
MANAGEMENT DISCUSSION SECTION

Operator: Good day, everyone, and welcome to the IntercontinentalExchange Second Quarter 2010 Earnings Call. Today's conference is being recorded. At this time, I'd like to turn the conference over to Kelly Loeffler. Please go ahead, ma'am.

Kelly Loeffler, Vice President, Investor Relations and Corporate Communications

Good morning. Welcome to ICE's second quarter earnings call. For a copy of the 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.

Today's call may contain forward-looking statements that represent our current judgments and are subject to various risks, assumptions and uncertainties. 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 the company's filings with the SEC, including our Form 10-Q. We have provided a reconciliation of non-GAAP financial measures and explanations of why we deem this information to be meaningful in our earnings release and presentation. These adjusted financial measures exclude certain charges that we believe are not reflective of normal operating performance.

With us today are Jeff Sprecher, Chairman and CEO; Scott Hill, Chief Financial Officer; and Chuck Vice, our President and COO. I'll now turn the call over to Scott.

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

Thanks, Kelly. Good morning, and thank you all for joining us today. During the second quarter we delivered our seventh consecutive quarter of record revenues and our best quarter ever for operating income and adjusted earnings per share. We are executing on a number of strategic initiatives and we see ample opportunity for continued growth.

I'll start on slide four this morning with some highlights from the first half of this year. We'll focus on our non-GAAP, or adjusted operating results, as these are more indicative of our business performance.

As you can see, ICE continued to deliver consistent top and bottom line growth. In the first half of 2010, we grew revenues 20% and adjusted expenses only 6%, resulting in adjusted net income attributable to ICE growing 32% and operating cash flows up 42%. This performance is the result of our focus on meeting the needs and demands of our customers and our disciplined approach to investment. Our business model's global reach, product diversity and extensive clearing infrastructure differentiate our opportunity set and distinguish ICE from our competitors. We provide solutions today and offer key building blocks for the solutions required tomorrow to help our customers navigate the evolution of regulations and markets.

Moving now to slide five, I'll review our second quarter results. ICE's consolidated revenues grew 18% to a record \$296 million over last year's second quarter. Adjusted net income attributable to ICE grew 35% to a record \$113 million. Adjusted diluted earnings per share rose 34% to a record \$1.51. We've highlighted a few of the drivers of our performance on the right side of this slide. Our Global Energy business remains strong and growth in our Financial Futures Markets continues to improve. And importantly, the extensive work we've done on integrating acquisitions over the past three years is enabling operating margin expansion even as we continue to grow.

If you'll turn to slide six, I'll cover our revenue and expense details. Second quarter transaction and clearing revenues rose 19% to \$265 million. This includes \$130 million from our Futures segment

and \$135 million from our OTC segment. I also want to point out that our Data business remains a solid contributor with record revenues of \$27 million in the second quarter. This is driven by the entry of new participants in our market and the resulting demand for our data. Shifting to the right side of the slide, second quarter adjusted operating expenses increased just 1% versus 2Q '09. Adjusted operating margin improved to 61% compared to 54% in the second quarter of 2009. Our non-brokerage operating margins improved to 67%.

It's worth noting that we continue to drive increases in our operating efficiency at Creditex despite the soft credit market. For example, Creditex compensation as a percent of revenue actually improved in 2Q versus 1Q despite a sequential decline in revenue. Our strategy of retaining the top brokers with mutually beneficial agreement, while weeding out underperformers, continues to pay off. In terms of customer surveys and market share, our Creditex team continues to rank highly and is recognized for their expertise, electronic capabilities and service.

In terms of compensation expense, we believe our pay-for-performance culture is one of the keys to our success. First, it is an investment in our ability to execute and innovate. Second, it ties each employee's compensation to the long-term success of our company.

These incentives largely come in a form of multi-year equity compensation rather than a one-time cash payout. This provides continuity, stability in highly specialized staff and importantly, an employee population whose interests are fully aligned with our shareholders. While our average compensation per employee is higher than our competitors', our employees also deliver more revenue, more profit and more cash per person. Or said more simply, our team deliver industry-leading returns on the investments we make in them.

Now let's review each of our business segments starting with the performance of our global Futures business on slide seven. Consolidated Futures revenues were up 23% to \$130 million over last year's second quarter. Average daily volume was 1.4 million contracts, which was up 36% year to year. We believe the current global economic uncertainty has increased the level of hedging and risk management by a wide range of industries globally. During the second quarter and despite relatively lower volatility, sustained demand from Asia coupled with economic uncertainty drove continued volume growth in crude and refined oil products. We also saw a continued improvement from our Financial Futures market with record volumes in our Russell and U.S. dollar index Futures.

Ag Futures were relatively flat following sugar's sharp price decline in the first quarter of this year. And yesterday, we reported a 13% increase in July 2010 average daily volume for ICE's Futures market. Year-to-date through July, average daily Futures volume is up 29%.

I'll walk through the second quarter performance in our OTC business, our eighth consecutive quarter of record revenues on slide eight. Consolidated OTC transaction revenues rose 15% in the second quarter to \$135 million. Average daily commissions in our Energy business rose 26% to \$1.4 million. Despite relatively low price volatility, each product class in our OTC energy market -- gas, power and oil -- grew year to year. With the successful introduction of new cleared oil products over the past 18 months, we have continued to diversify our OTC business. Oil revenues once again came in at record levels with meaningful growth in all of our new cleared products. And finally, in our OTC Energy business, July average daily commissions were \$1.4 million, up significantly from last year and roughly consistent with our strong year-to-date performance.

In our CDS business, second quarter revenues totaled \$43 million, down from \$45 million last year. This includes \$27 million from Creditex and \$16 million from ICE's Global CDS Clearing business. Creditex's electronic transaction services accounted for 45% of our second quarter Creditex revenue. Activity in the CDS index and single-name business remained soft, given the uncertain regulatory environment and despite the relatively stronger performance in niche and more volatile sovereign and emerging market products. We believe Creditex and our talented brokerage teams are well positioned for an eventual return of liquidity to the Creditex markets. And, as I noted earlier,

we remain vigilant on expenses and efficiencies in this business even as we work to maintain our leadership position and invest to deliver further innovation and automation to our customers.

Turning to the CDS Clearing business, we had a solid sequential increase in Clearing revenues in the second quarter. As we indicated previously, our 2010 guidance anticipated a gradual ramp in revenues throughout the year as we expand our Clearing capabilities, add new members and customers and await the recovery of the credit market. We remain confident in the guidance we provided at the start of this year and we continue to be pleased with our progress in a very challenging, competitive environment.

ICE's work has led to a sound global solution even in the face of great regulatory and economic uncertainty. We charted the course without a roadmap and we did so by being nimble and responsive. We are uniquely positioned to continue to lead by building on our broad platform of services for the credit market. Today, we are clearing over 230 CDS products and offer the most widely adopted service in the U.S. and Europe. We expect to launch our European buy-side offering as well clearing of sovereign CDS in the coming months and will be adding a number of operational enhancements that we worked with the industry to achieve.

While we remain in the early stages of the longer-term OTC Clearing opportunity, ICE has delivered as promised. We have the leading over-the-counter clearing solution in the U.S. today and our CDS Clearing business is contributing to profit and cash. Just two years ago, each major exchange in clearing-house globally was in a race to enter this business. The strides we've made in tremendously complex asset classes speak to the strength of ICE's clearing team, the confidence of our customers and our robust technology infrastructure. We constantly evaluate additional clearing opportunities that may exist and remain excited by the excellent opportunity in CDS today.

Let's move to slide nine. This chart demonstrates the diversity of our business, the balance between our OTC and futures revenues reflects our ability to serve the needs of both market structures, particularly amid a dynamic regulatory environment. Our balanced geographic and product profile has helped us to avoid the ups and downs of any single economy or market and importantly, we continue to see strong participation by commercial customers in our market. This solid commercial base attracts other market participants and enables volume growth regardless of economic conditions, which was particularly well demonstrated by our consistent growth throughout the recent global downturn.

On slide 10, I'll provide some color around our recent climate exchange transaction, which closed on July 8. We believe this combination is attractive both financially and operationally. The European Emissions business has been and remains robust with 26% growth year-to-date through July. And we see several future growth drivers for the European Emissions business, including Phase 3 of the European Emissions Trading Scheme, the addition of new industry groups and the introduction of auctioning, beginning in 2011. I also want to highlight a couple of the key guidance points on our Climate Exchange acquisition here, and then encourage you to refer to our earnings release for additional information. We've also provided pro forma financial information on our website.

We expect an immaterial impact to earnings related to CLE in the balance of 2010 and in 2011. We anticipate annualized expense synergies in the range of 13 million to \$14 million, which is approximately a 60% reduction of CLE's first half 2010 run rate. These synergies come from leveraging our existing infrastructure for emissions markets as a result of our long-standing partnership with Climate Exchange. As has been true with all of our prior acquisitions, we will deliver the committed synergies, even as we focus on growing our Emissions business.

I'll close on slide 11 by discussing the strength of our financial model. We have consistently generated returns well in excess of our cost of capital and our competition. We have produced 55% annual operating cash flow growth over the past five years, and this trend continued during the first half of 2010. We have \$300 million in available cash, low leverage and significant available debt

capacity. We believe the current environment is ripe with opportunity for continued investment and growth for those companies with the strategic vision and ability to execute. We are confident that we have the financial means and the demonstrated investment discipline to continue to put our capital to work to generate value and strong returns for our investors. We filed our 10-Q this morning, and I encourage you to refer to this morning's press release for further details on our performance and additional 2010 Guidance.

Jeff, over to you.

Jeffrey C. Sprecher, Chairman and Chief Executive Officer

Thank you, Scott, and good morning to those of you on the call. Scott provided a comprehensive overview of our financial performance, so I'll take a few minutes to provide a brief overview of regulatory reform, beginning on slide 12. The Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law last month, and it's clearly a sweeping piece of legislation. Its impacts will likely be felt by U.S. consumers and businesses alike in the years to come. While a portion of the bill's broad mandates include increased clearing and transparent trade execution in large portions of the U.S. OTC derivatives markets, its impacts, both positive and negative, won't be known until its implementation is completed. So, subject to that caveat, I want to take this opportunity to talk to our shareholders about how we see certain aspects of the bill at this stage. We'll continue to update you throughout its implementation process.

The passage of the bill marked the start of the U.S. regulatory rule-making process that is largely expected to occur over the next 12 months. The CFTC, the SEC and other regulatory agencies have been charged with writing over 240 rule-makings and conducting dozens of studies. Nothing we can say here can anticipate any of the finer points of those rule-makings at this stage, but it appears that most of the rules will be implemented between 2011 and 2012. My colleagues are already working with our customers to anticipate and deliver on the provisions and opportunities ahead of the implementation date.

Within the Derivatives title, which covers the swaps market, the clearing requirement will be a central part of the law requiring financial companies to clear standardized swaps. ICE's global clearing infrastructure is a central component of our strategy for addressing new opportunities. We have a solid head start in enabling many anticipated transitions, and we have a demonstrated ability to solve for the complexities of the over-the-counter markets. In the last decade, we took our over-the-counter energy swaps market from 2% cleared to 97% cleared. Today, we are rapidly moving ahead in the credit default swaps market. In both these cases, we've managed through the complexities and uncertainties of the times to deliver customer solutions that have been widely adopted and have spawned new opportunities for us and for our customers.

With regard to the exchange trading requirements for standardized contracts, we've seen this transition occurring for several years even in advance of regulation, first in our energy markets and more recently in the credit default swap markets. Trade automation tends to be a natural consequence of standardization and together, we believe these fundamentals create a much larger addressable market. Our energy markets are the clearest example of this expansion taking place.

On a related note you'll hear the phrase Swaps Execution Facility, or as many of us are calling it, SEF, which is a designation that refers to a venue that allows multiple participants to interact with multiple participants in a given swaps market. We anticipate that ICE, Creditex and other execution venues will register for that designation. Along with the SEF registration these venues must comply with core principles. These important principles are high standards to ensure market integrity.

ICE is today well positioned to meet these, having been an early leader in trade automation and market transparency. Our technology was designed to serve the needs of the over-the-counter

market via an electronic platform with extensive risk management tools. Since the passage of the 2008 Farm Bill, the CFTC has had regulatory authority over ICE's OTC energy markets and we have already implemented many aspects of what we believe will be similar to the SEF requirements.

Finally, the swaps push-out may require some banking firms to move parts of their swaps operation to non-bank affiliates. Today, however, many of these operations already exist outside of the federally insured banking entities. And to the extent that additional trading opportunities will eventually be created, we've seen funds and other proprietary firms raising capital to take advantage of market opportunities. As Scott mentioned, participation in our markets continues to rise.

Turning now to CDS clearing, one of the major provisions of the bill becomes effective 360 days from the July enactment, where ICE Trust will be deemed a derivatives clearing organization with that status under the CFTC and a clearing agency status under the SEC. The CFTC and the SEC will become the front line regulators of our CDS clearing operation. We will be actively working with our members on this transition, and we do not anticipate any issues with compliance. We've designed our model with flexibility to complete the transition, and we will retain access to the Federal Reserve for secure, overnight handling of our clearing deposits. As Scott mentioned, there was no roadmap when we built and delivered the leading CDS clearing solution, so the bill now provides us with regulatory certainty that we need to continue to bring in more buy-side business.

Importantly, ICE's model has both operational and regulatory advantages in terms of certainty and functionality. We're already actively clearing single-name CDS pursuant to an arrangement that we have in place with the SEC under the existing rules, and we will continue to expand these services over the next year without having to sit idle while the new rules are being developed. Moreover, ICE's CDS clearing solution is global. We offer clearing for over 230 contracts and have \$1 trillion in notional open interest with nearly \$11 trillion in gross notional having been cleared. Judging by the continued growth in these numbers each week, we started with the best and most legally certain model, and next year we'll make the transition to our ultimate new regulators.

One last note here, the inclusion of a post trade reporting provision for swaps. This reporting requirement applies to cleared and non-cleared OTC transactions. In the commodity markets today, we operate a service that's known as ICE eConfirm that we created with global commodity market participants years ago. We see this technology playing a role in helping the industry to comply with post-trade reporting using efficient and secure technology. This is illustrative of the opportunities, large and small, that may emerge in the coming years. While we don't discount the risks associated with change, we believe the overriding demand for commodities and risk management will continue to play out over the coming decades. And as you would expect, we'll be very proactive on the opportunities that come with change. Importantly, the strength in emerging market economies together with eventual economic recovery in the West all remain attractive secular growth opportunities for ICE over the long term.

So, you can see my comments are consistent with what we've said in the past. We believe the legislation acknowledges the central role of risk management that ICE has developed over the past decade. It focuses on strengthening the system through increased transparency, capital requirements in Clearing. And on balance, as a leading provider of solutions for over-the-counter markets, we're very well positioned to continue to lead and grow, given the opportunities that we see today.

While many in the market feared regulatory change, for example the addition of position limits, our performance has been exceptionally strong. After establishing position limits in our key natural gas swap markets in January of this year, we've set consecutive quarterly record revenues. I think this demonstrates that the overriding factors in our performance are indeed the commercial demand for our global markets.

I'll close my prepared remarks on slide 13 with a discussion of our consistency in delivering on our strategy. We continue to leverage and expand on our expertise and infrastructure to serve new markets. In the second quarter, we marked the tenth anniversary of the company. Obviously, much has changed since our founding in year 2000. We've grown our business organically and through M&A, we've become more global and more diverse. We've enabled the transformation from trading floors into electronic markets and we were early in identifying the important role of clearing. In that process, we acquired century-old businesses including four futures exchanges and three clearing-houses while building two new clearing-houses.

Today, we remain unique as an exchange with extensive infrastructure to serve both futures and OTC markets from both the buy-side and the sell-side, the front office and the back office across execution, clearing and processing. We also anticipated and adapted to regulatory change, bringing transparency and new reporting tools where none previously existed.

Finally, our lean fixed-cost operating model continues to produce strong operating leverage. In the five years since our IPO, we've increased our adjusted operating margins to 61%, up from 48%. And 10 years after our founding, our strategic principles haven't changed. We remain a growth company driving growth globally.

These accomplishments are a tribute to the strong employee team we've assembled at ICE to drive results. Managing a high growth company while navigating through economic, competitive and regulatory climate of recent years has not come easy. However, our senior leadership team, together with our dedicated and customer-focused colleagues, have consistently delivered on our objectives and we continue to look forward towards innovation to drive consistent best-in-class results over the long run. So, on behalf of my colleagues I again would like to thank our customers for treating us with their business. And I'd like to thank my ICE team for their work in delivering ICE's best quarter in our history.

We'll now turn it back to the operator who will moderate our Q&A session.

QUESTION AND ANSWER SECTION

Operator: Thank you, sir. [Operator Instructions] We'll take our first question from Richard Repetto, Sandler O'Neill.

<Q – Richard Repetto>: Jeff and Scott.

<A – Jeffrey Sprecher>: Good morning.

<A – Scott Hill>: Good morning.

<Q – Richard Repetto>: I guess the first question, Scott, is on slide nine. And I guess you chose to – on the breakout of the energy, OTC Energy, between the commercial banks and liquidity providers. I guess the first quarter showed 25, 25 and 50 and now we're at 25, 23 and 52. So, actually, I think if you would have showed the second quarter, it would have showed – if you averaged it out, I guess banks might be down to about 21% and then the liquidity providers up to 54?

<A – Scott Hill>: Yeah, that's about right, Rich. We did see very strong participation in the second quarter from commercial participants. I think, if you look at these numbers over the past couple of years, anywhere from 48 to 53, 54 for commercials and the liquidity providers and then the 23 to 27%, it moves within that range. So, it's not particularly unusual to see a quarter that moves like that. I don't think it's particularly indicative of anything. I think the main point on the upper right-hand portion of that slide is simply that we do continue to see very strong commercial participation in our markets and that participation helps us deliver the volume growth we've done, regardless of the overall economic environment.

<Q – Richard Repetto>: Okay. So that mix change is in normal movements, okay. I guess my follow-up would be, Jeff, on your OTC comments. I guess there's a couple parts to this, but the non-controlling interest was much lower, the negative impact, which I think implies that ICE Trust wasn't as profitable this quarter and I'm just wondering because revenues are up. But, I guess, the real question here is when you talk about OTC opportunities, you focus and you just bid you – more usually focus on energy and the credit and I've asked this before, but are there other opportunities you see beyond those asset classes for ICE?

<A – Jeffrey Sprecher>: Let me deal with the second part of your question, I'll have Scott deal with the accounting issue. Yeah, I think, Rich, we really step back and look at our business now in what I tried to say in our prepared text which is, we have execution facilities. We have trade reporting facilities. We have clearing facilities. And we have various data and risk management tools. And we don't necessarily feel like we have to do everything where we participate in every one of those markets for each asset class. We can have bits and bobs that we think we can move into various asset classes and continue what we really view as the leadership position for this kind of business in the over-the-counter market. I think one thing that I was trying to highlight in my comments is that I think when people look at exchanges and ICE inclusive, and think about the changes that are going on in the U.S. and European OTC markets, we really are the company that has a big footprint in those markets and has tools for those markets and derive half of our revenues from those markets historically. So we do see a lot of opportunity across asset classes.

<A – Scott Hill>: And, Rich, on the first question, not to take up too much time on it, but what I'd encourage you to do is look at the first half results in total. As we exited the first quarter there were still a number of agreements. You recall that we're operating a global clearing-house, but in two distinct geographic locations. And so, some of the agreements that needed to be completed around that were not done as we exited the first quarter. So again, I wouldn't look at the first quarter or the second quarter alone as indicative, I think you can clearly look at the first half to get an indication of how the business is performing.

<Q – Richard Repetto>: Okay. Thank you.

Operator: Moving on, we'll take our next question from Howard Chen, Credit Suisse.

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

<A – Jeffrey Sprecher>: Good morning.

<A – Scott Hill>: Good morning.

<Q – Howard Chen>: Jeff, on the legislation, I know it's really impossible to ask you to project the ultimate impact, but you're really the closest to the commercial end users. You know the teams actively helping to prepare them. Was just hoping you could give us some more texture around what you're hearing from the commercial end user base. What are they focused on? What are they asking you for here, as we go into the rule-making process?

<A – Jeffrey Sprecher>: Sure. And this is just anecdotal and it's obviously just one person's view. So, with that caveat, I think a lot of the – let me deal with the bank customers first, because they're the ones that are – that have the most impact, I think, under the bill. Many of them are not waiting for all these rule makings and are very quietly and quickly looking at how to organize their businesses. A lot of the – our major Wall Street participants have put teams together to really go through the legislation in detail and to figure out what changes they may need to make to their businesses, and they're doing that very quickly. And that's a holistic view, too. It's not just the trading of derivatives but it's also the clearing of derivatives, the reporting and how these businesses are going to be capitalized going forward. So, I think that shift will happen very quickly and well ahead of rule-making, in my mind.

The other thing, you saw – you probably saw last week Goldman Sachs came out and announced their new OTC clearing FCM initiative. I think what you'll be seeing is people that have prime brokerage and commodity lending and derivatives lending operations that really existed in a bilateral world, figuring out how to marry that or how to modify those to couple them with FCMs in what looks like a more futures type model to ultimately create some hybrid that will sit in between. And again, the FCM model I think will likely change. Many FCMs were low-capitalized businesses that had parent company guarantees. People are looking at whether or not the regulated bank entity can continue to guarantee the FCM, whether FCMs should be separately capitalized, what the rules may be in that regard. But I think you're going to see some interesting changes happening, all of which I'm quite excited about and take as a positive because we're developing tools and working with people and modifying our footprint as that's happening.

I think one of the great side benefits of CDS clearing, and I think one of the reasons we talk a lot about it, is that it's evolving. The footprint of how we do this is changing, and it has been changing. And as our customers' needs have been changing and the markets' needs have been changing, so we're really evolving with them and it, I think, positions us well for not just a return in the growth credit as the market comes out of a credit crisis, but across all the over-the-counter markets.

<Q – Howard Chen>: Great. Very interesting. Thanks for the color, Jeff. And just a follow-up on credit and the CDS market, I know you view the asset class as a longer-term opportunity. But just given what you see from execution all the way to clearing and post trade, just where are we in your mind in the evolution of the CDS market, whether it be volumes or velocity?

<A – Jeffrey Sprecher>: It's interesting that the – what I would – what I think the large growth opportunity for credit is in the Index and single-name business, single-names being corporate credit entities, and the hedging that will go on around corporate lending. And that business has been impacted by just the downturn in the credit markets. What you've seen is the business that's going

on right now, a lot of it has been around sovereign CDS as Europe has tried to work through its debt problems. And some niche markets that are basically people restructuring legacy positions that exist on their books, exiting them or putting risk management around them so that they can basically roll off at the end of their term. That business is not that interesting or strategic to us. We are working on clearing it. We think it will be a good business to clear, but the bread and butter, I really believe, will ultimately be corporate credit risk management and that's going to probably be levered to the recovery of lending.

We have a lot of debt coming due. I think there's an overhang of people that are going to have to be refinancing going forward. I think that's going to drive the beginning recovery of those markets. So, I don't think we have to wait necessarily for the West to recover out of the current economic downturn. We really need lending to come back and I think some of that may be forced to come back due to the loan overhang that we have.

Operator: Moving on, we'll take our next question from Roger Freeman from Barclays Capital.

<Q – Roger Freeman>: Hi. Good morning. I guess, first just wanted to come back to the CDS clearing. So, if I look at the revenues, looks like they were up about a third sequentially and I think the notional cleared was about doubled. A, and I just wanted to make sure I had that right. Is that just a function of the fee caps at dealers, why there's somewhat of a disconnect there? And then if so, would it be fair to assume that the actual revenue growth is from mostly from the buy-side component? And I guess just more generally, do you think the buy-side is going to pick up faster now and adopting ahead of the rules going into effect or closer to it occurring?

<A – Scott Hill>: I think, Roger, that a larger factor in it was really the single-name clearing and the relatively higher fees on the single-name versus the index, and more single-name activity in the second quarter than first is what helped drive the revenue up on a sequential basis. It's also clearly helping that we've continued to add new members and revenues from those new members as they bring their positions in, certainly helped on a sequential basis as well, which again was consistent with what we said earlier this year that we would expect a gradual increase quarter to quarter. And I think that that's what we're seeing.

In terms of the buy-side uptake, we are now at nearly \$2 billion of cleared business from the buy-side, we've continued to see small progress each week from the buy-side community. I tell you, the feedback that we're getting is mixed. Some of the buy-side see – I think everyone sees that clearing is inevitable and helpful to the market, generally, but I think there's a mixed view in terms of the rate and pace. Some expect that they're going to move well in advance of final rules. Some want to wait and see how those final rules play out. So, I feel good about our positioning with the buy-side, the business we've gotten so far, the fact that we have a very active buy-side community on our advisory committee. And I would expect you will start to see some of that business accelerate through the second half of the year, but then certainly as we get into 2011 as the rules become more clear.

<Q – Roger Freeman>: Okay. That's helpful. And then I guess my follow-up would be around the trading components. So, Jeff, it sounds like you're saying, I think consistent with last quarter that the opportunity on trading is really more of a Creditex, maybe inner dealer sort of model, and maybe some broker platforms. But as opposed to the ICE Exchange and CME is basically saying the same thing. My question, I guess, would be, what would it take structurally for these products to be suited to exchange trading? Is it just – is it more volume? Is it cutting the contract sizes over time to bring more participants in so you can get a real sort of matching dynamic going on, on an exchange?

<A – Jeffrey Sprecher>: I think there's a number of complicating factors, and just to give you the summary, we feel pretty good in the technology footprint and the customer base that we have attached to us. And we continue to drive attachment, as Scott mentioned, with more and more buy-

side coming into clearing and then wanting straight through processing and other things. So we feel good about, holistically about our footprint. Where trading ultimately resides and how it moves is going to be highly determined by what the CFTC concludes that a SEF is. And if you read the exact language in the Bill, it is not clear exactly how the model will work. And there's definitely going to have to be some interpretation by the CFTC.

And so, the CFTC on the one extreme could really try to drive trading into a futures-type model where you would expect to see a two-way bid offer, real time, pre-trade, price transparency. Or they could have slightly different standards that allowed multiple platforms, including inner dealer platforms, even existing dealer-to-client platforms could theoretically be there. So, it's very hard to pre-judge where that rule-making will come out.

I would tell you this, I expect that when the rule-making comes out, the responses are going to be like being hit by a fire hose. There are so many people that are looking at this as an opportunity, existing service providers, exchanges, entrepreneurs who view this as a great new opportunity and so on and so forth. And so many different business models across the various over-the-counter asset classes and pockets of trading that I think there's going to be a vigorous debate and discussion around this. And so, it's very, very hard to pre-judge because I have the bias that I think there's a lot in the OTC market today and the CFTC is going to have to kind of wade through that.

<Q – Roger Freeman>: All right, that's helpful. Thanks.

Operator: Moving on, we'll take our next question from Dan Fannon from Jefferies & Company.

<Q – Dan Fannon>: Good morning. Scott, question on the compensation, wondering what drove the difference between the guidance given early July to what you reported today? And then thinking about the margins, the operating margins as a whole, the sustainability of what you put up today as you look out going forward.

<A – Scott Hill>: Yeah, so basically, the guidance that we gave, we gave the second day of July and what I don't have great visibility to at that point is the overall results from our Creditex business; and as you can imagine, the compensation in that line is a bit sensitive to the revenue, the nature of the agreements we have, guarantees we hit, et cetera. As I mentioned in my remarks, because of some of the actions that Grant Biggar and his team have taken to help make that business more efficient, we actually saw an improvement in our comp ratio in second quarter despite the fact that revenues were down 1Q to 2Q, and I frankly didn't see that coming.

I do though, now, expect those efficiencies will remain. Our prior guidance was 60 to 62 of comp, I actually think we probably would have trended to the lower end or below that. Even with the addition of the Climate Exchange business, I wouldn't expect us to be much beyond the 62 million to \$63 million a quarter range. So, with the increase in the bonus for our terrific performance this year and the addition of Climate Exchange, we've been able to manage efficiencies and keep our comp expense, I think, in a very reasonable range.

<Q – Dan Fannon>: Great, that's helpful and then, Jeff, just talking on the regulatory front with the bill finalized here in the U.S. and could you give us a little bit of color about what's being discussed in Europe and if you expect any material differences as the framework there gets more set?

<A – Jeffrey Sprecher>: Yeah, it's interesting to be a participant in both sort of regulatory promulgation. In the U.S., while we have a very public debate in front of Congress and sort of real-time reporting by the press on what's going on, in Europe it's much more of a quiet process. A lot of – we have had dozens and dozens of meetings with various staff people working on legislation. And I think that – what is coming out and it's in some of the drafts, so I'm not necessarily foreshadowing what you may not already know, but we are going to see that the central banks and directly in our case the Bank of England, will have a much stronger hand in overseeing clearing

operations and the capital that goes along with clearing and protecting the economic system of the central counterparties. And you're going to have a new sort of Pan-European regulator that is going to really be looking at the execution piece. And so, right now for example in Europe, we're regulated by the FSA who oversees both clearing and trading. So, we expect to see sort of a slightly different footprint.

With that said, the sort of the broad goals I think that are coming out of Europe are similar to what are happening in the U.S. but they're a little less prescriptive at least as they exist today. They want to bias obviously towards more clearing and they want to bias towards more transparency in trading. I think one good thing that came out of the discussion is that the regulators are seeing the problem or potential problem of allowing clearing-houses to be linked up. The interconnection of clearing-houses could be no different than interconnection of major banks. So that issue now has come off the table, which is I think a good thing for us and frankly, a position that we strongly agree with.

And so, what's left probably to be determined really is what their OTC trading requirements really look like and what asset classes are going to be pushed more towards exchanges. There's definitely a movement towards building trade repositories there where all trades will eventually go, so that all governments can have access to those. And I see somewhat of a mellowing of the internal strifes that existed in Europe where there were debates about whether things should be located on the continent or can they remain in London and so on and so forth. And really, the creation of this Pan-European regulator should cover all of the members of the E.U. and allow information to be shared between governments, regardless of where clearing-houses or warehouses or trade execution facilities are located. So, I see that as a positive thing for us as well.

Operator: Moving on, we'll take our next question from Mike Carrier from Deutsche Bank.

<Q – Michael Carrier>: Thanks, guys. Hey, just on the futures side, the core business. If you look at the volumes, each quarter you kind of surprise the upside and you give us some granularity on the different products. And geographically, Asia continues to be strong. I guess just any granularity that you can give from what you're seeing from clients in the emerging markets or in Asia? And just how much more exposure or part of that business it is? And if you can just give any granularity like quarter-over-quarter, year-over-year, what you're seeing from that segment of the market?

<A – Jeffrey Sprecher>: Yeah, I think maybe as a foundation, I think people are continually surprised by our growth. And part of it is just looking at how we've positioned ourselves relative to our peers. Most exchanges in the world are equity options and equity derivatives exchanges and interest rate exchanges and – or combinations of those. That's really what most exchanges are in the world. And those tend to be the local interest rate and the local equity market. And so most exchanges are relatively levered to the true economic recovery or velocity of their domicile. And while all of the exchanges around the world today are global in that they have screen, the reality is that their products are regional. And I think you know and probably give guidance to your customers about when to try to get in and out of those stocks as – looking at the underlying economic recovery of the local environment.

ICE is really different in that we are truly global. And although our Energy business is centered in, largely in London, it's really there because of the east/west time zone change. And what we're seeing is a dramatic movement of business that is coming out of the BRIC countries. And our customer base moving into those BRIC countries in order to build new businesses, to provide hedging tools and what have you. So the – and the velocity in our business and the volatility that's coming in our business is largely being driven by tension between a western economy that is slow to recover and a BRIC economy that's fast to recover and people trying to figure out what that means for supply and demand. And so you have this natural volatility.

So, the color I would give you is that it's really – you're really levered to this global recovery and we're also levered to the vagaries of the timing differences between various economies as they recover, and that's creating volatility that just keeps our volumes high. I would point out to you that we said in our statement that we have literally record open interest in July. So, not only – and in our energy footprint. So, not only have we had a great first half of the year, we're entering the second half on top of really strong open interest, which we think will continue those trends.

<Q – Michael Carrier>: Okay. Thanks. And then just as a follow-up. You guys hit on the OTC opportunity a lot and the regulation is still up in the air with all the rules. If you look at what the current regulation is and then what your customers are saying, what is it with ICE that differentiates it in terms of how you're positioned that you think you can take advantage of the opportunity, whether it's ICE Link, eConfirm, having the clearing-house in the U.S. and in Europe? And then is there any other competitors out there that have something that you're working on or that's possibly a hurdle in terms of the competitive landscape?

<A – Jeffrey Sprecher>: I think what's interesting about us today is that years ago people came to us and would say, can you list this product, as if we were just a venue for – almost like a vertical where you would just list the product and it would go through all of our platforms. Today, people are looking at the various pieces that we have and saying, "Gee, this – we could really use this here, or we could really use this there." Even in our – Scott is being modest about what he's been able to do because he oversees Creditex.

In Creditex alone, one of our customers just benchmarked us and found that we are their number one or two broker in everything that they do and our error rate is incredibly low, which is really because we've tried to push that team into much more automation and use these tools like ICE Link and other things to take errors out of the system. That takes costs out of the system for our customers. Ultimately they then give us more business.

And so, all of these bits and pieces, even the ones that seem like they're not as technically adapted, tend to be helping us, so we're not looking at it as a vertical now. We're looking at all of our businesses as stand-alone operations, trying to figure out where we can expand them in various needs in the over-the-counter markets.

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

Operator: Moving on, we will take our next question from Mike Vinciguerra from BMO Capital Markets.

<Q – Michael Vinciguerra>: Good morning. Scott, a couple follow-ups on your, I guess the guidance on Climate Exchange. Using the 13 million to 14 million in synergies numbers, it looks like the go-forward operating costs – or the costs right now are about \$5.5 million a quarter. So, do we need – should we be factoring in about \$5.5 million for Climate Exchange in the third quarter and letting that kind of bleed down heading into 2011 when those synergies kick in? Or how quickly will you get to that 13 million to 14 million run rate?

<A – Scott Hill>: We'll be to the 13 to 14 – so, let me turn the 13 to 14 around. That would say we're going to be at about a 9 million to \$10 million a year operating cost basis, we get into 2011. We will be there by the time we exit this year. We're not waiting until the end of the third quarter to start to take action, so I wouldn't factor in a 5.5. I think, you know a 4 to 5 in the third quarter, a 3 to 4 in the fourth quarter, on its way to kind of the 2 to 3 a quarter next year is the path we're following. Because again, as I talked about in my remarks, we have a very long-standing relationship with CLE, they're already on our clearing and execution platform. This is a business that we have and we'll quickly integrate and so, you'll see those synergies turn up quickly as we spend the vast majority of our time figuring out how to get the growth continuing to be at the levels it is today.

<Q – Michael Vinciguerra>: That's very helpful and then just a follow-up there, you mentioned also in the release, the 9 million to 12 million in amortization related to Climate Exchange. When you talk about kind of minimal impact on earnings next year, are you talking on a GAAP basis? Or should we also look at this and say add back 20 million in D&A after-tax and it looks like on a cash basis, you'll actually be not hugely accretive, but nicely accretive on the D overall?

<A – Scott Hill>: Cash will be nicely accretive and with synergies, I just told you we were going to get out of the business, we're going to be GAAP neutral next year.

<Q – Michael Vinciguerra>: Very good. Thanks a lot.

Operator: Moving on, we'll take our next question from Christopher Allen from Ticonderoga.

<Q – Chris Allen>: Morning, guys.

<A – Jeffrey Sprecher>: Morning, Chris

<A – Scott Hill>: Morning.

<Q – Chris Allen>: Jeff, I just wanted to talk a little bit about the, you mentioned the – being prepared with ICE Trust for changes with the SEC and the CFTC. If you could just discuss any of the mechanics that you would see changing, whether it's moving more towards an FCM clearing model mechanism for that market? And also, if you could just touch on whether you think having the regulators in place could be a positive for CDS trading activity overall moving forward?

<A – Jeffrey Sprecher>: Sure, so we automatically – ICE Trust automatically becomes a DCO once the bill is enacted, so that's 360 days after passage under the CFTC. And then it automatically becomes a clearing agency under the SEC. So, there's nothing that we have to do. We automatically become regulated. Those two regulators, we have a close relationship with them and they've been actively involved with us as we've been building out this model, which is why I mentioned that we don't anticipate any problems in transitioning. But what I think the unique new piece is, is that the SEC is going to have to do rule making and figure out what its – what is an FCM under SEC regulation? And is it the same as the CFTC? Are they going to work together and settle on something that might be slightly new? We just don't know.

What we do see is our customers that have large OTC footprints in the prime brokerage area moving to bring their Futures Clearing operation and their OTC Prime Brokerage operation together. You saw JPMorgan reorganize those recently and put them under one person. You saw Goldman last week announce that they were basically creating this hybrid. So, I think our customers are anticipating how to try to handle their customer business and position themselves. And I'm sure, then, as we go through this rule-making, they'll be talking to the SEC and the CFTC about how they think they can manage customer business.

It's in the best interest of the CFTC and the SEC are really trying to get more business into clearing. And while there are buy-side exemptions, I think Chairman Gensler has been very powerful on the fact that he really wants to try to build a footprint that attracts the buy-side into clearing. And so, I think they'll be paying attention to how the lending and collateral management capabilities can be reorganized in some of these businesses.

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

Operator: Moving on, we'll take our next question from Ken Worthington from JPMorgan.

<Q – Kenneth Worthington>: Hi. Good morning. There's been some changes in the momentum of cap and trade in the U.S. Can you talk about what's changed? What this means for U.S. cap and trade? And how you're reacting to it?

<A – Jeffrey Sprecher>: Sure. I think, Ken, if you look at the chart we put out, we showed how, really, the European business is the business that has been widely adopted and is growing quickly and it's the business that we wanted to own. And it's the real value that we saw in that acquisition.

The current U.S. business in the Climate Exchange is a loss-making business as it exists today. And we are going to study it and talk to the market about how they view that business now and what they think we should do with it. Those companies pay dues right now, and obviously a delay in cap and trade is going to mean the dues and the amounts may go up.

Let me just describe briefly. In the U.S. there is a voluntary cap and trade business that was organized by Dr. Sandor. It's been widely used and it is voluntary. And while we obviously focus on the trade piece, these companies have voluntarily agreed to caps and to walk down their carbon footprint. And it remains to be seen now in an uncertain U.S. regulatory environment, whether companies are going to want to continue to walk down their carbon footprint, whether or not they're going to get credit for it by Congress, and now that the EPA oversees carbon, whether or not the EPA is going to give them credit for the work that they're voluntarily doing.

So that's one question we have to ask the marketplace. The second piece is that we trade NOx and SOx emissions, NOx and SOx emissions, and that has been challenged by some legal challenges that have affected the way that the EPA is looking at NOx and SOx trading. It's a bit destabilized right now. Again we have to survey the market and ask them, how do they feel about the footprint that we acquired there and do they want that to survive?

So, the last piece that we're also focusing on is that the Climate Exchange is a 25% owner of a carbon exchange that's being built in from China. And it's one of the few, if not the only, non-Chinese owner of an exchange in China. And that is a joint venture that exists with the Chinese oil company. So we are very, very excited about that particular footprint because it gives us a way to dialogue directly with the oil company there; it gives us a footprint that we can work on in China.

I've been very loathed to have our employees flying around China trying to scare up business because of the expense and really the improbable hit rate that we were likely to have in that expense. But this gives us something that we can lever off of and anchor. I don't know how successful that will ultimately be but I do know that that is an important relationship that I think can pay dividends in other – many other businesses that we have over the long term. So, that is an exciting area that is a non-European business.

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

Operator: Moving on, we'll take our next question from Alex Kramm from UBS.

<Q – Alex Kramm>: Hey, good morning.

<A – Jeffrey Sprecher>: Good morning, Alex.

<Q – Alex Kramm>: Just to follow up on the – on Ken's question from just now on the Climate Exchange, I mean historically I think you've never been a big fan of just making acquisitions to get costs out, and you gave the synergies here very, very quickly. What about the top line? I mean what is it that you're bringing to the table that could be transformational to this company? Like where do you think you can actually make a difference and take this to the next level, and how long will it take? Thanks.

<A – Jeffrey Sprecher>: Yeah, the biggest opportunity that we – we have a couple opportunities. One is that Europe was phasing in their carbon approach and so there are some additional phases that are yet to come in that we think will continue to drive growth. But I think the biggest synergy that we have is – it's really a revenue synergy. And so, as you know, it's hard for shareholders to really get comfortable with revenue synergies, so we haven't really advertised it too much.

But the reality is in our mind, the people that are really most impacted by the carbon caps are the utility and energy businesses, and those are our traditional customers. And we have been working to give more and more offsets and other risk management tools to the utility footprint so that they can both trade power and natural gas on ICE and then also buy their carbon. And so that is a very, very powerful coupling. And while we had it before in our partnership with CLE, by bringing in the marketing people and the product development people into our ownership now and control, we'll be able to work much closer. One of the first things we did after making this acquisition is move those people into our offices and immediately get them working with our existing people, because we really do think that we can drive higher revenue growth.

<Q – Alex Kramm>: Okay, good. And just very quickly, to follow up on Roger's question from earlier on exchange trading, I think you talked about the SEF and then and how that might still be very fragmented. But what do you think about actually new listed contracts on your exchange? I mean in particular, in the credit area where you seem to have somewhat of a frontrunner position? And we've talked to some dealers here and historically there's been a lot of pushback with Eurex, for example. But it seems like dealers are gradually warming up to the idea of, hey, a listed product might actually make sense given that the economics of the OTC market have been coming down there. So, any ideas or anything you're working on that you can share with us already?

<A – Jeffrey Sprecher>: Nothing I can share, but I'll just make some editorial comments, and that is that, one, is that the bill in the U.S., and largely anticipated what comes out of Europe, is going to push things that are standardized to become more listed in the over-the-counter market. And then the second piece is that this bill that I spent a lot of time talking about in my prepared remarks is really regulation of the over-the-counter market.

It doesn't really change much for futures, and there is certainly a lot of knowledge and legal certainty in the trading of futures. And so in my mind, it provides an additional bias for people to say, "Heck, maybe instead of trying to do all of this stuff and comply, and reorganize businesses and move capital around, and so on and so forth, maybe if we had some of the benchmarks listed as futures, you know, it would make our life easy." So, I think what you're picking up on is people that are really getting into the nuances of this legislation and trying to say, you know, maybe there are certain aspects that should not remain in the over-the-counter markets. And there'll be a tension there, so I don't know that it necessarily will move things into futures, but there's definitely much more openness to look at how futures and the over-the-counter markets play together.

We long ago saw that OTC and Futures play together. I mean, one of the very first things I did when – after starting ICE was acquire a futures exchange and list OTC and futures that were related on one screen, and that helped drive our early growth. And you've seen other asset classes where, you know, never the two shall meet, but you now see those people in those asset classes saying, "Well, wait a minute here. Maybe we should get these markets closely linked together." Because in reality they are and regulators are pushing them that way anyway.

<Q – Alex Kramm>: All right, very good. Thank you.

Operator: We'll take our next question from Matthew Heinz, Stifel, Nicolaus.

<Q – Matthew Heinz>: Hi. Good morning.

<A – Jeffrey Sprecher>: Good morning.

<A – Scott Hill>: Morning.

<Q – Matthew Heinz>: Going back to the CDS business, you spoke a bit about how the regulatory landscape is evolving in the U.K., and given your touch points in both the U.S. and Europe, do you feel that we will need to see some type of regulatory, I guess, harmonization on both sides of the pond before CDS volumes really begin to accelerate on a global scale?

<A – Jeffrey Sprecher>: First of all, U.S. and European regulators have long worked towards and talked about more harmonized regulation, but I really see it accelerating. And I think there's a lot of goodwill to try to do that and it does seem now like Europe is looking at the Dodd-Frank bill and is trying to figure out what it likes about that, what it doesn't like. It's going to do things that will not be identical, but the goal will be similar. So I really do see that, coupled with the fact that the U.S. is starting to participate more in the Basel discussions. You know, U.S. has been an observer in those discussions, but you know, I recently saw where Chairman Frank is taking those seriously, and so you can see some move towards harmonizing the capital requirements. Again, driving things into clearing.

I do believe that as we put more regulation around, particularly credit markets, that it's going to actually increase the amount of trading because it's going to bring confidence to the buy-side. You have a lot of people that manage and run institutional money that are very, very fussy about where they will place customer money, they want it to be in transparent liquid markets that they can easily mark-to-market and so I think that the institutional buy-side will participate much more in the credit business as it becomes more regulated.

That will be true sort of long-only type money, that will bring more market-makers and non-traditional players into the market and so you can just see how it could lever up. But the underpinning is going to be a global regulatory footprint. We do clear in Europe and in the U.S. and the models that we have there are similar. There are some slight vagaries and as we move into this new world of what OTC futures commission merchants look like, there are some vagaries right now between the two models but I think we're anticipating that a lot of those gaps will narrow as both – regulators on both sides sort of look to each other to see what each other is doing.

<A – Scott Hill>: Yeah, I think that's an important point, we've got a clearing-house that's actually up and running. It's cleared \$11 trillion, it's a clearing model that's been reviewed and/or regulated by the FSA, various European commissions, the CFTC, the SEC, the Fed and the New York Banking Department. So, we can enable that type of conversation by demonstrating a model that's already working.

<Q – Matthew Heinz>: Okay, thanks. That's very helpful. And then carrying that over to the capital discussion, you did hit a bit on your expectation for the changing capital structure for prop desks and FCMs and so on and so forth, but how do you expect this dynamic to impact the buy-side and the commercial end user in these markets?

<A – Jeffrey Sprecher>: I think another big piece of the rule making in the U.S. that's yet unknown is that we have to get a definition of what a major swaps participant is because in addition to dealers, there's this thing called the major swaps participant that will be different than the end user who will be qualified for an end user exemption. So, are we going to find that many of the large traditional money managers are considered major swaps participants or are they going to be considered the buy-side? And we have – there's a lot of chatter in the industry going on around that, a lot of uncertainty about who will get roped into what requirements. And I think until we really see that rule-making come out and get some sense of where we're going, it's hard to know.

I think a good example though to look at is what's gone on in our energy clearing business where there's no regulation and everybody who clears there has been doing it voluntarily. And what you

find is that while it costs money to clear in the sense that you have to post margin, and you get mark-to-market, and those are the kinds of things that you hear the buy-side concerned about in other asset classes. The reality is that it nets down your position, and as we've shown in CDS, we've taken 11 trillion in notional down to 1 trillion. So, it's collapsing at more than 10 to 1. And so yes, you have to post margin on the net amount, but the net amount is – can be for many people dramatically reduced from their notional. And it's that phenomena that brings the buy-side in, and they are willing to post capital because it's capital against a much smaller number than if they have to have a prime broker's relationship and post margin money against the gross notional.

But I still think, regardless of how the swaps exemptions work out and how the major swaps participants are regulated, that the trend there is very, very powerful.

<Q – Matthew Heinz>: That's very helpful. Thank you.

Operator: Moving on, we'll take our next question from Niamh Alexander from KBW.

<Q – Niamh Alexander>: Hi. Thanks for taking my questions. Just to come back to credit for a change. But if I could just understand, like, you've been in the perfect place in the market. You know, looking out, do you think in 12 months time you're going to be seeing like, fully electronic trading of credit derivatives, index derivatives and single-name in the U.S.? And you know, and then, if that is the case, or maybe the 12 to 18 months, you know, how can you make sure that your venue is the venue of choice? Like, what can you bring to the table with Creditex to encourage those that would probably dominate the floor right now to be on your venue?

<A – Jeffrey Sprecher>: Sure. I mean, first of all, it's – the U.S. transition to electronic is already happening. I think, you know, we mentioned again that our Creditex revenues are 45% electronic. That, more and more you're seeing people that have resisted electronic trading starting to embrace elements of it because it's helping them to flatten out their books and manage risks better, and the things that you would expect.

We continue to invest heavily in the technology around Creditex, and really are thought of and want to continue to be thought of as the technology leader in that space, and so as a result of that, you know, we are a force to be dealt with and a threat to people that don't necessarily – aren't necessarily on board with us, and so you know, we're always taken quite seriously there because people know – they can see the investment that we're making.

They can see the moves we're making. They can see how we've re-aligned our broker incentives, and all of which is trending towards a world where there is going to be more transparency. And so, I feel pretty good about our footprint. There are other people that have the same aspirations and I think, as I mentioned earlier, that I think people will come out of the woodwork with SEFs. But it's going to be very, very hard to challenge a lot of what we've done.

We've now moved the Creditex system into our really world class data centers, put them on low latency networks, got them on high value servers. We are making an investment in not a point and click system that a small group of market participants would use, but we're really building our systems out in the anticipation that volumes are going to grow on them, and that our brokers, who are becoming increasingly more hybrid voice electronic brokers, are going to continue to provide value around that platform.

<A – Scott Hill>: And, Niamh, if you look at the two you mentioned, I mean, we're a number one or two market share in the U.S. in Index and single-name, which is where you'd want to be positioned. We've got the Creditex electronic platform. We've got ICE Link connectivity into over 400 buy-side firms and 20 plus dealers. So, we've got all the technology and the connectivity. And we work well with the people in the industry to understand how the market is evolving so that we're ready to

serve it as it evolves. So, I think we've got all the right pieces and we're in constant dialog with all the right people to understand where the market's heading and how we can serve it.

<Q – Niamh Alexander>: Okay. That's helpful. Thanks. And it's helpful color on the data center. I appreciate it. And if I could go back to the energy markets just real quick. I mean what I'm trying to understand better is we're seeing it drop off in July versus the phenomenally strong second quarter. But the first quarter was also really, really strong versus last year. So, I'm just wondering if maybe not all of it is just kind of seasonal, if maybe some of the strength in the first half was associated with kind of Europe and the sovereign crisis and whatnot. So, just trying to get a sense if you do still see that structural growth, new people coming on, or maybe there is something more than the kind of seasonality happening now that we're basing to kind of a lower volume level in the energy markets?

<A – Scott Hill>: Niamh, not to challenge your question to any great extent, but when you say a drop-off, I assume you're referring to the fact that the growth on a year-over-year basis has slowed a little bit. As Jeff mentioned, we actually are sitting at record open interest in our energy business in July, well record, so versus where we've been before. So, I think that business continues to perform well. And again, if you break it down the, Brent contract continues to perform very well. It is the global, commercial benchmark. The Gasoil contract continues to perform very well. It is a global benchmark or the middle disk lists the diesel fuel that's popular in Europe.

If you look at the overall growth on a year-over-year basis, WTI is a contract which tends to be the more financially oriented speculative contract where you actually see a decline year-over-year and you've seen a fairly precipitous slowdown in the past few months. So I think we feel pretty good about our energy business. You know, again, Jeff mentioned earlier, I think people have gotten used to very strong growth. You know, double-digit growth again in July felt like a pretty good result.

<Q – Niamh Alexander>: Okay. Thanks. I'll follow up later after to clarify.

Operator: Moving on. We'll take our next question from Don Fandetti from Citigroup.

<Q – Donald Fandetti>: Hi, Jeff. Back to the core business. You know, as you talk to the guys that run energy trading at the banks, it seems like a lot of the new hires are going on in Singapore and in Asia. I guess my question to you is, do you see that shift continuing? And is that all upside to ICE? Or does it ultimately create some type of competitive threat down the road?

<A – Jeffrey Sprecher>: No. In fact, I've been spending a fair amount of time having exactly that conversation with senior people in these firms, and we're fortunate in that, that business while they originated in the BRIC countries, continues to be driven into the Western P&L. So we're seeing that business come through London. And the sort of the new hedging customers that many of these people are going after are quite comfortable with U.K. bankruptcy law, and you know, U.K. price discovery, so there hasn't been a skew towards doing that in, you know, the locale.

I mean, that being said, we all know there are massive exchanges growing up in China that one day the wall will come down and they will become very powerful global competitors, but short of that, the bulk of the global hedging business is coming out of Asia and the other BRIC countries, and into predominantly London in the energy complex. And we just don't see that changing and our customers don't see that changing.

I would, just as an aside, you know, one of the biggest changes that's going on in Europe is the compensation practices in the banks. And one of the reasons that I've been having these conversations is, is I've been concerned that people may try to relocate their desks, and so far that hasn't happened. There's certainly a lot of tension and stress around the taxation and

compensation practices in Europe, but so far, you know, there's a dialogue going on around that, and it hasn't really skewed behavior that I've seen.

Operator: Moving on, we'll take our next question from Jonathan Casteleyn from Susquehanna.

<Q – Jonathan Casteleyn>: Thanks. Good morning. Scott, I just wanted to clarify your, I guess, adjusted guidance on a quarterly run rate going forward, the 61 to 62 on the comp side. Are you saying sort of permanently we're below the 61? Or below that level with the, I guess, the comp relief from Creditex? Is that -

<A – Scott Hill>: To be precise, what I believe I said was we had previously said 60 to 62. I think we were trending below, you know, at or below the low end of that range, so call it 59 to 60, and then I subsequently said if you put PLE on top of it, we're probably looking at about 62 to 63 per quarter.

<Q – Jonathan Casteleyn>: Got it. Okay.

<A – Scott Hill>: So, kind of net net, yes, with the Creditex efficiencies, we're trending a little lower than our previous guidance. Adding in Climate Exchange, we don't move that far outside the high end.

<Q – Jonathan Casteleyn>: Great. And then, Jeff, just bigger picture. What's the best way to frame sort of long-term secular growth in OTC energy? I mean, at record levels here, is there any way to quantify the remaining, you know, growth opportunity from these levels?

<A – Jeffrey Sprecher>: Well, first of all, a lot of the oil business was really done bilaterally, and is just starting to come into clearing, and the oil business is a big business. It's all the various delivery points for all the various products that come out of a barrel of oil, so there's a massive derivatives industry out there that has, you know, base of trades and related product trades. That is becoming standardized, more standardized so that we can clear it, and it's coming into clearing, so seems like the early days in the oil business.

Second thing that's happening that is benefiting us is that the market is starting to clear coal. The market is starting to clear some of the other basis points, delivery points, for European natural gas, and so we see the kind of thing that we take for granted here in the U.S. for clearing and trading, really migrating to Europe in a bigger way and driving a lot of growth for us, and we have obviously a great footprint in Europe, so we've been a big net winner of that. I think when you couple our European climate on top of that, again, I think it just gives us, again, a reason that we will have desktop space with our trading platform, and a reason for our salespeople to be in talking to traders and risk managers and all of that will continue I think to inure to our benefit.

<Q – Jonathan Casteleyn>: Okay. Thanks.

<A – Jeffrey Sprecher>: And Jon, maybe one last thing. You know, I think capital requirements for holding things bilaterally are clearly going to increase both in the U.S. and in Europe. So again, that will push that business more towards clearing where we think the net will give you a lower capital charge.

Operator: And we'll take our final question from Rob Rutschow from CLSA.

<Q – Rob Rutschow>: Hey. Good morning. Thanks for taking my question. I had a first question about the results of this quarter, actually. Your working capital and your restricted cash went up quite a bit this quarter. I'm wondering what the explanation is for that? And more generally, how are you viewing the returns on the business and the incremental business that you're getting on a go-forward basis?

<A – Scott Hill>: So from a restricted cash standpoint, that basically reflects all the cash we had to set aside for the CLE deal at the end of the quarter. We had to put it in escrow so that we would have it ready to close the deal. Relative to the U.K. law, you have to have the money completely set aside, not available for any other purpose in advance of the closing. And so, that was the increase in the balance overall.

And from a return standpoint, actually I talked about in my prepared remarks, our returns on invested capital on a trailing 12 month basis are around 17% versus the cost of capital that's a little below 11. So, we feel very good about the returns we're generating. If you look from where we were a year ago to today, that return is starting to increase. So, we believe we're generating very good returns on the investments that we've made and expect that that trend will continue.

<Q – Rob Rutschow>: And, I guess, my follow-up is on the futures business. It appears that the RPCs are trending down a little bit with higher volumes. And one thing that I've noticed is that your rebate percentage, the rebates as a percentage of total revenues has gone up. Is that sort of a step function with volume? Should we expect higher rebates as volumes go up, and what's sort of the strategy there for the futures rebates?

<A – Scott Hill>: I think the first fundamental strategy is we manage to revenue, not to RPC. And so you will see, particularly as we continue to grow our financial products and we build those markets out, that we have been increasing and improving our market making programs, which has resulted in additional rebates. In particularly volatile times, you tend to see more market making activity, which increases the rebates as well. So, I do think you ought to expect as volumes grow, you will see market maker rebates grow.

But, again, as opposed to the question – now rates have been fairly stable. If you look at the U.S. ag business, if you look at the energy business, the financial products, again, you have seen a bit of a down tick but on significant volume growth. And so, the overall volume growth has certainly outpaced the rate decline such that revenues have grown double-digits on a year-over-year basis.

<A – Jeffrey Sprecher>: And I think the other piece of good news around that is that we tend to do these market-maker programs in the new products and really you're seeing the success of a lot of the new product launches that we've had as we've been able to grow them. I think our company, and we have some people here that are just tremendously good at market structure and have been able to put out a lot of products and grow them successful, well beyond what a lot of our peers are able to do. But the consequence of that is working out relationships to bring market making in to create two-way markets and so you see that impact. But it's a positive thing in terms of the way we run the business.

<Q – Rob Rutschow>: Okay. Thank you. Very, very helpful.

Operator: Thank you. That will conclude today's conference. We thank everyone for their participation.

Jeffrey C. Sprecher, Chairman and Chief Executive Officer

Great. Well, thank you all. I – let me just say again, I really appreciate the record revenues, the record earnings, the record open interest we had in July in our Energy business, all of which is a vote of confidence by our customers. And I again just want to thank you so much for your business and the confidence you've had in us.

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