Interactive Brokers Group's (IBKR)

Q3 2024 Results - Earnings Call Transcript

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Executives

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Milan Galik - President, CEO & Director

Paul Brody - CFO

Nancy Stuebe - Director, IR

Analysts

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James Yaro, *Goldman Sachs*

Daniel Fannon, *Jefferies*

Chris Allen, *Citi*

Brennan Hawken, *UBS*

Ben Budish, *Barclays*

Macrae Sykes*, GAMCO*

Operator

Good day and thank you for standing by. Welcome to Interactive Brokers Group Third Quarter 2024 earnings call. (Operator Instructions) I would now like to hand the conference over to your speaker today, Nancy Stuebe, Director of Investor Relations. Please go ahead.

Nancy Stuebe

Good afternoon, and thank you for joining us for our Third Quarter 2024 earnings call. Joining us today are Thomas Peterffy, our Founder and Chairman; Milan Galik, our President and CEO; and Paul Brody, our CFO. I will be presenting Milan's comments on the business, and all three will be available at our Q&A.

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

This quarter, the long-awaited interest rate cut in the US finally happened.

The market proceeded to rally on the news. The S&P 500 rose 5.5% this quarter, joining higher indexes in nearly every global market (save Japan), and following rate cuts in the UK, Canada, Europe and China.

For the industry as a whole, options contract volumes were up 12% over last year, reaching a new record and surpassing even the strong first quarter.

CME futures volumes were up 27% versus last year, also a record, as investors were eager to trade interest rate futures in particular, in order to wager on rate changes.

As for equities, overall US industry volumes were up versus last year, though down slightly from last quarter, as the “Magnificent Seven” lost some of their grip on US market performance. These stocks contributed just 12% of the S&P’s gain this quarter, versus 95% last quarter, with more than half of them down. However, as in prior recent quarters, it appears so far that investors are holding onto these positions and have not made changes like selling them to buy new names.

Against this industry backdrop, our options, futures and stock volumes were all up versus last year. Versus the second quarter, our volumes were up in futures and options, though in equities they were down slightly, as investors continue to gravitate towards higher-priced stocks so the notional value of equities traded rose.

We added 196,000 new accounts in the third quarter, behind only the meme stock days of the first quarter of 2021. New accounts meant more cash in those accounts, which helped raise our client credit balances 19% to a record $116.7 billion. Margin loans were up 28% from last year, and our client equity was up 46% to $541.5 billion, the first time we ended a quarter with over half a trillion dollars.

Rising markets and the anticipation of lower rates continue to lead clients to feel more comfortable taking on risk, so in addition to taking on more leverage using margin loans, they also took on more assertive positions, which increased our exposure fee revenue.

Active markets yielded strong financial results. Both commission revenue and net interest income reached records, as did total net revenues. We maintained our focus on expenses, meaning our pretax income also reached a record, and both our reported and adjusted pretax profit margins were an industry-leading 72%.

Broken down by geography, our accounts and client equity once again grew fastest in Europe and Asia, as growing numbers of investors worldwide want access to international, and particularly US, markets.

Of our five client segments, the fastest account growth was again seen with individuals, with introducing brokers and proprietary traders not far behind. On the client equity side, financial advisors once again grew the fastest, followed by i-brokers and individuals.

Commission growth was fastest for our proprietary traders, while net interest income growth was led by individuals, followed by financial advisors.

At the company level, we experienced another productive quarter.

On August 1st, the previously-announced merger of IB Central Europe and IB Ireland was completed. As a result, all of our EEA clients can benefit equally from an expanded offering of products and services. The up-front cost of this consolidation was $12 million, which is reflected in our G&A expense. Going forward, assuming today's level of business and regulatory fees, we expect annual savings of $7 million from having only one European brokerage business and one regulator to report to.

- On September 1st, we opened a licensed office in Dubai, solidifying our presence in the Middle East region.
- We launched trading in both equities and futures on Bursa Malaysia this quarter.
- We have expanded our offerings to include 22-hour-a-day trading in US Treasuries, European government bonds, UK Gilts and Swiss franc-denominated corporate and sovereign bonds.
- In addition to over 10,000 US stocks, ETFs, and equity index options, non-US clients can now also trade Contracts for Difference or CFDs on more than 3,500 US stocks and ETFs during overnight hours.
- We upgraded our API functionality to provide new introducing broker clients with faster and easier integration. Rather than relying on multiple separate code libraries, our partners can now access our extensive range of services through a single, unified interface.
- In our IBKR ATS, for several years now we have operated an options crossing session, in which we seek opposite-side liquidity for marketable orders in U.S. options, providing customers the opportunity for price-improvement. We have now added the same functionality for customer U.S. options orders priced inside the NBBO.

  When we succeed in pairing these "tweener" orders with liquidity in our ATS, the customer benefits by obtaining a guaranteed fill on their non-marketable order as well as the opportunity for further price-improvement in an on-exchange price improvement auction.

  We have seen excellent participation by our liquidity providers in this program, and our customers who place non-marketable orders in US listed options are seeing substantial, meaningful benefits as a result. We believe this further demonstrates and enhances our position as the premier broker for options trading.

- And finally, we launched ForecastEx, our forecast contract exchange, on August 1st. After a two-and-a-half-year approval process, we received the green light from the CFTC and are looking forward to seeing its performance. Investors can now buy ‘yes’ and ‘no’ contracts on the outcome of events that were previously unavailable for direct investment or hedging. Whether it's the release of key economic data, results of US elections or long-term developments like future global temperatures or the size of US national debt, investors can manage exposure or hedge their existing positions. And to ensure it is easy for interested liquidity providers to connect with us, we have both FIX and RestfulAPI connectivity ready for them.

Together with the Interactive Brokers team, I look forward to continuing the work on the many projects we have lined up. Much is planned for the quarters ahead. Our pipeline of new business and new initiatives remains healthy, and we look forward to sharing the results with you as we introduce them.

With that, I will turn the call over to Paul Brody. Paul?

Paul Brody

Thank you, Nancy. Thanks, everyone, for joining the call today.

We'll start with our revenue items on Page 3 of the release. We are pleased with our financial results this quarter, as we again produced record net revenues and pretax income.

Commissions rose to a record $435 million. This quarter, both options and futures volumes reached new quarterly highs, as we saw active customers across global regions participate in the markets.

Net interest income also reached a quarterly record of $802 million, despite rate cuts in several countries, including the full impact of 2nd quarter cuts in Europe, Canada and Switzerland, and partial-quarter impacts of 3rd quarter cuts in those countries as well as in the US, UK and Hong Kong. A continued risk-on environment in the quarter led to a significant increase in margin borrowing, and strong account growth led to increases in our segregated cash portfolio. These increases were partially offset by the interest paid to our customers on their cash balances. Interactive Brokers pays clients holding US dollars the benchmark Fed funds rate less 50 basis points on their qualified funds, which makes us attractive compared to other brokers and banks, and competitive with money market funds. And as a truly global broker, we pay similarly competitive rates on qualified balances in 20 other currencies.

Other fees and services generated $72 million, up 38% from the prior year, driven by the continued risk-on positioning of customers, which is reflected in an increase in risk exposure fees, with contributions also from payments for order flow from options exchange-mandated programs and FDIC sweep fees as well.

Other income includes gains and losses on our investments, our currency diversification strategy and principal transactions. Note that several of these are non-core items and, therefore, are excluded in our adjusted earnings. Without these excluded items, Other income was an $18 million gain for the quarter.

Turning to expenses, Execution, Clearing and Distribution costs were $116 million in the quarter, up 18% over the year-ago quarter predominantly from higher regulatory fees that were introduced by the SEC earlier this year. The SEC fee is a pass-through to customers, so it does not impact our profitability.

As a percent of commission revenues, Execution & Clearing costs were 21% in the 3rd quarter for a Gross Transactional Profit margin of 79%. We calculate this by excluding from "Execution, Clearing and Distribution" $21 million of non-transaction-based costs, mainly market data fees, which do not have a direct commission revenue component.

Compensation & Benefits expense was $145 million for the quarter, for a ratio of Compensation expense to Adjusted Net Revenues of 11%, similar to last year's quarter. We remain focused on expense discipline while targeting specific functions to grow the business. Inside our year-over-year staff increase of only 1% we had good success in hiring talented software developers, and partially offsetting that we reduced Compliance staff as we went into full operational mode with our in-house developed Compliance system. Our headcount at September 30th was 2,969.

G&A expenses were $75 million, up from the year-ago quarter, led by a one-time expense to consolidate our European operations and expenses related to legal and regulatory matters. Excluding these items, G&A was up $9 million to $51 million, primarily on higher advertising expense.

Our pretax margin was 72% for the quarter both as reported and as adjusted.

Income Taxes of $80 million reflects the sum of the public company's $45 million and the operating companies' $35 million. The public company's effective tax rate was 18.4%, within its usual range.

Moving to our balance sheet on page 5 of the release, our total assets ended the quarter 23% higher than the prior year quarter at $148 billion, driven by strong growth in margin lending. New account growth also helped propel our customer credit balances by 19% to a new record level. And we believe that our strong financial standing and competitive interest rates provide customers with an attractive place to hold their idle cash.

We continue to have no long-term debt.

And healthy profitability drove our 21% increase in firm equity over the prior year quarter and, in recognition of this growth, we allocated capital to a dividend increase last quarter. We maintain a balance sheet geared towards supporting growth in our existing business and helping us win new business by demonstrating our strength to prospective clients and partners.

In our operating data, on pages 6 and 7, we had record customer contract volume in both options and futures. In options, our contract volumes rose 35% over the prior-year quarter, well above industry growth, and futures contract volumes rose by 13%. Stock share volumes rose by 22%, also above industry growth.

Stock share volume generally increased versus last year as clients in our largest markets gravitated to larger, higher quality names, and trading relatively less in pink sheet and other very low-priced stocks. Growth in the notional dollar value of shares traded well-outpaced the growth in share volumes.

On page 7, you can see that Total Customer DARTs were 2.7 million trades per day, up 42% from the prior year. Commission per Cleared Commissionable Order of $2.83 was down from last year, primarily due to smaller average order sizes across all product classes, which was more than compensated by stronger volumes.

Turning to Net Interest Income on page 8.

Total GAAP net interest income was $802 million for the quarter, up 9% on the prior year, while our NIM net interest income was $826 million, or $24 million higher. In the NIM computation, we include some income that is classified as Other Fees or Other Income on our income statement, but we believe is more appropriately considered interest.

Our Net Interest Income reflects strength in margin loan and segregated cash interest, partially offset by higher interest expense on customer cash balances.

Several central banks made cuts to their benchmark rates this quarter. The US, UK and Hong Kong cut for the first time since early 2020; while Europe, Switzerland and Canada cut their rates both this quarter and last.

Reflecting relatively flat benchmark rates year on year, our segregated cash interest income rose 5% on a 6% increase in average balances, while margin loan interest rose by 26% on a 28% increase in average balances.

The average duration of our US Treasury portfolio remains at less than 30 days. With the US dollar yield curve continuing to be inverted, except in the very near term, we have been maximizing what we earn by focusing on higher short-term yields, rather than accept the significantly lower yields of longer maturities. This strategy allows us to maintain a relatively tight maturity match between our assets and liabilities, and positions us to be nimble if the yield curve does revert.

Securities lending net interest has not been as strong as in prior quarters for three main reasons:

- First, an extremely strong stock market with a backdrop of a falling rate environment coincides with a smaller proportion of clients looking to put on shorts.
- Second, there are fewer “hard to borrow” names industry-wide, not only because the overall market is rising sharply, but also due to weakness in some of the drivers relevant to securities lending, including IPOs, low market volatility, and merger & acquisition activity. So even though the notional value of what we are lending was higher than last year’s quarter, overall industry average lending rates are lower.
- Finally, as noted on previous calls, higher average interest rates versus prior year periods means more of what we earn from securities lending is classified as interest on “segregated cash”. To more accurately reflect all the income we earn from our securities lending business, we estimate that if the additional interest earned and paid on cash collateral were included under “Securities Borrowed and Loaned”, then total net revenue related to our securities lending business would have been about $156 million; versus $181 million in the year-ago quarter. This additional revenue would be reclassified from the line items “interest earned on segregated cash” and “interest paid on customer credit balances”, so overall it would have no effect on our Net Interest Margin.

Interest on Customer Credit Balances, the interest we pay to our customers on the cash in their accounts, rose on higher balances from new account growth. As we have noted in the past, the high interest rates we pay on customer cash – currently 4.33% on qualified US dollar balances - is a significant attraction to new customers.

Fully rate-sensitive customer balances were $19.5 billion this quarter, versus $17.1 billion in the year ago quarter. Together with firm equity, most of which consists of interest-earning assets, total fully rate-sensitive balances were $33.6 billion.

Now, for our estimates of the impact of changes in rates. Given market expectations of further rate cuts in the future, we estimate the effect of a 25-basis point decrease in the benchmark Fed Funds rate to be a $64 million reduction in annual net interest income.

Note that our starting point for this estimate is September 30th, with the Fed Funds effective rate at 4.83%, and balances as of that date. Any growth in our balance sheet and interest-earning assets would reduce this impact.

About 24% of our customer cash balances is not in US dollars, so estimates of a US rate change exclude those currencies. We estimate the effect of decreases in all the relevant non-USD benchmark rates would reduce annual net interest income by $18 million for each 25-basis point decrease in those benchmarks.

At a high level, a full 1% decrease in all benchmark rates would decrease our annual net interest income by $328 million. This takes into account rate-sensitive customer balances and firm equity.

In conclusion, we posted another financially strong quarter in net revenues and pretax margin, reflecting our continued ability to grow our customer base and deliver on our core value proposition to customers while scaling the business. Our business strategy continues to be effective: Automating as much of the brokerage business as possible, continuously improving and expanding what we offer while minimizing what we charge.

With that, we will open up the line for questions.

Question and Answer Session

Operator

(Operator Instructions) Our first question comes from Patrick Moley from Piper Sandler.

Patrick Moley

I just had one on the US election forecast contracts that you mentioned in your prepared remarks, launched on October 3rd. About 4 days after launch, you issued a press release saying you already done about a million contracts.in So, I was hoping you can maybe just provide some color on how these contracts are being utilized? Where the volumes have come from up to this point— is it new accounts? Is it existing accounts? And then if you can maybe just help us understand how you're thinking about the opportunity from a new account acquisition standpoint, given you're – I think one of the only brokers out there that currently offers these contracts?

Milan Galik

We launched ForecastEx on August 1st. We added the political events on fourth of October. We've seen around 800 clients trading so far. The volume up to yesterday was around $6 million. Most of it is in the election contracts. So, the election political contracts are what currently resonates with our clientele.

It should be noted that the political contracts can only be traded by the US clients, there is a regulation speaking to that. And generally, the rest of the contracts are offered by Interactive Brokers LLC clients to LLC clients and Hong Kong clients.

In other words, the functionality is not yet fully available worldwide. There are some regulatory approvals that are needed, for example, in Europe. As to who is trading this, we did not look at whether it's new accounts or the old accounts. We were very excited that the judge decided in favor of listing the political contracts on ForecastEx and similar platforms. We hope that the political contracts will attract new clients to our platform.

Patrick Moley

Just a follow-up on the competitive landscape in US retail trading. A large mobile-based competitor of yours plans to launch index options in the fourth quarter. They've said that they are planning to introduce those contracts at a lower price point than many of the incumbents. So, understanding that nothing has been announced up to this point specifically on where they're going to be priced. Just wanted to get your thoughts on whether you think this is going to create any sort of pricing pressure on index options across the industry and how you think it might just impact the overall, I guess, competitive landscape for index options.

Milan Galik

Well, we will have to see how they're going to be pricing the index options. Index options have, in prior years, been mostly traded by professionals and sophisticated traders. More recently, a large amount of volume was attracted to the zero-day options— a more diverse clientele started trading this. It's difficult for me to estimate the impact, given that they haven't yet gone out and they did not announce the pricing either.

Operator

Our next question comes from James Yaro from Goldman Sachs.

James Yaro

I do think there's a lot of optimism among investors on the ForecastEx business. So maybe, Milan, if you could just speak to the time frame over which you expect this to reach scale and actually have a material impact on your results—I'll let you define materiality, however you'd like. And then just in terms of whether there's any market risk to your balance sheet from these contracts? Obviously, they're different than equities or options that we're all familiar with. And then if so, how you might hedge them?

Thomas Peterffy

So, look, this has been my baby for a long time—this ForecastEx thing. And when it will reach scale, I think it will reach scale later this year. Namely in the last few days of the election, we expect that it will really pick up. We have some other interest coming into ForecastEx. And so, that's where we are with it. We're extremely excited about it.

And the election— we look at the election thing as a very lucky circumstance because there is so much interest in it, that it will draw in other people who then will be customers for the economic and climate contracts. And that is what is really going to be our long-term focus with

ForecastEx— the economic indicators and the climate contracts. The elections are just a lucky interlude now.

James Yaro

Maybe just on the RIA channel, which I do think has taken a leg higher in terms of growth. And it appears you are adding larger RIAs than historically. Could you just speak to the growth trajectory in that channel and whether the client base you are adding is different than in the past?

Milan Galik

Well, we were hoping to see more financial advisers would come to our platform, as the platform is getting better and better. And a lot of clients are currently on Schwab's platform, as we all know, Schwab is not paying a lot of interest on uninvested cash. So, we had a lot of hopes for the accounts to come in. Some of them came over, not as many as we would like.

What I can tell you is that we are continuously working on the improvements to the RIA platform. If everything goes well, we're going to be announcing something new in this quarter— this coming quarter, if things slow down, maybe the following one. There is going to be a new and exciting functionality coming online, and we are hopeful that it's going to translate into more RIAs on our platform.

Operator

Our next question comes from Dan Fannon from Jefferies LLC.

Daniel Fannon

I think one of the comments you mentioned were that new accounts were coming on with more cash than previously. So, I was hoping you could talk about the makeup of those accounts today versus, say, a year ago? And what might— what are some of the different characteristics that might be?

Milan Galik

Paul, would you like to take this one? I think this was your comment.

Paul Brody

Well, it was more of a general comment that new accounts always bring more cash. I don't think that we're seeing— there's a distinction in the character of those accounts. If there's something illuminating there, it's which client segment— at what rate they're growing and we said individuals are growing the fastest, followed by the advisers and the introducing brokers.

Thomas Peterffy

Prop traders are the second most lucrative segment. And we do have more and more prop traders coming in, and they are the ones that have more cash in their accounts than individual traders certainly.

Paul Brody

And they certainly generate more volume.

Daniel Fannon

Just as a follow-up, Paul, maybe just as you think about expenses, some onetime items in G&A maybe into the fourth quarter? And as you think about next year and budgeting, given the strength in account growth, how should we think about the flow-through from a marketing perspective or rather more discretionary type expenses on a more annual basis?

Paul Brody

I think Milan can address the marketing and advertising perhaps. On the rest, we try to point out the onetime expenses so that they can be dropped out when giving you a better picture of the run rates, but nothing else extraordinary.

Milan Galik

Well, for marketing our aim is to be increasing the spend approximately 20% a year. We are continuously monitoring the various marketing channels we have been utilizing over time. When a particular ad on a particular channel does better, we spend more money. If it does less well, we decrease the expenditure. But going forward, that is roughly the expectations, 20% annual increase on the marketing spend.

Operator

Our next question comes from Chris Allen from Citi.

Chris Allen

I wanted to talk a little bit about trading activity per account. When you look over the years, it's been consistently coming in, but this year, it's stabilized and actually improved a little bit. And I'm guessing some of that is due to mix shift from a client perspective, as you alluded to, prop accounts are seeing positive inflows. Wondering if that's a factor and/or increased hedge fund activity and how you're thinking about that moving forward?

Milan Galik

Well, if we look at the prop trading accounts, their commissions— the commissions that they generate increased faster than any other segments generated commission, either individual accounts or even hedge funds. So that is the reason I think you see some stabilization. Previous years, what we've been seeing is, as a lot of accounts arrived from, for example, i-brokers, they were trading a little less than the professional and active traders who we prefer.

Chris Allen

When we're thinking about just the revenue outlook moving forward, the big push-back on the stock is that NII will be declining in a lower rate environment. How are you thinking about the offsets here in terms of increased margin balances, trading activity? Anything else that we should be conceptualizing in a lower rate environment moving forward?

Milan Galik

Well, there is a predictable hit the net interest income is going to take on the interest that we earn on the uninvested cash. We alluded to the size of that effect. What we can though expect is the offset that we're going to receive from new accounts that continue to arrive to our platform and the new free cash that is coming in as well. So, there is going to be a tug of war, if you will, between these two effects if we see further decreases in the interest rates; but we are optimistic going forward about the account growth. So, we are not too worried about that.

As far as the commissions are concerned, that obviously to an extent, depends on how busy the markets are, whether there is volatility present or not. But given that we have been, over years, attracting accounts from various segments, including the hedge funds, including the prop traders who trade for a living, we expect continued healthy commission income.

Operator

Our next question comes from Brennan Hawken from UBS

Brennan Hawken

During the quarter, we saw Chinese stimulus announced. Curious to hear what impacts you've seen on customers, either within China or whether or not there's been a broader impact across the region of Asia?

Milan Galik

Well, the stimulus that was announced by the Chinese government is a relatively recent phenomenon. I think it happened towards the end of September— maybe last week of September. We then all witnessed the very sudden run-up in the prices of the Chinese securities and Chinese indexes which since then has somewhat subsided. So, I do not have information as to what exactly it meant in terms of the incoming accounts. We can comment on that next time we meet three months from now.

Brennan Hawken

The legal and regulatory charge, is there any color that you can give on that was related to?

Milan Galik

Sorry, which regulatory charge?

Brennan Hawken

The $9 million legal and regulatory charge that you took in G&A?

Paul Brody

So that's— every quarter, we make an evaluation of open cases and so forth, and we have to make— we make reserves accordingly, when we can determine that they're probable and estimable. So, it's not out of the ordinary, but it was large enough to make an impact on the overall G&A.

Milan Galik

Just like any other financial company that is regulated by multiple regulators— is continuously scrutinized by regulators. There are constant sweeps. They are specific investigations of individual companies. We are dealing with those on a frequent basis. Our legal department advises us if they feel that an increase in the legal reserve is appropriate. That is what they did this quarter, so we have increased the reserve.

Operator

Our next question comes from Benjamin Budish from Barclays.

Ben Budish

I wanted to follow up on one of your earlier comments on ForecastEx. You mentioned that it is largely available in the US right now. So maybe a two-parter. What would the path be to making contracts like the election contracts available outside the US. And I'm curious, what are your thoughts on providing a similar type of product locally in many of the countries in which you operate? I know the kind of value proposition that you talk about is the ability to access the US markets, in particular. But I imagine this is the sort of thing that a lot of investors would be potentially interested in for the local market. So curious what that path could look like if you see it as one that might be feasible.

Thomas Peterffy

So, we are not currently able to activate this for European or British customers, and we are also not able to onboard Canadian customers at this time. But we are— with the regulators in all these places, and we're trying to get them, not necessarily for the election contracts, but for the regular economic indicator and climate indicator contracts. And we are, of course, hoping to eventually expand that to sort of social trends.

The issue here with these contracts is that we need an arbiter that is an uncorruptible arbiter. So namely, it has to be a state-regulated agency that publishes the results. So, nobody can claim that the results are manipulated or something like that.

Ben Budish

One other follow-up on an earlier comment. You mentioned that you're opening up a new office in Dubai. Could you maybe talk a little bit about your plans for the region? Is this perhaps related to going after a broader introducing broker opportunity? Is it about seeking out large wealthy traders, hedge funds in the regions? What are your sort of plans to do there?

Milan Galik

Well, we're trying to attract the more sophisticated accounts, maybe hedge funds, maybe investors with accounts of significant size. Dubai, as we can read in the news, is a very hot place nowadays, a lot of expats coming in from various countries in the world. So, we have some optimistic expectations as to how we're going to do with that office.

Operator

Our next question comes from Macrae Sykes from GAMCO.

Macrae Sykes

I actually had just two, but I'll lump them together. We've been through a few election cycles with the platform. I was curious if you could talk about some of the dynamics in trading before and after major general elections. Would you expect anything different this cycle? And then assuming after a four-year drought of IPOs, we do start to get a little more constructive capital markets activity in '25, how would that impact some of the segments and trading dynamics on the platform?

Milan Galik

I think we can expect increased volatility, especially as we approach the election date. I don't know whether you remember the volatility that we we've seen in the previous elections; I think very similar circumstances will be observed this time around— so higher volumes, higher volatility, that is what I would expect. And I'm sorry, what was your second question?

Macrae Sykes

Assuming we get a more constructive IPO market next year, how does that affect some of the trading dynamics with some of the different segments, institutional versus retail?

Milan Galik

Well, what it means for us is we participate in the IPO market in Asia. Just today, I've read some news that a Chinese company is applying for listing on the Hong Kong market. So as that IPO activity picks up, we expect to earn some fees resulting from these new listings. That's going to have an impact on our results.

IPOs are always hot when they get listed, investors are interested in participating in trading them on day one. That is when our platform is ready for trading them— on day one. So that is going to generate some volumes and some increased interest as well.

Paul Brody

We also usually see securities lending opportunities go up around those IPOs and we make those available as well.

Operator

Our next question comes from James Yaro from Goldman Sachs.

James Yaro

Thomas, the stock has appreciated very substantially this year, but I don't believe that you have returned to selling stock. Maybe you could just speak to the key considerations as you think about whether you might return to selling?

Thomas Peterffy

To the extent if I get some large bidders, I may offer them stock. But I'm not about to go and sell into the market because when the news hits the market, the stock tanks, then I'm not getting the price I'd like to get.

Operator

I'm showing no further questions. I would now like to turn the call back over to Nancy Stuebe for closing remarks.

Nancy Stuebe

Thank you, everyone, for participating today. As a reminder, this call will be available for replay on our website, and we will also be posting a clean version of our transcript on the site tomorrow. Thanks again, and we will talk to you next quarter end.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.