MANAGEMENT DISCUSSION SECTION

Operator: Good day, everyone and welcome to the First Quarter 2010 IntercontinentialExchange Earnings Conference Call. Today's call is being recorded. At this time I would like to turn the presentation over to your host for today's call, 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 first quarter earnings release and presentation please visit the Investor section of our Web site 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-Q which was published this morning. For a description of the risks that could cause our results to differ materially from those described in the forward-looking statements please refer to these filings.

Actual results may differ materially from those that are expressed or anticipated in these forward-looking statements. We will discuss adjusted net income, operating income, operating expenses, margin, EPS and EBITDA. These are non-GAAP measures that exclude certain non-operating charges that we believe are not reflective of our normal operating performance. All of our results this quarter did not include non-GAAP adjustments. Our results for the quarter of 2009 included certain non-recurring charges.

This morning we will refer to adjusted first quarter 2009 results as a basis of comparison to the recent quarterly performance. The reconciliation of these non-GAAP financial measures, the equivalent GAAP results, an explanation of why we deem these non-GAAP measures meaningful appear in our earnings press release.

With us today are Jeff Sprecher, Chairman and CEO; Scott Hill, Chief Financial Officer. Chuck Vice, our President and COO is in Chicago meeting with the Climate Exchange team this morning. At the conclusion of the prepared remarks we'll take your questions until 9:30 a.m. I'll now turn the call over to Scott.

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

Thank you, Kelly. Good morning and thank you all for joining us today. The first quarter of 2010 was ICE's best quarter ever in terms of revenue, volume, operating income and net income due to our global positioning and unique business mix, we continue to benefit from a number of long term secular trends. And last Friday, we announced the acquisition of the Climate Exchange further diversifying our business on a product, geographic and customer basis while ensuring that the leading emissions market will now be a permanent part of ICE's growth story.

I'd like to begin our discussion on Slide 4 which shows our track record of earnings growth consistently. The revenue and operating income growth we've delivered in each year since 2005 was enabled by our strategic vision and global business model. We've grown revenue by nearly 60% and operating cash by over 75% annually since 2005. And in the first quarter this year, we grew revenues 22%, delivered the highest net margins in our industry and achieved 50% growth in operating cash flow. Our performance continues to distinguish ICE from our peers and demonstrates the value we are creating for shareholders.

Not only have we positioned ourself to benefit from a number of near and long term opportunities but we've also built the business that has proven able to withstand changes in the business cycle. The result has been industry leading financial returns even as we invest to expand our diverse portfolio of assets. Now let's turn to our first quarter 2010 results on Slide 5.

The first quarter of 2010 represented our sixth consecutive quarter of record quarterly revenues. Our consolidated revenues grew 22% to $282 million over first quarter 2009. Net income grew 26% to a record $101 million and our tax rate for the first quarter was 34%. Diluted earnings per share rose 25% to $1.36.

Moving to Slide 6, I'll detail the components of our revenues and expenses. Starting on the left side of the chart first quarter transaction and clearing revenues rose 23% to $251 million. This includes $123 million from our Futures segment, $86 million from our OTC Energy business and $43 million from OTC credit execution and clearing. Market data and other revenues totaled $31 million.

Shifting to the right side of Slide 6, first quarter operating expenses increased 12% year to year compared to adjusted 1Q '09 expenses. Disciplined investment and healthy revenue growth has produced steady increases in our operating margins. Our first quarter operating margin improved to 58% compared to an adjusted 55% in the first quarter of 2009.

And our non-brokerage operating margins improved to 67%. We are driving operating efficiency as revenues grow which translates into improved margins and solid cash generation even as we invest in new businesses. Let's now turn to Slide 7 where I'll detail the first quarter performance of our Global Futures business.

Total futures revenues were $123 million, up 25% over 1Q '09. Average daily volume was 1.3 million contracts which was up 28% over last year's first quarter. This record performance was enabled by the continued expansion of our European energy market as well as the recovery of our agricultural commodity market. As a reminder, last year's first quarter was a record quarter for ICE. Our objective is not to grow every other year but to consistently deliver growth on top of growth every year.

Continuing that trend, yesterday we reported a 41% increase in April 2010 average daily volume for ICE's futures market including record volumes for ICE Futures Europe. Year-to-date through April, our aggregate futures average daily volume is up 32%. Next on Slide 8, I'll walk through the performance of our OTC business for the first quarter.

Total OTC transaction revenues rose 22% to $128 million, our seventh consecutive record quarter. This was largely driven by our OTC energy markets with average daily commissions of $1.4 million up 27% from 1Q '09. Our OTC oil and power revenues continue to come in at record levels due to strong demand for clearing. This demand for cleared products coupled with the growing contribution of new products introduced over the past 5 quarters has helped us to establish an increasing diverse platform.

The first quarter was our strongest quarter in natural gas since 2008. Lower volatility during the quarter was overridden by improved credit conditions and the steady return of hedgers to the market. Natural gas is a key product for us and we expect that it will grow over the long term as that market continues to globalize and the number of uses for natural gas increase.

That being said, in 2007, 73% of our OTC energy transaction revenues were driven by natural gas. In the first quarter this year, it comprised 60% of those revenues. You can see that the new product roll out over the past 18 months has increased our product diversification. Each of our major OTC energy markets, gas, power and oil are turning in consistent growth. And in April, our OTC energy business extended its solid performance with average daily commissions of $1.4 million.

Turning to our CDS business, revenues totaled $43 million during the first quarter, up 13% compared to revenues of $38 million in 1Q '09. This includes $31 million from Creditex and $12 million from ICE's global CDS clearing business.

Creditex's electronic transaction services accounted for 43% of our first quarter Creditex revenues where electronic trade processing continues to yield attractive margins. While growth in the brokerage CDS markets we serve remains muted, we continue to invest in innovative electronic capabilities and drive improved efficiencies, both of which contribute to relatively solid operating margins, even in periods of lower revenues. These investments coupled with our leadership position in U.S. and European index and single-name products, position us well for the eventual improvement of CDS markets.

With regards to CDS clearing activity, recent volume has been driven by the launch of single-name CDS contracts where our customers are moving their existing open interest into our clearing houses. Our 2010 guidance anticipated that dynamic, noting the expectation for a gradual ramp in revenues throughout the year as we expand our product offerings, add new customers and work our way through the back loading of existing trades.

While banks, which have the greatest natural exposure to CDS, have led the way with clearing, we've also worked closely with our Advisory Committee, made up of representatives from buy-side firms to develop the leading buy-side solutions. We expect to launch our European buy-side offering, as well as clearing of sovereign CDS in the near term, subject to regulatory approval.

The CDS market continues to face structural reform, similar to what we saw in the energy markets in 2002. Again though, despite being in the early stages of this investment and the challenging market environment, our CDS clearing business is already contributing to the bottom line. Importantly, this investment positions us not only as the leader in the CDS market, but also strengthens our ability to serve the much broader OTC market as it continues to evolve.

I'm going to wrap up my comments on Slide 9 with an overview of our acquisition of the Climate Exchange, which we announced last week. Due to U.K. takeover rules, we're precluded from saying much more than what we announced previously. We believe this combination is attractive, both financially and operationally.

We offered £7.50 per share or roughly £395 million in total. The transaction will be all cash, including $220 million drawn from our lines of credit and the rest from available cash. Notably, even after this transaction, our cash balance will remain above $200 million. We will have over $200 million of available capacity in our lines of credit and our leverage will remain low.

Our valuation focused on the Climate Exchange's well established, market-leading European emissions business and the synergy that we believe exists with the combination of our two firms. We took into account the uncertainty regarding the implementation of the U.S. cap and trade program in making the acquisition and considered growth in global emission markets as upside opportunity.

We are confident that the deal will have a negligible impact to earnings for the remainder of this year, a modestly positive impact to 2011 and most importantly, provide another attractive long term source of growth with attractive financial returns for our shareholders. We look forward to being able to provide more information once the transaction closes this summer.

I encourage you to refer to this morning's press release for further details on our quarterly performance, as well as a couple of updated guidance points for the balance of 2010. We filed our 10-Q this morning, as well as a new shelf registration to replace the existing shelf, which expires this year. I'll be glad to address your questions during the Q&A. Jeff, over to you.

Jeffrey C. Sprecher, Chairman and Chief Executive Officer

Thank you, Scott and good morning to you all. I'd like to first complete our discussion of the Climate Exchange acquisition. And then I'll update you on our global business by providing some context for the tremendous results that Scott just presented to you.

As many of you know, ICE and the Climate Exchange have long been partners. The successful business that Richard Sandor and his team built is the result of a decade of dedicated research, investment and execution on a global scale. This intensive effort has resulted in their being a leader in what is a very competitive space.

We began working with the Climate Exchange in 2003 and supported the emergence of this nascent market. We're pleased that we'll be able to continue working with Dr. Sandor following the close of the transaction.

Over the past several years, emissions markets have proven to be among the fastest growing. And we believe they continue to hold significant potential over the longer term. For those not familiar with the Climate Exchange's business, it's a leader in the operation of traded emissions markets. These markets include the European Climate Exchange, the Chicago Climate Exchange and the Chicago Climate Futures Exchange. So the team has established a broad geographic reach and deep market penetration.

As Scott mentioned, and it's worth highlighting, our acquisition does not represent commentary on climate change policy, or the probability of legislation surrounding climate issues. But I'd like to recognize that because of the European Union's Emission Schemes, which has been implemented in a thoughtful, phased and market-based manner, Europe has established a healthy environment in which these markets have grown and thrive. As a result, European customers including carbon-intensive industrials can put a price on carbon relative to other choices as they seek alternative energy solutions in a market-based environment.

The addition of emissions markets further diversifies our product sets and adds both an important industrial commercial base in Europe and longer-term exposure to Asia, while it offers us optionality around U.S. market developments. This transaction is representative of the deals on which we like to focus. Those that provide exposure to global markets with growth potential, and those that offer attractive returns on investment.

We're committed to executing on opportunities to integrate our companies while we continue to grow the market. And we look forward to reporting back to you on our progress in this regard as soon as possible.

I'd now like to turn back to the discussion of the business that's delivered the results that we presented here today. I'll begin by repeating a question that we've been asked every quarter since our initial public offering in 2005, and that question is, "Can ICE continue to grow?" We've shown that the answer to be a consistent yes. And we've taken a deliberate strategic approach to ensure that we deliver. This morning I'll briefly review a few of our growth drivers and our strategy.

If you'll follow me by turning to Slide 10, we've listed some of the basic drivers that we believe define the broad opportunities in the derivative space. These drivers are long-term and secular in nature, and they are the building blocks of an evolving market structure, taking everything from an addressable market size to the regulatory framework in which markets operate.

First is the sustained role that commodities and derivatives play in global markets. This trend has continued for over a decade, and it's based on two key factors. One is the rising demand for commodities by a steadily growing middle class. And the other is rising demand for tools to hedge or gain exposure to this very phenomenon.

Emerging economies cover about half the world's population where living standards and the resultant demand for goods are steadily rising. We're seeing this in our commodity markets, but this trend is manifesting itself in a number of ways. Anecdotally in a recent Economist article on sugar, it was noted that the increasing wealth in developing countries has raised demand for small luxuries such as processed foods. As a result, the USDA estimates that worldwide sugar consumption is rising, including a 3 billion pound increase in sugar demand this year alone. Higher living standards translate into greater demand for commodities.

As we've seen, cyclical disruptions in any economy can occur. However, ICE's consistent performance and resiliency through the business cycle resulted from our positioning at the intersection of larger secular trends. The recovery of Western economies should further this upward momentum and provide a tailwind to capital market activities including our derivatives markets. This year to date, a modest increase in confidence in economic recovery has improved market liquidity and driven gains in our commodity volumes.

I want to move on to another multi-year trend that we've spoken about many times, which is the shift towards greater price transparency and clearing. This move shows few signs of abating. The most obvious near-term example is that global financial reform is calling for an increase in market transparency and an increase for the use of clearing.

In addition to providing opportunities for our business, we believe the adoption of financial reform will bring important certainty to our markets and to our customers. I'd like to point out that we've demonstrated that this transition towards clearing and automation can, and has, taken place well in advance of legislation. However, we're well-positioned to support an expedited market transition due to the technology and clearing assets we own.

This leads to a discussion of the tools that we've developed to position ICE at the intersection of secular trends and within this dynamic policy environment. We believe that these assets are unique to ICE and a few of these are listed on Slide 10. To our knowledge, no other exchange possesses such a broad range of market infrastructure assets.

These include the automation of key over-the-counter processes for both the buy-side and the sell-side, front and back office connectivity, trade automation and clearing, and trade repository capabilities. Most of the new legislative proposals require some or all of these tools to reduce systemic risk. Moreover the development of these tools provides us with a unique set of assets to leverage as we address new markets.

The most recent example of our success is in clearing CDS, an initiative of which we are all extremely proud. We continue to invest in building out our OTC clearing platform and we have related initiatives underway. We're continuously adding new products, adding new buy-side customers and enhancing our model.

As a result, ICE leads the industry on virtually every metric. We've cleared $8 trillion across more than 200 index and single-name contracts that we list in the U.S. and Europe. ICE is supporting evolution in these markets by bringing our solutions to existing market structures, and then working with market participants to ensure the overall industry benefits from change.

Turning now to Slide 11, I'll touch on our success as an industry consolidator and as an innovator. We employ a rigorous framework for evaluating transactions and delivering on their potential. If you think about the transactions we've completed and the infrastructure we've developed in the past several years, it's difficult for us to identity any one asset that hasn't contributed to the strategic position that ICE has achieved by investing ahead of the curve.

Over a decade ago and before the recognition of clearing and electronic trading, we saw an opportunity to transform the energy swaps markets. ICE continues to invest the necessary resources to build our infrastructure to serve these and other swaps markets which are several times the size of the exchange traded markets. Our track record in the over-the-counter markets has continued now with our seventh consecutive record revenue quarter.

Turning to Slide 12, you can see our solid diversification across customers, products and geographies as a result of our investments in markets globally. This diversification shows how we've positioned ICE at the center of long-term trends that we've been discussing today. With clearing houses in multiple jurisdictions, serving futures and over-the-counter asset classes, ICE has quickly become one of the new leaders in the provision of risk management and market structure services through innovation, technology and an understanding of our customer requirements.

I'll wrap up on Slide 13 by highlighting how we've positioned the company to capture positive secular trends. The first of these is to ensure that we maintain healthy exposure to areas of market expansion to drive earnings growth. In some cases, this may be geography or product exposure as we discussed on last quarter's earnings call with, for example, our oil products being driven by strong demand for energy commodities in Asia.

ICE has also demonstrated that its strategy of extending our leadership in helping to organize and standardize global over-the-counter markets. We're leveraging our decade of experience in building out infrastructure to serve OTC markets. And we've demonstrated the growth potential where clearing, transparency, automation and increased regulation has been added. Over the past eight years, we took the over-the-counter energy markets from being 2% of contracts cleared to 97% cleared.

At the same time, revenues grew sixfold, markets recovered and many new products were introduced. The payoff has been larger, safer markets where more trading and more risk management opportunities exist today than many thought possible just a decade ago.

Technology has been a core asset of ours since our inception. We began with the concept that modern technology coupled to the Internet could transform system performance, efficiency and distribution. And today that's playing out. ICE maintains its multiyear lead in being one of the fastest, most reliable and feature rich trading platforms.

Its flexibility in being delivered over the Web enables our markets to be distributed to customers in new geographies quickly and cost efficiently without the expense that hard line networks require of our customers. Conversely for algorithmic customers who co-locate, we've established one of the leading co-location programs and our technology team works closely with them to ensure that our services are responsive.

At less than 3 milliseconds, our roundtrip futures execution times are now twice as fast as our major competitor. This leadership has been driven by our work in translating customer requirements into technology requirements. And finally our intense focus on technology has enabled us to deliver risk management solutions quickly and effectively. In the space of just two years, ICE has leveraged this capability by building two clearing houses, one in the U.S. and one in Europe, both of which have become leaders in their respective markets despite the existence of older and larger competitors.

ICE is a growth and results-focused company. We have a commitment to delivering the products and services that our customers require to manage their businesses. And we have a commitment to shareholders to grow our returns. We aim to generate double-digit top and bottom line growth over the long run by executing on the items that I've discussed here today.

First, growing and developing our existing business while we address new market opportunities. Second, we focus on generating operating and capital efficiencies by maintaining expense discipline and generating investment returns that are above our cost of capital. And third, we focus on a culture of integrity, customer service and innovation. If we do these things well, we believe we will continue to outperform.

Let me say that on behalf of all of my colleagues, I'd like to thank our customers for trusting us with their business last quarter. And again I want to thank the entire ICE team for their hard work in meeting the objectives that we laid out this quarter. I'll turn it now back to April our operator to moderate the Q&A session.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions]

We'll first hear from Howard Chen of Credit Suisse.

<Q – Howard Chen>: Good morning.

<A – Jeffrey Sprecher>: Good morning.

<Q – Howard Chen>: Jeff, on financial services reform, you noted broader reform could certainly help expedite a push to solve problems I guess you and ICE already serve, I guess with that as a backdrop, I mean how – could you just walk through some of the puts and takes as you look at legislative proposals that sit on the floor today and the flurry of amendments that we have a list of those in front of us.

<A – Jeffrey Sprecher>: Sure. I – to preface to that comment, I'm not sure I know a lot more than most of you on the call, because it's an incredibly dynamic environment. And in that regard, I think we're viewing the process in the United States Senate right now for U.S. financial reform to be very dynamic. And we would expect that there will be a lot of amendments that will be dealt with on the floor over the next few weeks and a lot of changes made to the legislation.

So we're not necessarily looking at the current draft in the Senate or the bill that came out of the House as really being the final say on what will happen. That's why I think, Howard, we made more higher level statements in our prepared remarks that broadly speaking, the trend is to use more clearing to provide more transparency, potentially pre-trade and then post-trade through trade repositories.

And as you know, we have trading platforms in both futures and over the counter markets. We have clearing houses in various jurisdiction that serve both futures and over the counter markets. And we have the leading energy trade repository in the form of our eConfirm system. So all of that broadly bodes well.

Let me just shift a little bit to Europe. Europe, the process of adopting financial reform is slightly different. The European Union has been circulating concepts and drafts to build the consensus between the member states with an expectation of trying to pass something by the end of the year.

There we are quite pleased with what we've seen so far. They've started by a look at clearing infrastructure and they've concluded broadly the same thing that we've concluded, which is that it would be a mistake to interlink derivatives clearing houses. That will be not much different than interlinking a bunch of banks with derivatives on their balance sheets.

So those of us that are in the clearing and market structure business have been successful at educating people to make that point. I also think that Europe is taking a slightly more measured approach than in the U.S. and part of that is just because the process is one of consensus building behind the scenes. So I do expect that the European legislation that's ultimately passed and U.S. legislation may look slightly different and that may affect business and where it resides. So we obviously are in a good position since we have a global footprint.

<Q – Howard Chen>: Thanks. That's a helpful update. And I guess as a follow up to that, Jeff, anything you and the team are more concerned about, as you look at the proposals ahead of us?

<A – Jeffrey Sprecher>: Not really. I think most of the kind of technical issues that we had concerns about got fixed in the House bill and translated into the Senate bill, so we feel like at least the drafts that are floating around today are net positive for us.

<Q – Howard Chen>: Okay, thanks. And then just a quick follow up on the core OTC Energy business, as you grow and diversify that franchise, just curious to get your thoughts on how penetrated you think we are amongst the universe of commercial players that are out there. Thanks.

<A – Jeffrey Sprecher>: Sure. I think it runs a range. And starting with natural gas where ICE has been very involved in now about 10 years in the United States. I think we've gotten pretty heavily penetrated.

Remember that these are over-the-counter products and they're governed by the CFTC through regulation of our platform that requires you have at least 100 million in assets or 10 million in net worth to participate. So there is almost no penetration in any kind of retail or even small business desktop and that's by regulation. These contracts may evolve more into futures-like contracts in which case there would be a tremendous amount of additional penetration possibility in terms of sheer numbers, as we move into smaller entities.

In electric power in the U.S. that is really a merchant's market – it's a utility market. We don't really have algorithmic traders in there yet. We certainly don't have retail or even small business. It's a young market, because the U.S. power markets are just deregulating and still in a multi-decade process with that.

In the oil markets, there's – the penetration is very, very small. The oil markets have not in the past really focused much on credit, because they involve large sovereign countries and large global energy firms and global banks. And so credit up until this recent crisis had not been an issue. You're seeing that the techniques of using clearing as credit amelioration is now coming into vogue in that market. And we're very, very early.

So, and then if I look at Europe and Asia, on the regional products there, gas and power and coal and other related things, it's very, very young. So long-winded way of saying, we tried to say in our prepared remarks that we've positioned ourselves at what we believe is the early stage of a very long-term and very global trend for growth in using energy commodities as hedging tools.

<Q – Howard Chen>: Thanks, and congrats on the strong results.

<A – Jeffrey Sprecher>: Thank you.

Operator [Operator Instructions] Next we'll hear from Michael Carrier of Deutsche Bank.

<Q – Michael Carrier>: Thanks.

<A – Jeffrey Sprecher>: Good morning.

<Q – Michael Carrier>: Thank you, Jeff, you gave a big picture overview. And I think it's one of the things that everyone struggles with you guys because it seems like each year you're establishing new records. But I think when you look at the core business and focusing more on the futures side, when you look at the growth in the volumes, whether it's over the past couple years but particularly recently, is there any way to quantify or give any granularity on how much of that is being driven by new users particularly when you look outside of the U.S.?

<A – Jeffrey Sprecher>: I guess it's hard to get too granular other than we do monitor, because we're unique in that we dish our platform up over the web, we give out user I.D.s and passwords for people that have access to our own screen, and we monitor that. And we continue to see strong demand as we have now for many, many years in requesting new user I.D.s and passwords.

And – but that's about the best we can do. I think really it is the stepping back and looking at the less granular aspects of where we position the company that I think is hard for people to understand sometimes. And that is that, unlike a lot of other exchanges around the world that are centered around equities or interest rates, or financial products that tend to be local to that country or region, we've built a business that's tried to pick the products that we think are the most global.

Energy is an obvious one. It's traded in dollars – in every country it's denominated in dollars primarily for oil. Traded 24 hours a day. So it has become a truly global franchise. And I believe that agriculture, particularly the kind of ags that we have which are coffee, cocoa, cotton, the things that are not necessarily U.S.-centric were growth drivers. And I believe that some of the over-the-counter markets, particularly credit, I think there will be because of the interconnectivity of the world, people are going to have credit exposure to corporations that are outside of their region.

And I think the asset class – I think credit is an asset class that is a nascent asset class that will grow and while the form of credit default swap that we're trading today may be materially different in the future, I do think that there's a fundamental reason for global credit to be traded.

And that's really why we've out-performed. We're not as levered to the regional products as many of our peers.

<A – Scott Hill>: And Mike, just a couple of data points, when I started three years ago, we looked at logins, and user IDs, around 6,000 – a couple years ago it was at 9,000, last year we passed 10. This year -

<A – Jeffrey Sprecher>: These were simultaneous logins.

<A – Scott Hill>: Exactly right. So it's how many people are coming into the screen and this year we're approaching 11,000. So that's one indicator. And then the other thing you can't take for granted is the continued introduction of new products. We're getting good growth from coal and emissions in Europe. I'm sure you saw the press release, but we did 24,000 contracts a day in currency futures – in our ICE futures U.S. business in the month of April. So we are seeing a growth in users, but we also continue to add products that are in key growth spaces which helps contribute to the ability to grow quarter after quarter and year after year.

<Q – Michael Carrier>: Okay. That's helpful. And then just on the – Scott, just on the expenses. It seems like there's a lot going on, whether it's on the CDS side, now with the Climate Exchange and then just some of the new opportunities particularly with the regulation or the discussions. So just from an expense standpoint, you ticked down sequentially. Looking forward for this year, any update on that in terms of any noise this quarter? Is this a good run-rate versus what to expect going out?

<A – Scott Hill>: Look, I mean – we consistently work on trying to drive our expenses down. The tick down fourth quarter to 1Q really had more to do with the fourth quarter than anything else. As you guys know, we did our bonus true-up at the end of last year and had a few other anomalies.

From a first quarter standpoint, I think expense came in at levels that – if you look at it as a run-rate, that's probably not a bad way to look at it. I think there's efficiency opportunity around the CDS clearing initiative. We had about $10 million in expense in the fourth quarter, been around 9. The first quarter, that still has a fairly heavy professional services component to it as we continue through the start-up phase. And the negotiation finalizing – the negotiation around some of our agreements. So I think there's opportunity for improvement there.

As I mentioned in my prepared remarks, we clearly think there are opportunities for synergies in the Climate Exchange and we'll give you much more guidance and more detailed guidance on that once we get that deal closed. But look, I think the thing that is impressive about the quarter is our margins at 58% are now back to virtually in line with the other big competitor we've got in this space.

And that's an all-in margin. Our margin excluding that brokerage business is at 67%. So we continue to focus very much on our expense and our margins, even as we do make some substantial investments in building businesses.

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

Operator: Mike Vinciquerra of BMO Capital Markets.

<Q – Michael Vinciquerra>: Thank you. Scott, just a follow up on that last question. The compensation, given the revenue performance and given some of the seasonal effects we often have in Q1, you know very low comp. I mean is there anything you can point to there in terms of bonus accruals, because obviously it was a strong quarter for you on the top line.

<A – Scott Hill>: Well, I'm glad you look at it positively, but the $46 million that we had in cash comp, the 12 million in non-cash. So about $58 million in total. Not that far above where we were a year ago and not really that different than the run rate if you average out the anomaly in the fourth quarter. And so look, as I think we mentioned in our queue, we accrued on target for the year in terms of our bonus. So there are no unusual items up or down in that number in the first quarter.

<Q – Michael Vinciquerra>: Okay, thank you. And then just shifting to CDS. Again, pleasantly surprised there at the ability to turn a profit. I'm just kind of looking at your minority interest being a positive, or I guess a negative from your perspective this quarter, which means you were profitable in CDS, despite only a small increase in revenue. Can you touch on what the dynamic was there in terms of getting into the black? And then also are you seeing much participation yet in your U.S. market from the buy-side, which I think you guys have had buy-side participation now for several months at least.

<A – Scott Hill>: Yeah, that's a good question. We did make money in the quarter. That line reflects an inception to date – reflection of the profit that we've made. If you kind of look back over the past year or so, we have made a few million dollars in the business. I think the improvement you saw in the first quarter, is similar to what I had projected coming out of the fourth quarter, which is we were very much in investment phase in that business. We're still in the investment phase, but we're now starting to be able to shed some of the legal expenses, to shed some of the consulting expenses, et cetera, that were in place as we built the business.

So we did see a tick up in revenue from fourth quarter to first quarter, which was good and helped the profit. But I think more importantly we're starting to be able to shed some of those start up expenses and I think you should expect that trend to continue as we move into the second quarter and certainly into the back half of the year.

<Q – Michael Vinciquerra>: Great. Thanks and congratulations.

Operator: Next we'll hear from Alex Kramm with UBS.

<Q – Alex Kramm>: Hey, good morning.

<A – Jeffrey Sprecher>: Morning.

<A – Scott Hill>: Morning.

<Q – Alex Kramm>: I just want to come back to Howard's question at the beginning here on FinReg. I certainly appreciate that it's still fluid discussions and you don't know the exact outcome, but I want to touch a little bit on trading versus clearing because that's one thing that seems to be sticking here in some of the bills that we've seen that there's actually a mandate for transparency in trading.

So interested to hear how you would approach that and, in particular, how our discussions are with the dealers and maybe the buy-side because from the discussions we're having, it sounds like some dealers are certainly more willing to say like, hey these markets are changing. We – maybe trading is the way this is going. And now there is certainly more resistance. So how are you navigating that in your discussions? Thanks.

<A – Jeffrey Sprecher>: Yeah. Let me tackle that by talking. I want to be clear that we really do the over-the-counter markets, sort of as two markets. The commodity markets which include our energy markets and other similar markets like metals and physically delivered commodities – the marketplace 10 years ago recognized that there was no true buy-side or sell-side. It was a many-to-many market even when it was on the telephone. And as a result, our energy markets in the over-the-counter space look a lot like futures markets.

And you can see as when we publish the breakdown of those markets of who is actually pushing the button and accessing the screen and it's heavy, heavy concentration by the commercial users that are executing on their own behalf. That's different than financial over-the-counter markets where there's a true buy-side and sell-side. And it's partly why when we decided to go into CDS and try to tackle clearing for over-the-counter financial products, we decided to do that in a separate clearing house because I really believe that the infrastructure around that clearing house is going to evolve. It may ultimately look like futures, but right now it doesn't.

So one of the things that's going on and the reason that Scott alluded to the fact there's heavy professional service fees right now is there's a transition from the sell-side which acted as a prime broker to some model where they're going to be providing clearing services. And the question is, is it going to be a futures style clearing service where basically customers post collateral in the form of cash and are marked-to-market in cash every day. Or is there going to be some hybrid where customers post other kinds of assets to their prime broker who then will basically lend against those and convert those to cash, so that the clearing house can always be holding cash. And what you're seeing right now is that transition. And I think the premise of your question alluded to you're picking up on some of that. There are some broker dealers that would prefer to move quickly to a futures-style model. There are some broker dealers that would prefer to stay a more prime brokerage model.

And I think if you were to really penetrate that it depends on what assets and client bases and history those individual companies have. So as a result of that, I think we're going to end up with a hybrid and that's partly why we've been doing well in CDS clearing is that we've respected that model and we've been evolving around it. And having to work with regulators to do a lot of messaging on how we transition from what is currently on the books to where we think ultimately regulators want to take this.

<A – Scott Hill>: And just to add to that, I mean it's specific to ICE Trust governance structure. I mean we have both buy-side and sell-side committees that report and recommend out to our Board of Directors. We established an Advisory Committee over the last quarter which includes a buy-side firm. And so we have representatives from each of those groups who are helping us to build ICE Trust and helping determine the right solution to serve that market.

And then just to go back to Mike's question I didn't answer earlier in terms of buy-side take up, we have seen nearly every week this year, additional activity in our buy-side solution in the U.S. and we've now cleared upwards of $700 million of notional. So we are seeing progress and as we've said all along we expected that to be an evolution, not a revolution, but we are seeing week to week progress and we expect to continue to see progress as we get launched in Europe in the coming months.

<Q – Alex Kramm>: Okay, great. And then just a very quick one for you, Scott, I think in the past – and I might have missed this in your prepared remarks, but in the past you gave kind of like the percentage growth from some of the new initiatives like the product that you've introduced over the last year. Can you give us an update on what they contributed in this quarter? Thank you.

<A – Scott Hill>: Yeah. The new products that we had in this quarter, you may recall for the year of 2009 contributed a little over $7 million. If I recall correctly, in the fourth quarter it was about 3.5. So it was a good run rate. In the first quarter, they contributed over $5 million, so nearly $0.05 of earnings. So I did talk about in my prepared remarks the additional diversification we're getting in our OTC business, the fact that natural gas, while still growing has become a smaller part of that portfolio. That's largely due to the many new products we've launched in oil and in power and those products continue to contribute not only to the top line, but importantly to the bottom line in a very solid manner.

<Q – Alex Kramm>: Excellent. Thank you.

Operator: Chris Brendler of Stifel, Nicolaus.

<Q – Christopher Brendler>: All right. Thanks, good morning.

<A – Jeffrey Sprecher>: Good morning.

<Q – Christopher Brendler>: A follow up on an earlier question, when you were talking about the growth opportunities outside of the more developed markets in the U.S. and Europe, any sense of how much of your growth is coming from areas like Asia? I think the discussion on unique logins and user names and passwords, do you have any idea how those break out or if you can actually track where those users are coming from, just to give us a sense of how much of your growth is coming from non-traditional markets?

<A – Jeffrey Sprecher>: I wish I could. It's hard. I know some of our competitors have tried to break out the hours that they receive of volume as maybe a proxy for where volume is coming from. We don't necessarily look at the markets that way. Because what we've seen is that the people that are sort of – the merchants that are penetrating, in particular let's say Asia as an emerging market tend to be westernized companies that have operations where they are going global. And the hedging that they do may come from any one of their offices around the world.

So we strongly believe that our outperformance is coming to a large degree from these emerging economies as they demand the products that we have on our platform. But the actual trades and where they're entered and where we recognize the revenue comes from all around the world. So it's very, very difficult to give you a good answer. That's why we talk a lot at high levels.

<Q – Christopher Brendler>: Yeah. Well that's just part and parcel of having a global marketplace.

<A – Jeffrey Sprecher>: Yeah and I will tell you, we continue to invest in obviously our Asian footprint and products for Asia and connectivity for Asia, but – and our office in Asia obviously, but very, very hard to say beyond that.

<Q – Christopher Brendler>: Okay. A follow-up question on the regulatory front. It seems like you mentioned a net positive – I would agree. But is there any areas that you think you could expand into that would better position ICE to take advantage of the new regulatory environment. It seems like your company from a management standpoint and from a product standpoint you have some of the pieces in place, but is there anything else you think you can use to take advantage of that – something you could potentially add?

<A – Jeffrey Sprecher>: No. Amazingly we sit here today feeling like when we go through every part of the supply chain from a technology and risk management provision and then look at the various asset classes that may be most affected. We feel like we have a solution for almost everything. I think it's underappreciated that – for example we have a product called ICE Link which we acquired in the Creditex acquisition which is a network that is hooked to the buy-side and sell-side, hundreds and hundreds of desks that give us straight through processing to put transactions through. Whether they're conducted electronically or on the telephone, whether it's pre-trade or post-trade I think people don't really focus much on our eConfirm platform, which is the trade repository for most of the energy market around the world. And increasingly regulators have recognized that we have a database here that has most of the energy business that's done around the world including done by our competitors in one database.

So the combination of the obvious things we have, which are OTC trading platforms, futures trading platforms, OTC clearing houses, futures clearing houses and you couple that with conductivity and trade repository. We really are well positioned I believe.

<Q – Christopher Brendler>: Okay. How much of a risk do you think the open access to OTC in the current regulatory form, is that likely to be part of the final billing in your opinion?

<A – Jeffrey Sprecher>: In the United States I suspect it will be. Less sure about that outside the United States. I think that it's why we designed our ICE Trust the way we designed it. We designed it specifically to be an OTC platform that's open. Most of the transactions that are coming into ICE Trust right now are not done on our own platforms. They're done on other platforms. It really does have connectivity to multiple platforms right now because of the way we've hooked the trade, we're close together. So we think that while regulators may put that into the statute, it's already happened in that regard.

In energy, we take trades from brokers and other people as does our competitor. Many, many people have tried to launch electronic platforms including our main competitor and some of the large brokers. Because the over-the-counter energy markets and commodity markets are so broad and so interrelated and so diverse with no one group of customers that dominates the business, no one has been able to do that just because of the network effect.

So unlike equities which a lot of people think about when we talk about open clearing, which where most order flow goes through a handful of brokers and a small number then of algorithmic traders that are playing in that market, you don't have that phenomenon in energy. So we really have an open clearing house right now again and we've been growing. I think the main thrust is that it's been important for us to get into the Clearing business and control the technology, the risk management and the processes in there. I think we will strongly benefit by more trades coming into clearing.

<Q – Christopher Brendler>: Great. Thanks, Jeff.

Operator: Roger Freeman of Barclays.

<Q – Roger Freeman>: Hi. Good morning. Just I guess coming back to trading OTC. I guess, specifically CDS. So Jeff, can you with your knowledge of this market now sort of map out what if any changes would ultimately need to take place for CDS to trade in an electronic exchange model. Because just thinking about the average number of trades that get done daily, and the average size of those trades from a notional perspective, it just feels like it's not going to exist outside of a block trading platform. Can you shrink the size of the contracts down? I mean, what are the challenges there?

<A – Jeffrey Sprecher>: Well interestingly, we've disclosed in our prepared remarks now that 43% of the business, the revenues in Creditex is now coming from electronic trading. So we are moving our business from analog to digital. And doing it in a hybrid manner with our broker team, dramatically raising the operating margins.

We are not focused on parts of the markets where the other brokers are focused. We do not have a big presence in trading sovereign CDS, which drove some of the results that you're seeing in other people. We do not have a big presence in the Structuring business where right now many people that own structured CDS – which in other words, CDS that have been put into various tranches are being unwound. Those are interesting markets, I suppose, from a one-time perspective. You're dealing with a bubble right now and people are making money in that regard.

We're playing for the long-term which is index and corporate credit. Corporate credit and the indices that are made up of corporate credit becoming an asset class and going electronic. And it is amazing how quickly in my mind that is transitioning. And it's amazing how well the Creditex brokerage team has evolved around that hybrid structure and allowed their own pocketbooks to benefit as well as the company's pocketbooks in raising the margins.

So I don't necessarily – and we're not advocating in the U.S. that things should be forced onto electronic platforms. We've been very open in Congress and with our main regulators, the CFTC and the SEC that we think it's a natural outcome anyway. And we think that ICE can benefit regardless of such regulation, and our customers don't really want it so we're supporting the status quo because we'll benefit from it.

<A – Scott Hill>: But there are a lot of fundamental reasons to be positive about where this market is headed. I mean as I meet with the various commercial banks from time to time, there is a lot of credit that's going to come to the market in 2011 and 2012. And CDS facilitates that credit coming to market because it allows the people providing the credit to hedge the risk exposure they've got. And that's going to be, as Jeff said, in the index, in the single name where we continue to be positioned as the number one or number two player in the U.S. and European markets. So we've got not only the hybrid platform but we're well positioned in markets where there are clear indications there is growth in front of it.

<Q – Roger Freeman>: Great. That's helpful. And then sort of changing gears, is the iron ore contract that you guys launched, does that have some reasonable potential to it? Because our mining analyst was talking about some changes going on in that market moving to a more sort of indexed spot near front month pricing versus longer term supply contracts. And a lot of this is being driven by the emerging markets. It seems like there's going to be some real growth there.

<A – Jeffrey Sprecher>: That's why we launched that contract when we did. And for those that aren't as familiar, a lot of that iron ore was sold under very long-term, bilaterally negotiated agreements and now there's a trend. Because there was market volatility somebody was a winner and loser under a long-term agreement. So there's a trend towards moving to shorter term agreements with more market-based pricing structures. And that's why we've launched the contract. It's still a heavily brokered kind of contract. It's not a two-way bid/offer market yet and I suspect it will be that for a while, while the market itself changes, but we want that market to grow up immediately using clearing. That would be in our best interest so it's why we've launched it when we did.

<Q – Roger Freeman>: Okay. Thanks.

Operator: Chris Donat of Sandler O'Neill.

<Q – Christopher Donat>: Hi. Good morning, everyone.

<A – Jeffrey Sprecher>: Morning.

<A – Scott Hill>: Morning.

<Q – Christopher Donat>: Just first on the OTC side, Jeff, you made the comment that the CDS market, you're experience here has positioned ICE for the broader OTC market. I'm wondering if you can flush out that comment a little bit because clearly you're already in the credit side and on the energy side, where else might you be going if you care to comment?

<A – Jeffrey Sprecher>: I actually don't care to comment, I think where you're wanting me to comment. But I'll say to you this. When we started clearing CDS and when we started thinking about the Creditex platform, we were very focused on the index part of the CDS business for example. We pretty quickly rolled into single names. Now the market is pushing us to clear sovereign CDS, as you can imagine, to net down those positions and show the true exposure to regulators.

And so even in CDS the market keeps taking us into new areas where we really didn't even anticipate 6 or 8 months ago. And the kinds of things that the market is asking us to do just in the credit space continues to broaden. You can even take my earlier comments, which is the clearing house itself as being involved in a market structure on how the prime brokerage business will work, how collateral will be held, how money will be earned on collateral and other things.

So there's an extension of banking functionality in other parts around the clearing house. That's the great thing about getting into these emerging markets. They take you somewhere. I use the analogy all the time that you kind of jump into a stream and the current will take you somewhere. But it's important to get into the stream and that's where we are. Beyond that asset class, I'd rather not speculate.

<A – Scott Hill>: Yeah, the point of the remark, you look at what you need to serve the OTC market, trade repository, data, clearing, processing, execution and we've built those assets now. And so we – as opposed to we are building them or this is what we're going to bring to market, we've got those assets existing today. We've got connectivity just as one example through ICE Link into over 300 of the buy-side firms and all of the major sell-side firms. And that's an asset that can be useful and leveraged in any market.

<Q – Christopher Donat>: Okay. I figured at least I would try asking. And then on Climate Exchange, just want to make sure we understand the comment about – well, about the accretion in 2011. Is that basically assuming the European business continues as is, because it doesn't look – if we look at Chicago Climate Exchange volumes, they dropped off tremendously in 2010 from 2009, so – and I know that recognizes the reality of Copenhagen and U.S. politics, but anyway just what's embedded in the accretion assumption.

<A – Scott Hill>: Yeah, just – I have to be very careful in how I answer these questions, because there are very strict rules related to U.K. takeovers. So I'm going to kind of revert back to what we said in the prepared remarks and our announcement. Our evaluation focused on the European business and the synergies that we expect to be able to deliver related to the deal. Anything outside of that we would view as upside opportunity – an opportunity to deliver even more value to our shareholders.

What I can tell you, because it's publicly available, is OI and volumes in the first quarter of this year grew well in the European business. And in April, volumes were actually about 60 to 70% higher than the run-rate of volumes in the first quarter. And all of this is in advance of emission credits which today are freely provided going out to a bid process in the future. So again, the valuation focused on the European business, it focused on the synergies that we can deliver. Current indications on actual results as announced by the Climate Exchange for the European business have been solid and in April improved significantly.

<Q – Christopher Donat>: Okay. Thanks. That helps.

Operator: [Operator Instructions] Don Fandetti of Citigroup.

<Q – Donald Fandetti>: Hi. Good morning. Jeff, as you look at the regulatory landscape and uncertainty and what's going on with Goldman, do you think there's any risk in the overall swaps market of a structural slow-down or just a decline in volumes, or do you think the business just gets done somewhere no matter what?

<A – Jeffrey Sprecher>: Yeah. I don't want to comment on Goldman or any other one of our customers specifically, but broadly speaking, there's clearly been a strong growth in demand by people to buy swaps and derivatives to hedge their business or participate in the market pricing in commodities, and a lot of money has been paid by people wanting that exposure. So I think at 50,000 feet you'd say that, that business is there and regardless of what in the U.S. our Congress may do to restructure where that business goes, it does seem like it's a fundamental need that will be met.

And it's amazing you've even got people like Warren Buffett, who talk about derivatives as being potentially dangerous with quite a portfolio of derivatives. I mean, they've really extended through corporate America. ICE itself uses derivatives to hedge our foreign currency risk now routinely. So I just think that the demand for derivatives is bigger than the market participants right now.

<Q – Donald Fandetti>: Okay. Thank you.

Operator: Mark Lane, William Blair and Company.

<Q – Mark Lane>: Okay. Thanks. Just two quick ones. First, Scott, on the expenses I guess I don't really understand the comp expense. I mean if you take out the 4 million of severance in the fourth quarter, the run rate for the first quarter is up 1% versus last year, your revenue growth is over 20% and you're saying that your head count is going to be up 5 to 7% this year. So how are you able to keep comp expense that low?

<A – Scott Hill>: You've got to remember in the first quarter of last year, we had – and I think we – I'm going to pull the chart out in front of me. I think we had this on the chart that we showed. Yeah, if you adjust – the comp and benefits is actually up 12% year-to-year if you adjust for the severance payments that we made in first quarter of last year. So comp was up in line with our total expense growth at 12%. And that is reflective of us growing some head count as we continued to invest in our new initiatives and our technology.

The reason it's growing slower than revenue is because that's how we manage the business. We've committed to growing and expanding our margins. And so literally, Jeff and Chuck and I spend time every quarter going through every single hire that we're going to do in the business and looking at where that hire is going and whether or not it's a hire we need to make. And so I think the comp expense, if you back out the $3 million from last year that 12% growth is right in line with what you'd expect from a company growing over 20% and committed to expanding margins.

<Q – Mark Lane>: Okay. Second quick one is, Jeff, so on the credit brokerage business you mentioned that you're not in all the different areas, sovereign debt, structured credit, there's been some rumblings whether when you did the Creditex acquisition what was the motivation for it. Was it just to get into CDS clearing and entrance in that business? Some of your competitors questioned your commitment to that business. Are you really committed to the credit brokerage business long-term and making the necessary investments in that business to expand it?

<A – **Jeffrey Sprecher**>: We are making those investments. And again to peel back the covers a little further, the decline you saw year-over-year in the Creditex revenues was 100% related to fewer credit events, less compression and less of the D&A offerings that we had last year. And again, if you go back to a year ago, we're coming out of the credit crisis. We're having defaults. We get paid to do that. The compression is largely now irrelevant because of clearing. So that decline is solely due to that.

If you then peel back another step further, our U.S. index and single name businesses combined were up about 25% year-over-year. Our index and single name in Europe was down a little bit but overall index and single name, which is the area where we're focused, was up 8% on a year-over-year basis. So we are investing. What we're not doing, is we're not going out and just hiring bodies to deliver revenue. We're focused on generating revenue at expense ratios that are closer to 60%, not the 70% you see at some of our competitors. We're focused on revenues that deliver double-digit operating margins as opposed to single-digit margins.

So we are making the investment that we need to grow, as Jeff alluded to earlier, in the more liquid products where we see the opportunity for more future growth and demand. But we're doing that investment in what I would characterize is a different manner in the broker business.

<Q – **Mark Lane**>: Okay. Thank you.

Operator: Celeste Brown of Morgan Stanley.

<Q – **Celeste Brown**>: Hi. Good morning.

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

<Q – **Celeste Brown**>: You talked a little bit about the lack of visibility as to what's going to happen in Congress, which based on the events, seems to be the case. But on top of that, it seems like a lot's going to be left in the hands of the regulators. And given your platforms and everything else, how long do you think it will take you and your customers to react once the rules are in place and implemented before we start to see the market evolve in the way that the regulation today is contemplating?

<A – **Jeffrey Sprecher**>: My understanding is that the way the bill is being crafted right now, which I would expect will probably not change, is that it would go into effect 180 days after passage. So obviously we have to get something through the U.S. Senate and then the House. There would have to be a conference and make the House and Senate bill similar, which I believe the leadership is committed to do quickly. And so it would be 180 days before it would go into effect.

All of the kinds of things you're alluding to would have to then be taken up by regulators as to figure out some kind of rule making or policies on how these things would be implemented. So after the 180 day period, I would expect that there would be a lot of rule making, a lot of hearings, a lot of process in which then parts and pieces would be implemented. So I do believe it's going to be a phased in approach and it's going to play out over a number of years.

<Q – **Celeste Brown**>: In terms of the readiness, not your own readiness, but in terms of the readiness of your potential customers, are they nowhere near where they need to be given how this bill is evolving, or are there some much further along than others?

<A – **Jeffrey Sprecher**>: Yeah. You know, what's amazing is that I don't believe that markets wait for the ultimate result. I think markets are anticipating the results and that's why you're seeing $8 trillion worth of CDS already being cleared. The major dealers have made a commitment that over

90% of new trades they put on, they're going to put into the clearing house in CDS. You see huge initiatives going on to get interest rate swaps into clearing.

And so the neat thing about markets, and particularly where we're positioned being relatively small and flexible and dynamic, is these things are going to be in place I think before regulators really do it. I mean, there was an earlier question about the Chicago Climate Exchange which is a voluntary carbon market which has unbelievable pedigree in terms of the companies that are participating in that. They're doing that voluntarily because they want to build domain knowledge; they want to build infrastructure. They want to price carbon before Congress does so that they can get a sense on what it will do to their businesses.

So it's amazing to watch markets. And so I think it's why we're building things now. And there's a lot going on to position ourselves because I believe that this can happen quite quickly.

<Q – Celeste Brown>: Okay. Thank you.

Operator: Patrick O'Shaughnessy of Raymond James.

<Q – Patrick O'Shaughnessy>: Hey. Good morning. I was wondering if you could speak for a minute about the competitive environment you see with carbon and emissions trading. I know that CME Group and the Green Exchange is trying to reload and step up their activities in this space. So if you can kind of talk about what you see as far as competition and how the Climate Exchange is going to fare in that environment.

<A – Jeffrey Sprecher>: Sure. I mean, first of all, the Climate Exchange has been in very, very competitive space right now. In Europe, there are many competitors and Climate Exchange has emerged as the clear leader. To give you a sense, I think their complex, in total, has about 850,000 contracts in open interest. That's about the same amount of Brent oil that we have.

So it has grown quickly in Europe and has a very large footprint. And we've been a partner with them, and one of the reasons that we've made a good partner is that ICE is really one of the dominant venues for trading electric power, and some of the industries most affected by carbon climate trading is the electric power industry. We have those people already in our clearing house. We have money on deposit by these people. And we're in a good position now that we control clearing to use technology to give offsets against carbon versus electric energy, coal and other related materials.

In the U.S. we are the dominant player in electric power. We probably have at least a 90% market share, I would think, in electric power trading. Recall that's where I came out of the electric power industry, as did Chuck Vice and we started the company to really focus on that. So it's long been at our core. And so I would anticipate that we have, we already have the major industrials trading voluntary relationships with those people. We are the dominant place for clearing the regional greenhouse gas initiatives that go on in various parts of the U.S. So we're very well-positioned if there is U.S. regulation for some kind of cap and trade. But beyond that it's a natural fit for the current product suite that we have.

<Q – Patrick O'Shaughnessy>: Understood. Thanks.

<A – Jeffrey Sprecher>: Thank you.

Operator: Jonathan Casteleyn of Susquehanna.

<Q – Jonathan Casteleyn>: Is there any way to flesh out any further details of the better credit conditions you're seeing from some of your users? And do you think there's further benefits coming, or do you think we've fully corrected the former macro weakness?

<A – Scott Hill>: Credit markets generally, Jonathan, I think are significantly better than where they were a year ago. And frankly, even better than they were 6 months ago. Just in terms of – as I've gone through and thought about the refinancing of our lines of credit which we did earlier this year, and as we talked about the CLE transaction. I don't think there's any question that credit markets have improved. And you're starting to see some of the, certainly, the larger banks more willing to provide their balance sheet to customers, and presumably also to trading.

<A – Jeffrey Sprecher>: I will say, you saw recent news of the IDC transaction purchased by private equity that's got a lot of leverage in it. Our understanding is there are some legacy funds that are out there that had lending capacity. Funds that were raised before the credit crisis. I don't think yet we've seen the kind of money flowing into the banking system that's really looking to provide a lot of lending and leverage in the corporate markets.

But, we've seen the early stages of a lending recovery. That's why Scott mentioned that we're bullish on '11 and '12 in terms of our forward outlook in the credit default swap business.

<Q – Jonathan Casteleyn>: Makes sense. And then just on the YellowJacket announcement last week, you talked about a new messaging product in equity options. Is there any way we can get more details on exactly what the product is and any kind of guidance or impact on results for this year or next?

<A – Jeffrey Sprecher>: We have not specifically broken that out, but let me just give you high level. What we've seen is that that product has been in high demand and customers have asked us to move it into various asset classes outside of where we started. We really thought this would be a great product for trading energy options and now here we are already trading cash equity and equity options products on it.

So it's a very, very neat tool and I think, again, depending upon how legislation gets impacted, it could become an incredibly useful tool for doing more complicated deals in a transparent electronic environment, which is not something, frankly, that we had thought about when we acquired the product. But it definitely gives us another tool to use depending upon how regulation unfolds.

<Q – Jonathan Casteleyn>: Thank you.

Operator: And our final question for today will come from Rob Rutschow with CLSA.

<Q – Rob Rutschow>: Hey, good morning. Thanks for taking my questions. First, I wanted to delve into the power market a little bit more; you've touched on it some. Can you give us an idea of what your market penetration is in U.S. power trading and how many customers you have there? And then what would be the drivers, whether it is macro or company specific among the customers that would drive additional growth?

<A – Jeffrey Sprecher>: Well, again, let me give you a higher level than what you're asking, but hopefully be responsive to you. First of all, the power industry is in a long-term deregulation phase. And what is helping drive the growth of trading is public utility commissions that hold their local utilities accountable for increase in fuels and other expenses and don't let them pass 100% through to the rate payers. That one fact then causes utilities and others to need to hedge, drives them into the gas and coal markets, but also into the power market.

And broadly speaking, we're seeing a movement that we were somewhat involved with, moving away from trading physical power to trading financially settled power, and that trend has happened over the last decade. Again, by trading financially settled power, it allows market participants outside of the NERC region to take economic exposure to the price of power.

It's still a nascent market in the sense that it is very, very volatile. It's kind of a big boy's market. We have specifically not allowed a lot of algorithmic traders in there. We have specifically not allowed smaller entities in there, out of concern that you really need to understand the dynamics of power market because they're so volatile and at the core is this fact that if there is a localized brown out or blackout, the local utility will pay almost any amount of money for short-term power to cover that consequence because it is not acceptable in our society to go without power even for a minute.

So it becomes incredibly volatile for the upside and as such, we sort of bring people in with a lot of education, in a bit of a metered way. I thinks that's one of our fastest growing products and it's still quite nascent and we haven't really seen Europe and Asia adapt to trading power. It's still quite localized, quite physical and quite dominated by regional utilities outside the U.S. so I think there's potential globally for the growth of power that will happen over the next decade or more.

<Q – Rob Rutschow>: Okay, that's helpful. Now if I can follow up I'll take one more round at the OTC question. In terms of looking outside of CDS, are you actually having conversations with potential clients for other asset classes and then secondly, would you use the existing ICE Trust clearinghouse if you were to clear other asset classes or would you create a separate legal entity for risk purposes?

<A – Jeffrey Sprecher>: I don't think we want to answer any of those questions.

<A – Scott Hill>: Go formulate a different way to ask.

<A – Jeffrey Sprecher>: It's fair to say that we're always talking to people about ideas. It's kind of what we do here. It's actually become a part of my job and we've institutionalized within the company, a group of entrepreneurs if you can do that as such where we meet every week and lay out game boards and other things and discuss conversations that we've been having and take information back to the market so we're active in all kinds of conversations that are going on, but we're trying to pick the areas where we think we can build a long-term sustainable business model that meets the criteria that we've had and partly why I think you see that our return on invested capital is so high is because we do have some discipline around where we go.

<A – Scott Hill>: Jeff told me 3 years ago when I joined that he doesn't like to talk about what we're going to do in the future. He likes to talk about the execution plans that we're working on right now. And I'm sure as we get down that path, that's when we'll come back to you with what our specific objectives are.

<Q – Rob Rutschow>: Okay. Thanks, guys.

Operator: And I'll turn the conference back over to the speakers for additional or closing comments.

Jeffrey C. Sprecher, Chairman and Chief Executive Officer

Well thank you for your patience with us. We ran a bit long but we wanted to make sure we got to everybody. And let me just say we'll talk to you next quarter and I hope you have a very nice and happy Cinco de Mayo.

Operator: And that does conclude today's teleconference. Thank you all for your participation.