In fact we hear there is tremendous competition to bring in qualified people into this space. There is a real anticipation from a staffing standpoint and a system standpoint that we've been working on that this market is going to recover and recover strongly. That's our best guess at sort of how the future looks.

When we bring in single names, we actually frankly clear the index business by de-constructing them. So if an index is an index of 125 companies we actually have de-constructed them and clear them like 125 single names. So as we add single names to that index business, there will be some people that will be getting offsets because they have hedged positions. There are some people that haven't yet put all of their index into our clearinghouse because they're keeping the hedge as a bilateral over-the-counter contract. And so we don't exactly know how the default fund is going to rise or shrink, and we don't know exactly how those offsets are going to look when we get them all in. I suspect, however – our early work that we did suggested that this clearinghouse was going to need in excess of $2 billion in the default fund. That was where we started earlier this year. We've reached that number and I suspect that we're going to be up in that range. And as I mentioned in my prepared comments, that's just the amount of money to support the interdealer market that exists in credit. So that is reflective of the binary type of risk that these products have. And it's why we decided to segregate this clearinghouse from futures. Even in Europe we have a separate default fund and separate contracts that govern the default fund separate from our energy business.

**<A – Charles Vice>:** Again, the only thing I'd add is you have to remember the guaranty fund in this case is a much more dynamic guaranty fund. And so, you'll have some competing dynamics. Like as we add single names, you could see some growth. But as credit spreads are tightening, you'll see that number come down on a more dynamic basis than you would in most clearing houses.

**<Q – Daniel Harris>:** Thanks. That's actually really helpful. And I'll just transition further. Just a quick question on a different topic. Going back to what's on your slide but what we track also, the Brent ADV year-over-year was up 20%. The WTI was up 3% in the third quarter. Just love to get your thoughts on that, and thanks for the color.

**<A – Jeffrey Sprecher>:** It's really I think because Brent is used to price Asian oil and that's the long and short of it, is that there's just been a tremendous growth going on in Asia and our customers hedging their Asian exposure.

**<Q – Daniel Harris>:** Thanks.

**<A – Jeffrey Sprecher>:** Whereas WTI is the U.S. product and is reflective of the U.S. economy.

Operator: We'll take our next question from Howard Chen of Credit Suisse.

**<Q – Howard Chen>:** Good morning, everyone.

**<A – Jeffrey Sprecher>:** Good morning.

**<Q – Howard Chen>:** Thanks for taking my questions. First, growth in your core commodities business continues to be really solid. Jeff, you mentioned that. And then Scott, you highlighted how you've been able to balance margins, returns, and growth and deals like NYBOT and Creditex. I guess if I wrap that all together, I know it's early but when you look at your business mix today, do you think you're able to restore margins and returns to where your core commodities business is? And how do you broadly get there?

**<A – Scott Hill>:** Well, look, I mean I think, Howard, what I'd point you to is, are the trends that you've seen. Our margins in the fourth quarter of 2008 were 47%. They were 55% in the quarter. We've increased them three quarters in a row. We've improved the margins in a labor-based, commission-based business by nearly 20 points. So I don't think there's any question that relative to what volumes and revenues do, we are taking, have taken actions and continue to take actions to expand our margins. We're not going to take the Creditex brokerage business and turn that into a 65% business. It's just not the nature of the business. But as our futures business and our OTC business and our clearing businesses grow, we'll mix towards those higher margins and you'll continue to see us expand margins accordingly.

**<A – Jeffrey Sprecher>:** And Howard, I would like to point out that we entered Creditex through a voice brokerage business, and we're trying to manage it on behalf of our customers and our shareholders. And we've really done some things with our brokers. We've gotten rid of lowperforming brokers, and we've seen those people immediately hired by our competitors. We're getting away from trying to give these big guarantees that take the margins down in bad times, and we're trying to incent people with stock-based compensation and other things that align their interest with our shareholders. We're trying to give those brokers electronic tools that increase their productivity, and the company shares in that margin increase.

And so I'm quite proud of the people that we have working in our brokerage business. I look at some of our competitors and I'm dumbstruck at how they continue to operate in the bad times as if they were the good times, and that's not something that we're going to do. And so long term I hope we can sustain that. It's building a lot of loyalty in that brokerage team. And I think that team realizes that change is afoot and they want to be the people that are really excited about being with us or people that want to be on the front of that change. They embrace using technology to increase their own earnings, and they like the idea of having the upside of stock-based compensation.

**<Q – Howard Chen>:** Okay. Thanks. That's helpful color and makes sense to me. And Jeff, my follow-up. It looks like you've got a lot on your plate organically. Part of the DNA of ICE is doing strategic deals. What's the current appetite to do a transaction? And what's the landscape look like in your mind?

**<A – Jeffrey Sprecher>:** Well, amazingly – you know, Scott's done a great job of managing our balance sheet and really giving us the tools that we have, the currency that we need to do deals. Our lending group has actually been coming to us wanting to lend more money to us and doing that in the bank market, not in the other debt markets. And our stock has now been performing better as people get more visibility into the regulatory landscape and our own performance globally. So we do have the capacity to do it. I do not just want to get big.

Even when we went after the Board of Trade, you'll recall that the reason we did that is we thought we could use it as a vehicle to get into the over-the-counter clearing markets for interest rates and other derivatives. We found a different way into that market nonetheless. So it wasn't, that acquisition was never about scale. In fact we were very open that we would not really be able to grow the Treasury Complex and in fact I'm glad that we avoided it because the Treasury Complex was so highly levered to the securitization business, which may be in trouble for quite some time.

So it's not about scale. It's about finding areas where we can really provide growth with our technology and the DNA that we have in the company. And there are numerous opportunities out there and other business leaders and entrepreneurs that have actually approached us. One thing, Howard, we've created a vehicle here where a lot of the entrepreneurs that built their businesses are still with us. And as a business builder myself, I know how important it is to cater to people that need more resources and need a bigger scale but still want to be involved in their businesses. And we've done a very good job with that. And they in turn have given results to our shareholders. So there are a lot of those out there and increasingly we're seen as that kind of acquirer.

**<A – Charles Vice>:** And Howard, that disciplined approach, I'd encourage you to take a look at any measure of return on invested capital, return on assets, return on equity, us versus our competitors, and consistently we are two to three times the return because of the disciplined approach we follow to picking the right acquisitions, acting on them and then executing our integration strategies to bring them into ICE.

**<Q – Howard Chen>:** Great. Thanks for the color, and congrats on the quarter.

**<A – Jeffrey Sprecher>:** Thank you.

Operator: We'll take our next question from Chris Allen of Pali Capital.

<**Q – Chris Allen**>**:** Good morning, guys.

<**A – Jeffrey Sprecher**>**:** Good morning.

<**Q – Chris Allen**>**:** I just wanted to follow up on Jeff's comments on the core commodity business, in particular the over-the-counter business, over-the-counter energy, I'm sorry, where we've seen some nice growth in natural gas and electricity. Scott mentioned some of the catalysts there. But Jeff, if you could comment just in terms of the environment for the natural gas business right now, whether the storage issues will really hold back activity levels going forward. What might be some positive catalysts to drive that business forward? That would be great.

<**A – Jeffrey Sprecher**>**:** Sure. What's interesting, and I think you're aware of it, is that our business does well when there's a lot of volatility. Volatility gets people to start to think about hedging in order to avoid that volatility in their own P&L. And it attracts the speculators that want to interface with the hedgers who have a view on where markets are going to go. And there was a period earlier this year where there was a lot of talk about decommissioning natural gas wells and people that do technical analysis could see how much were being produced and how much was being stored and what demand projections were. They had a hard time understanding how many rigs were going to go off line because that was part of the equation.

I think now that pricing bottoms and in the $2 and something range and natural gas has increased in price, people now have a better understanding of how many rigs going to leave the market and so it allows the technicians to look at supply and demand again and you see them coming into hedging. So we feel pretty good about where the market is. There's a lot of basis trades, as you know, in other words, different delivery points for natural gas. And as the market is evolving, you see growth in these various delivery points. One of the great things about our business is that we used to be very much about the Henry Hub natural gas swap and increasingly people are trading other delivery points and getting domain knowledge in how the local markets work and are hedging locally and that's driving a lot of growth.

<**A – Charles Vice**>**:** And just, Chris, to put a point on your first part of your question, our power business in the quarter was nearly double what it was in the year-ago quarter and our oil business is nearly four times larger. So even as we get starting to see the natural gas business pick up, power and oil have continued to be very strong performers in our OTC business.

<**Q – Chris Allen**>**:** Great. Thanks a lot, guys.

<**A – Jeffrey Sprecher**>**:** Thank you.

Operator: We'll take our next question from Michael Carrier of Deutsche Bank.

<**Q – Michael Carrier**>**:** Thanks, guys.

<**A – Jeffrey Sprecher**>**:** Sure.

<**Q – Michael Carrier**>**:** Actually, just a follow-up on that question. When you look at the drivers of growth in the energy OTC business, you've got a lot of the new products that you've launched. You've got the normal, you know, just usage and volatility and then you've got the trend of more and more of the volume that's in the over-the-counter markets going from bilateral to the cleared side. So I guess when you see the products in the markets that you're in and you're looking at what's away from you, meaning not occurring at ICE or not being cleared. I guess, is it, any way to size up the opportunity? And what will drive more of those players onto ICE's platform?

<**A – Jeffrey Sprecher**>**:** I think the areas that we're focused on and obviously competitors are focused on is options. Just like in the equities market, there's an increased use of options for

controlling risk in commodities and so we have been working now for years on really increasing our technology and the domain knowledge that we have for the options business, including acquiring a company called YellowJacket, which has technology that we're now using for traders to input options trades into the clearinghouse.

The other thing that's going on, and Scott mentioned it, is that the oil business, which is really a global business, had largely been uncleared. It's largely been traded, the couple of benchmark oil futures contracts, with the rest of the market being done bilaterally. And there are a lot of things that come out of a barrel of oil. Things you don't even think of, all of which are some kind of basis trade and exists in the swaps market. So, owning our own clearinghouse now and having the domain knowledge and control of the technology, we're putting more and more of that basis business in there.

And then lastly, when we started the company, both Chuck Vice and I came out of the power industry and we really started ICE as a power company in the United States. And that market continues to evolve as there is continued deregulation. Deregulation in the sense that utilities are increasingly being responsible for managing their P&L and not being able to pass it through to their rate payers. And so there's continued hedging in the power market and we continue to build out a lot of unique functionality for power because it really is at the heart of where we started the company.

**<A – Charles Vice>:** And interestingly it's not just in the OTC business where we're seeing some of this happen. We're also seeing it on the futures side. If you look at the U.K. natural gas contract we've seen our volumes grow significantly this year in our ICE Futures Europe business for U.K. natural gas as people want to bring those positions out of a traditionally bilaterally traded world into a cleared solution.

**<Q – Michael Carrier>:** Okay. Thanks. And then, Scott, just on the non-operating items. Anything unusual in there? It seemed like the expense is a little lower.

**<A – Scott Hill>:** There are a couple of dynamics we have below the operating income line. The first thing was the tax rate was a little higher than we've seen in the last couple quarters as we had to react to some recent state law changes and some clean up around acquisitions. And then that was mitigated somewhat by the fact that we had a little bit of a currency help this quarter versus we had a currency hurt last quarter. And we also had some interest expense reductions around some 1048 tax reversals. So a bunch of noise but if you look at taxes and the other expenses combined, it was basically net neutral and leaves you staring right back at the operating results, which were tremendous.

**<Q – Michael Carrier>:** Okay. Thanks.

Operator: We'll take our last question from Jonathan Casteleyn of Susquehanna.

**<Q – Jonathan Casteleyn>:** Hi. Good morning. Just wondering if there's any way to establish any market share in OTC energy. Any way to scale your 1.25 million per day versus the broader analog business? I know it's difficult information to get a hold of, but just wondering from your vantage point if there's any way to provide that information?

**<A – Jeffrey Sprecher>:** We have the same difficulty you do which is it's very hard to size those markets. And so we can only do it anecdotally by talking to our customers about what their business is. And, frankly, when we talk to our customers not everybody, as you can imagine, wants to volunteer their position to us, so we piece together information. We know that the oil business is big and it's global and it's largely uncleared within the over-the-counter space. We know that the options business is big and it's global and it's largely uncleared in all commodities. So it's just really, Jon, just sticking our finger in the wind and saying let's go to where this bigness is. But it is very, very difficult and that's why I could never be a good equity analyst and you guys have a challenge on your hands.

**<A – Charles Vice>:** But what we do have visibility to, Jonathan, are our volumes, our key competitors' volumes, and then some visibility into the bilateral world. We look at that share on a monthly basis and the trends across the products, that in power and oil particularly, have all been up. So we posted share gains across a lot of our OTC products, I think, contributed to by the 150 new products that we've launched this year. So share trends for us across our OTC products have generally been on an upward bias for the year.

**<Q – Jonathan Casteleyn>:** Right. Okay. And then my follow-up question very quickly is, is there any direct benefits to the Creditex brokerage from the ownership of the clearinghouse or is it more of an industry benefit? And then just longer term, is there a way to think about the growth rate for the Creditex brokerage revenues?

**<A – Jeffrey Sprecher>:** First of all, the clearinghouse is open, so I don't want to alarm any competitors of ours. We take trades from any venue, and we run that as a separate business. But we certainly have tremendous domain knowledge that we get by having people who are dealing directly with clients. We can see where things are trending. We can see where there are seemingly large products that we think are actually going to shrink in the long term, and so it helps us position ourselves by having that knowledge.

And I think the business -- frankly, what we're trying to do with our brokers is give them electronic tools to increase their productivity. And that's not so much related to clearing as it's related to the fact that at the core of this company we really are a technology company and the bulk of our employees are computer programmers. And we have really built our business by helping to electronify and make markets more transparent and standardized and clear. So it's putting some of the tools that we have from other venues and things that we know work in other markets into the hands of those brokers to empower them.

We also, I will tell you, have made a conscious effort to reach out to other brokers and provide the same kinds of things to others and so we have a much better relationship today with the interdealer space even though we compete with many of them now through Creditex. In a weird way it's given us visibility into what the challenges are in that market and we have embraced some of our competitors where we can and, and are working with them. And you can see it in the growth in our over-the-counter clearing business in energy and other commodities that we have really done a pretty good job of changing the dynamic of our relationship with our competitors.

**<A – Charles Vice>:** And it won't give you a number, Jonathan, but I think what Jeff said earlier is important. Customers are telling us they're hiring. Our brokers are starting see more activity and the industry is now a good solid six months through its transition to the more standardized, different CDS contracts that they're now trading. So the trend certainly points to a positive as you look to 2010. Putting a number on that right now is still difficult.

**<Q – Jonathan Casteleyn>:** Understood. Appreciate the time. Thank you.

Operator: That concludes...

**Jeffrey C. Sprecher, Chairman and Chief Executive Officer**

Well, unfortunately, we have a hard stop and we have to leave. I think there are definitely people on the phone that wanted to ask us questions, so let me apologize to you that have been hanging on the phone for not getting to you. And we'll try to make a note of who we didn't get to and take your calls on the next earnings call. But thank you all very much for attending and we look forward to another good quarter. Thanks just again to our customers for hanging with us during these difficulties and again congratulations to my colleagues on a really successful first year at Ice Clear Europe.

Operator: That concludes today's conference. Thank you for your participation.