Interactive Brokers Group, Inc. (IBKR)
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Executives

Thomas Peterffy - Chairman, CEO, and President
Paul Brody - CFO, Treasurer, and Secretary
Deborah Liston – Director, IR

Analysts

Richard Repetto - Sandler O'Neill
Sean Brown - Teton Capital
Macrae Sykes – Gabelli & Company
Niamh Alexander – KBW

Operator

Good day, everyone, and welcome to the Interactive Brokers' Second Quarter 2013 Earnings Results Conference Call. This call is being recorded.

At this time, for opening remarks and introductions, I would like to turn the call over to Ms. Deborah Liston, Director of Investor Relations. Please go ahead.

Deborah Liston

Thank you, operator and welcome everyone. Hopefully, by now you have seen our second quarter earnings release which was released today after the market closed, and is also available on our website.

Our speakers today are Thomas Peterffy, our Chairman and CEO and Paul Brody, our Group CFO. We'll start the call with some prepared remarks about the quarter and then we'll take Q&A.

Today's call may include forward-looking statements which represent the Company's belief regarding future events and by their nature are not certain and outside the Company's control. Our actual results and financial condition may differ possibly materially from what's indicated in these forward looking statements. We just ask that you refer to disclaimer in our press release. And you should also review a description of the risk factors contained in our financial reports filed with the SEC.

And now I'd like to turn the call over to Thomas Peterffy.

Thomas Peterffy

Good evening and thank you for joining us to review our second quarter results.

Before I get into all the complexities I want to simply state operating results without any currency and tax impacts.

For the quarter our pretax income, excluding currency effects, was $176 million. This is composed of $123 million in brokerage, $51 million in market making and $2 million in corporate.

Our currency losses were $75 million which corresponds to a 1.5% decrease in the value of the GLOBAL relative to the US dollar on our capital of $4.8 billion.

And now to the details:

I'm pleased to report that this was another record breaking quarter for our brokerage segment which achieved pretax profits of $123 million, a 37% increase from last year, and our pretax profit margin climbed to a new high of 58%.

This performance is obscured in our consolidated results due to the lackluster performance of the market making unit which earned only $7.6 million. However, after removing currency effects, which I'll explain shortly, market making still earned a respectable $51M in pretax earnings.

Our results in this segment have suffered for the past several quarters due to competitive pressures, to such extent that the future of this segment has become quite a hot topic of discussion amongst our investors, and we continue to evaluate what is in the best interest of our business as a whole and shareholder value. I will discuss more on this later.

But first, I would like to highlight our achievements in the brokerage segment.

In addition to record profits, we also achieved record DARTs, or daily average revenue trades, of 506 thousand this quarter, a 9% increase over the first quarter and a 19% increase over the prior year quarter.

Total customer equity grew 31% to $37.4 billion year on year. While this is partly attributable to the increase in market values as illustrated by the 18% year over year rise in the S&P, it's also the result of our ability to continue attracting larger institutional accounts. This is demonstrated by the average equity per customer account, which grew by 17% to $167 thousand.

Customers are taking advantage of our extremely low margin rates. In the first half of this year, we lent over $11 billion to our customers at an average rate of 1.14%. In total, margin loans have grown 32% year over year, boosting net interest income by 27%.

We are seeing similar momentum in the rate of new account openings. Our average monthly account growth for the first six months of this year of over 2,400 is outpacing last year's monthly average of 1,700. Our growing number of satisfied customers are spreading the word about their positive experience and referring us to friends and colleagues. Word of mouth is still our largest source of new accounts and this effect is magnified as our customer base continues to expand, which now totals over 224 thousand accounts.

To give you some perspective on the size of our business today, on the average day in the first half of 2013, our customers traded over 300 million shares, 1 million options, 460 thousand futures and $11 billon in forex.

Our commissions are among the lowest in the industry across all products. During the second quarter, our average stock trade contained nearly 1,400 shares at a commission of $2.25. The average option trade contained 10 contracts at $6.80 commission and there were 3.5 contracts to the average futures trade at a commission of $6.29. Please keep in mind that these numbers include exchange fees and are averaged over some 100 exchanges, some of which have very different fee structures.

Our average account holder, who trades over 500 times per year, understands the value of exceptional price execution, industry low commissions and financing rates, superior technology and sophisticated trading tools. These differentiators have not only earned IB numerous awards, including but have also contributed to an ever increasing awareness amongst financial professionals that IB is rapidly becoming a strong contender amongst brokers that serve financial advisors and provide prime brokerage services.

We remain true to our growth strategy of focusing on savvy, active traders and investors, as opposed to the masses, and still our customer base has become quite diversified with respect to geography and segments. Only 44% of our customers live in the U.S. and less than 60% are individual customers. We are making great headway in attracting institutional accounts, with introducing brokers, financial advisors, proprietary traders and hedge funds being our fastest growing segments, in that order, looking at a point of view of account growth.

All of these account types require specialized tools, which we have been developing and refining over time. For instance, financial advisors value the ease of having automated trade allocation and position rebalancing over many client accounts, as well as our model portfolio technology and our Money Manager Marketplace. And hedge funds take advantage of advanced tools like our book trader, market scanners, basket trader and option trader, to name a few, in addition to over 50 order types and algos.

While we have not introduced any critical new products this quarter, we have been working on enhancements to our current technology, which we believe can be a significant draw for the right customer segments.

For example, EmployeeTrack is our turnkey solution for compliance officers of financial organizations that are required to monitor their employees' brokerage activity. We have recently added more features that make this an even more robust tool. Compliance officers can now screen for certain outliers, such as number of trades greater than a certain amount or profit or loss outside of a given range and they can also restrict or flag trading in certain symbols. In addition, our EmployeeTrack technology allows us to consolidate account data for clients that have accounts at other brokers.

We also have a number of other important technology developments in the pipeline which will be announced in the quarters to come.

Now, turning to the market making segment.

Market making conditions improved from the first quarter, although the improvement in our trading gains was hampered by currency fluctuations that moved against us . As a result of our currency hedging strategy, in which we diversify our equity of nearly $5 billion across a basket of 16 currencies that we call the GLOBAL, we record a translation loss when we report our results in U.S. dollars, if the dollar has strengthened against the GLOBAL. This was again the case at the end of the quarter, as the U.S. dollar continued to rally, pulled up by rising rates in wake of the Fed chairman's comments last month that the central bank could begin to pare back monetary stimulus.

As I mentioned, in the second quarter, we saw modest improvements in certain trends that benefit our trading gains. Volatilities rose in June, topping 20 for the first time this year, fueled most recently by investor concerns over the aforementioned Fed comments regarding the quantitative easing program. The average VIX for the quarter totaled 15, which was 9% higher than the 1st quarter. The ratio of actual to implied volatility, which is directly correlated to trading gains, also rose from 76 in the first quarter to 95 this quarter.

This volatile environment also drove an increase in trading volumes across the globe. Exchange traded option volumes increased 13% in the U.S. and increased 11% globally for the second quarter. By comparison, our firm's total option volume increased by 10%. As a result, our firm's market share decreased from 12.0% to 11.8% in the U.S. and was unchanged at 9.4% globally. In the Market Making segment, our option volumes increased only 9% during the second quarter which drove our market share in that segment from 6.4% to 6.2% in the U.S., and from 6.0% to 5.9% globally.

As I mentioned earlier, the positive trends in volatility and volumes were partially offset by unfavorable currency movements which resulted in a $75 million translation loss. $43 million of this loss is netted with trading gains and the remaining $32 million is reported below the line in other comprehensive income. Yet, even without the currency effects, trading gains totaled $102 million, 19% lower than the year ago quarter.

Overall, we did not achieve our targeted 10% pretax return on equity this quarter, (that was the market making return on capital) even though we continue to pay the recurring $0.10 dividend from market making capital. As a result, we have slowly been reducing capital in this segment.

As a result of the competitive pressures I've been discussing on the last several calls, we are continuing to diminish our footprint in market making. We have been scaling back our participation in certain products and certain exchanges, and in the second quarter, have been reallocating headcount to our growing brokerage business. But this is a slow, gradual process and we are not rushing to exit this business. We do not know where the increase in regulatory capital requirements for banks and brokers will end up and if that will generate any opportunities for us.

In addition, our brokerage segment benefits from the cost savings and operational efficiencies shared between these highly complementary businesses. And it's important to note that this synergy allows our customers to enjoy lower commissions, superior price executions, broad global access and a greater depth of securities lending inventory, to name just a few.

And now Paul Brody will give you a more thorough review of the financials.

Paul Brody

Thank you, Thomas. Thanks everyone for joining the call today. And as usual I will first review our summary results and then I'll talk about segment highlights before we take questions.

In the second quarter we saw the continuing trend of robust growth in our Brokerage business and tepid results in the Market Making segment. Net revenues this quarter were driven by rising brokerage commissions and net interest income, partially offset by declines in trading gains which were exacerbated by translation losses on the strength of the U.S. dollar relative to other currencies.

As a reminder our financial statements include the GAAP accounting presentation known as comprehensive income. Comprehensive income reports all currency translation gains and losses, including those that reflect changes in the U.S. dollar value of the Company's non-U.S. subsidiaries, known as Other Comprehensive Income or OCI and these are reported in the statement of comprehensive income. In light of the strengthening of the U.S. dollar against a number of other currencies adding OCI to net income decreased our reported earnings per share by $0.07 for the quarter.

Overall operating metrics for the latest quarter were somewhat mixed, volumes were up in futures and stocks and down in option versus the year ago quarter. Average overall daily trade volume was just shy of 1.1 million trades per day, up 16% from the second quarter of 2012. Electronic Brokerage metrics had a healthy increase in a number of customer accounts and a strong increase in customer equity. Total and cleared customer DARTs were both up from the year ago quarter and sequentially. Orders in cleared customer who clear and carry their position in cash with us and contribute more revenue accounted for 92% of total DARTs holding fairly steady with the recent quarters.

Market Making trade volumes were up though contract and share volumes were mixed across the product types. Other processes of metric such the increase in actual to implied volatility ratio that Thomas mentioned were largely offset by losses on our currency strategy.

Net revenues were $284 million for the second quarter, up 9% from the year ago quarter. Trading gains were $59 million for the quarter negatively impacted by currency translation effects while trading gains compared to the year ago quarter decreased by 30%; excluding the currency translation trading gain would have dropped 19% from the year ago result.

Commissions and execution fees were $138 million, up 28%. Net interest income was $63 million, up 19% from the second quarter of 2012 and within that Brokerage produced $58 million and Market Making $5 million. Other income was $24 million, up 59%.

Non-interest expenses were $150 million, down 2% from the year ago quarter. Within the non interest expense category, execution and clearing expenses totaled $65 million, down 2% from the year ago quarter as significantly lower Market Making fees largely offset increases in brokerage fees. Compensation expenses were $58 million, a 3% decrease from the year ago quarter.

At June 30th our total headcount was 892, a level consistent with both the year ago quarter and the prior year headcount. However, within the operating segments, we added staff in Brokerage and cut back in Market Making.

As a percentage of net revenues, total noninterest expenses were 53% and out of this number execution and clearing expenses accounted for 23% and compensation expenses accounted for 20%. Our fixed expenses were 30% of net revenues.

Pretax income was $134 million, up 23% from the same quarter last year. For the quarter Brokerage accounted for 94% and Market Making accounted for 6% of the combined pretax income. Ex currency effect, the contributions were 71% for Brokerage and 29% for Market Making.

In the second quarter, our overall pretax profit margin was 47% as compared to 42% in the second quarter of 2012. Brokerage pretax profit margin was 58%, up from 53% in the year ago quarter. Market Making pretax profit margin was 11%, down from 26% in the year ago quarter.

However, excluding translation effects, Market Making pretax profit margin was 46% in the latest quarter.

Comprehensive diluted earnings per share were $0.14 for the quarter as compared to $0.09 for the second quarter of 2012. On a non- comprehensive basis which excludes OCI diluted earnings per share on net income were $0.21 for the quarter as compared to the $0.17 for the same period last year.

In terms of balance sheet, as the result of the growth in our Brokerage business and the withdrawal of capital from our Market Making operation, regular and special dividend, Brokerage continuous to account for over two thirds of our balance sheet assets. From the year ago quarter, cash and securities segregated for customers rose 11%, and secured margin lending to customers rose 33%, while positions in securities held by our Market Maker units were pared back by 28%.

According to our announced policy, regular quarterly dividends will continue to reduce the capital employed in the market making segment unless higher profitability returns. Nevertheless, our balance sheet remains highly liquid with low leverage. We actively manage our excess liquidity and we maintain significant borrowing facilities through these securities lending markets and with banks.

As a general practice, we hold an amount of cash on hand that provides us with a buffer should we need immediately available funds for any reasons. We also continue to maintain, over, well over $2 billion in excess regulatory capital in our broker dealer companies around the world. Our long term debt at June 30th remained at zero and at June 30th our consolidated equity capital was $4.90 billion.

Segment operating results are summarized in the earnings release and of course will be more fully detailed in our quarter 10-Q report. So I will just highlight the noteworthy items, beginning with electronic brokerage. Customer trade volumes were up across all product types. Cleared customer options and futures contract volumes were up 26% and 23% respectively and stock share volume was up 54% from the year-ago quarter.

Customer accounts grew by 12% over the total of June 30, 2012 and by 3% in the latest quarter. Total customer DARTs were 506,000, up 19% from the year-ago quarter and 9% from the first quarter of 2013. And our cleared customers DARTs which generate direct revenues for the Brokerage business were 463,000, up 16% on the year-ago quarter and 10% sequentially.

The average number of DARTs per account on an annualized basis was 526, up 4% from the 2012 period and 6% sequentially.

Commission revenue rose on our product mix that featured larger average trade sizes and futures and stocks and slightly smaller in options. This resulted in an overall average cleared commission per DART of $4.50 for the quarter, 8% higher than the year-ago quarter, but down 2% sequentially. These numbers reflect our success in attracting institutional customers who tend to trade in larger sizes.

Customer equity grew to $37.4 billion, up 31% from June 30, 2012 and up 5% sequentially. These changes took place during periods in which the S&P 500 Index rose 18% over the past year and 2% over the last quarter. The source of this growth continues to be a steady inflow of new accounts and customer deposits. In addition, our favorable financing rates have allowed us to attract customer margin borrowings. After falling to lows in the fourth quarter of 2011, margin debits have been building steadily to $11.2 billion, 32% over the quarter end level a year ago.

Customer credit balances, which increased 23% over the year-ago quarter also continue to grow progressively, though spread compression, especially in certain foreign currencies persist in restraining interest income. Higher options and futures trade volume resulted in top line revenue from commissions and execution fees of $138 million, an increase of 28% from the year-ago quarter and 15 % sequentially. These revenues are spread mainly across options, future stock and foreign exchange.

Net interest income rose to $58 million, up 27% from the second quarter of 2012 and 8% sequentially. Low benchmark interest rates, which continue to compress the spreads earned by our Brokerage units, have been offset by steadily higher customer credit balances in each successive period, and our aggressive lending rates have boosted customer margin borrowing.

Our fully paid stock yield enhancement program continues to provide an additional source of interest revenue that is shared with our participating customers. Keeping pace with the increase in commission revenue net interest income as a percentage of net revenue held steady at 27%.

With the growing customer asset base, we believe we are well positioned to benefit from a rise in interest rates. Based on current balances we estimate that a general rise in overnight interest rates of 25 basis points would produce an additional $50 million in net interest income annually. The next 25 basis points would yield about $40 million additional and thereafter the increases would be less due to the fact that our rates are pegged to market benchmarks.

Execution and clearing fees expenses increased to $41 million for the quarter, up 13% from the year-ago quarter and 12% sequentially in line with volume increases. Fixed expenses increased $49 million, up 7% on the year ago quarter primarily due to the higher software development related expenses. Pretax income from our Electronic Brokerage was $123 million for the second quarter, up 37% on the year ago quarter and 11% sequentially.

Turning now to Market Making, Market Making trade volume was up 14% from the prior year quarter, though mixed across the product types. Options contract volume was down 7% while futures contract volume and stock share volume were up 47% and 57% respectively. Trading gains from Market Making for the second quarter of 2013 were $59 million, down 31% on the year ago quarter. Currency translation effect negatively impacted second quarter's reported earnings by $43 million, a similar effect to the year ago quarter when reported earnings were reduced by $41 million.

Our overall equity is measured in US dollars which reduced by the strengthening of the US dollar against certain currencies. More specifically we measure the overall loss from our strategy of carrying our equity in proportion to the basket of currencies we call the GLOBAL to be about $75 million for the quarter. Because the $32 million translation loss is reported as Other Comprehensive Income this lead to the loss of $43 million to be included in reported earnings.

To summarize this, if we eliminated all currency effects, pre-tax income from Market Making for the second quarter of 2013 will be about $51 million.

Execution and clearing fees expenses decreased to $25 million for the quarter, down 20% on the year ago quarter, driven by a lower trading volumes in options. Fixed expenses were $35 million, down 4% from the year ago quarter primarily due to our devoting fewer software development resources to this segment.

And as pretax income from Market Making was $8 million for the quarter, down 68% from the year ago quarter. Taking into account the currency effect from each period, the year-over-year decrease in pretax income from Market Making would be 22%.

Now, I'll turn the call back over to the moderator, and we will take some questions.

Question-and-Answer Session

Operator

(Operator Instructions) And our first question comes from Rich Repetto from Sandler O'Neill

Richard Repetto - Sandler O'Neill

My first question is on Brokerage. So the interest rate sensitivity that you talked about Paul, with 25 basis points equaling $50 million, I calculate, you know on that 25 basis point increase you'd take somewhere around 20 basis points of that to get the $50 million? Is that - or can you give us sort of how the split would be on first and second increases?

Paul Brody

I can tell you in broad strokes; we take most of it on the first 25 because many currencies - a lot of holdings are in currencies with low interest rate like the dollar right now. As a result the credit rate to the customers is generally zero in those currencies, and hence as the rate drives the first 25 basis points we capture most or all of that. As the rate continues to rise, if you look at our website for example, it will show you that we base our credit interest to our customers on the benchmark rate minus some spread at 50 basis points. So while we will capture most of it, at some points we cease to capture all of it, and then we are pegged in the spread - 50 basis points spread environment.

The only other thing I would add to that is that in some currencies like Australian Dollar or Canadian Dollar, the interest rates are already higher so as rates go up we may earn more but we also pay more immediately to those customers.

Richard Repetto - Sandler O'Neill

Got it, that's helpful, thank you. And then on the Brokerage, so you allocated, looks like around 300,000 more capital to the broker and I am just wondering why you would like the margin loan balances stayed pretty flat up slightly, I am just trying to understand the capital - the Brokerage part of the capital allocation strategy here.

Thomas Peterffy

We do not allocate capital. The capital ends up in the segment where it is earned.

Richard Repetto - Sandler O'Neill

Got it, that makes sense. And then the last question, so obviously this is a question you are going to get - everybody else can ask you too. But on the Market Maker so if you have seen, I calculated somewhere capital declining because of the dividend and so forth, about 8% quarter-to-quarter, down 230,000. So I guess the question is…

Thomas Peterffy

230, what are you saying 230,000?

Richard Repetto - Sandler O'Neill

The capital was, if you just look on page one of your earnings release there is…

Thomas Peterffy

You mean 2.3 billion?

Richard Repetto - Sandler O'Neill

Well, it's 2.6, you had 4.9 in total equity, and 2.3 to the broker, that leaves 2.6.

Thomas Peterffy

Right.

Richard Repetto - Sandler O'Neill

Last quarter it was 2.83. So rough numbers and it's probably rounding issues but down about 230,000 quarter-to-quarter

Thomas Peterffy

$230 million.

Richard Repetto - Sandler O'Neill

Excuse me, $230 million, my mistake; you're absolutely right, $230 million. So I guess the question is if that's about an 8% decrease or around there, quarter-to-quarter, at what level - and we know we have been very, it has been important to keep the Market Maker over capitalized. I gave the number that $2 billion in excess capital for the Brokerage in the BD, but the question is, at what level does it become you can't sustain, I don't think you can go down to $200 million or $500 million. At what level, do you have to say the Market Maker should no longer operate because the capital level is too low?

Thomas Peterffy

Right. As I said in my prepared remarks that we are shrinking the number of products, and the number of exchanges that we are making market. So as those products decrease, the required capital decreases. So basically we could be making, we could maintain the Market Maker on a few hundred million dollar worth of capital, on a very limited number of products.

Richard Repetto - Sandler O'Neill

And so that would be like that would be the strategy then just to continue this slow decline in capital rather than at some point say enough and return capital to shareholders and cease operating…

Thomas Peterffy

Unless something unusual happens that is what we have been doing, and that is what we are going to continue to do. If suddenly there are great opportunities we can imagine two things; taking some capital from the broker and put in the Market Maker. And if it really becomes a hopeless situation then we could take all the money out of the Market Maker, right?

Richard Repetto - Sandler O'Neill

Understood, I got it. Thank you, and sorry about the mistake on the units there on the capital.

Operator

Thank you. And our next question comes from Sean Brown from Teton Capital

Sean Brown - Teton Capital

Yeah, hey guys, congratulation on the very good quarter. I just had a quick housekeeping question around the share count here at IBG Inc level. I saw that it's up some from Q1 maybe about like 1.4 million shares. I know that share grants are sort lumpy there, and I am just wondering is that from share grants or is that from people I guess transferring or converting their IBG holding stock over their Inc. level.

Paul Brody

So Sean, it's the former. In our stock incentive plan there is the vesting period over six and a half years, and the vesting occurs every May which is we would agree in the second quarter, so every second quarter you are going to see the effect of shares vesting and becoming part of the public flow.

Sean Brown - Teton Capital

Got it. So it was basically restricted stock before and now it's just common stock?

Paul Brody

It was restricted stock units inside the stock incentive plan, which have vested and become common stock, that's exactly right.

Operator

Thank you. Our next question comes from Mac Sykes from Gabelli & Company.

Macrae Sykes – Gabelli & Company

Hello, good afternoon gentlemen. I was wondering Thomas if you could comment on brokerage markets outside the U.S., where you are most optimistic about the firm's positioning.

Thomas Peterffy

As far as the distribution, our brokerage accounts have grown most in Asia and secondarily in the United States.

Macrae Sykes – Gabelli & Company

So then you've done a terrific job with the brokerage balances and you talked about the margin rates. I was just curious as to what the inputs really are for your customers in terms of maintaining the margin balances, i.e. what's the risk of decreased balances. I mean are they more sensitive to the market declines, volatility, perhaps higher interest rates, competitive aspects, I just wanted to try and figure out so what are the sticky…

Thomas Peterffy

We did find when the market fell that balances have come down and then as the market rises they, it tends to, balances tend to rise again. I would think that the more people come, you see many people do not believe that we really only charge what we charge. So the more people come to believe that I expect that these balances are going to rise.

Operator

Thank you. And our next question comes from Niamh Alexander from KBW.

Niamh Alexander – KBW

If I could stick on the broker piece and Thomas or Paul, can you share with me what the strategy is for the institutional client group at the broker because it seems like it's growing and you gave us the order in which you are growing clients but can you help me understand how you are selling to that group, how you are marketing to that group and what if anything has changed in your marketing strategy there for that group?

Thomas Peterffy

Well, not a lot has changed. We are obviously - you see we are product driven. So we always start with product development and then we train our sales force to understand what the new aspects of the product are, and then they go out and try to push that product. So instead of being marketing driven, we are product driven and maybe that doesn't work as well in the institutional marketplace as it has worked in other things that we have done. But believe me we are working at it very hard.

Niamh Alexander – KBW

No signs of you hiring a few Wall Street sales people then there.

Thomas Peterffy

Sorry.

Niamh Alexander – KBW

You might like to hire a few Wall Street sales people?

Thomas Peterffy

I don't want to get into the issue of multi-million dollar compensations…

Niamh Alexander – KBW

Okay.

Thomas Peterffy

…of sales people. I don't like the taste of it and I do not like the potential repercussions.

Niamh Alexander – KBW

Okay, okay. So it's kind of, is this the same as you have been doing before, it's kind of build the platform and let it sell as it were, recommendations and going so forth from there. And also can I go back to one of your comments on the Market Maker because clearly you are making money in the Market Maker and then you are kind of trying to lay out and articulate the strategy. But you did make a comment about potential opportunities with capital changes for banks and what not because some of your biggest competitors in the market making space are the banks. And do you see an opportunity there or if some of them have to start reallocating capital, is that one of the reasons that you are kind of doing this at a slower pace.

Thomas Peterffy

So yes, in the market making space some of our biggest competitors are banks. And I think that the returns as we so well demonstrate are not so very big in market making in exchange traded product. And I assume that if capital would become more dear to them then they would consider maybe leaving that business.

Secondarily, some of the smaller market makers use the same banks as clearing organizations. And the banks take capital hits on the loan they make with these market makers. So if they had to raise those interest rates then maybe those market makers will leave the business.

Niamh Alexander – KBW

Okay, so I guess that's maybe something that plays out over the next couple of years as opposed to couple of quarters but it’s something kind of it seems like you see this potential opportunity.

Thomas Peterffy

That's correct.

Niamh Alexander – KBW

Okay, fair, enough thank you. And then the only other thing just on the FX, I guess it does have quite a big impact on the volatility in the earnings that you’re reporting and kind of clouds all the strength in the Brokerage a little bit, so I am just wondering if it's worth may be reporting just non-GAAP earnings number that excludes FX on an ongoing basis. We could chat about that offline again.

Thomas Peterffy

I think she’s asking…could we report our earnings in GLOBALs?

Paul Brody

It would certainly be less volatile in GLOBAL. What we intend to do is show the various measures and leave it up to investors and analysts like yourself to determine which ones they want to follow but we do say that - we have been saying as a business philosophy we maintain our equity and this basket of currencies, and so you can view that as part of the core activity or not part of core activity.

Operator

(Operator Instructions)

Thomas Peterffy

Thank you, very much.

Deborah Liston

Thanks everyone for participating today. And just to remind you this call will be available for a replay on our website, and we’ll also be posting a clean version of the transcript on our website tomorrow as well. Thank again for your time and have a great evening.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This concludes our program. You may all disconnect and have a wonderful day.