Interactive Brokers Group's (IBKR)

Q4 2024 Results - Earnings Call Transcript

January 21, 2025 4:30 PM ET

<u>Executives</u>

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Milan Galik - President, CEO & Director

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Ben Budish, *Barclays*

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Daniel Fannon, *Jefferies*

Patrick Moley, *Piper Sandler*

Chris Allen, *Citi*

Kyle Voigt, *KBW*

<u>Operator</u>

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

<u>Nancy Stuebe</u>

Good afternoon, and thank you for joining us for our Fourth 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.

In the fourth quarter, Interactive Brokers clearly demonstrated the power and leverage of a diversified, fully automated global platform.

The international interest in securities markets continues. We added 775 thousand accounts in 2024, a record number of annual adds. 217 thousand came on board in the fourth quarter alone. Our client equity was up 33% to $568 billion, an increase of $142 billion from last year and the first time we finished a year with over half a trillion dollars.

Rising markets and the anticipation of lower rates led clients to actively trade securities, and to be comfortable taking on risk. In addition to increasing their exposure to various markets, they chose to take on more leverage using margin loans, and to take on more assertive positions, which increased our exposure fee revenue.

This translated into strength in our financials. Our quarterly pretax income was a record, reaching over $1 billion for the first time, while our GAAP pretax margin rose to 75% for the quarter. For the full year, we earned over $5 billion in net revenues for the first time and achieved a 71% pretax margin – by far, the highest in the brokerage industry.

Over the past several quarters, we have added multiple new products and enhancements worldwide. We have spent a great deal of time to understand the needs of our various client types.

For our Financial Advisor clients, we enhanced our Advisor Portal with features that improve portfolio management and client communication. We added a multi-stock tax loss harvesting tool that helps reduce clients' tax burdens. We added models and model rebalance tools that simplify applying consistent strategies across multiple accounts. We integrated a generative AI-powered "Commentary Builder" feature, which automates the creation of personalized performance summaries, and is integrated with our Portfolio Analyst tool, allowing FAs to generate reports showing clear, detailed portfolio data and commentary. To date, thousands of our users have generated commentaries. There will be more to come here in 2025.

For our clients who trade options, we have added 4 new liquidity providers to our options ATS, increasing its depth and capability to achieve better pricing. For our after-hours traders, our stock scanners now support price movement in the overnight trading session, so our clients can see top gainers/losers and other groupings during the session.

For international Individual accounts, we have previously introduced an alphabet soup of popular savings products like ISA accounts in the UK and TBSZ accounts in Hungary, and this year we added PEA accounts in France, and we are the first non-French broker to do so. More will be coming.

Broken down by geography, the majority of our accounts are based outside of the United States. To make it easier for prospective clients to come onboard, we have translated our account application into more languages, including French, Italian, Arabic, Hebrew and Hungarian, opening doors for investors who may not be as comfortable with English. Our application is now available in 13 languages, facilitating global outreach for potential customers.

By client geography, in the fourth quarter our accounts and client equity once again grew fastest in Asia, followed by Europe, as growing numbers of investors worldwide want access to international, and in particular, US markets.

Of our five client segments, the fastest account growth was again seen with Individuals, with introducing brokers a close second. On the client equity side, individuals again grew the fastest, followed by financial advisors and i-brokers.

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

Overall, we experienced another productive quarter.

- We launched trading on the Saudi Exchange, which follows our launch in Malaysia last quarter.
- We added IB algorithms for Hong Kong exchange options. As a note, we began offering cryptocurrencies in Hong Kong also this year, back in May.
- We have focused on making it easier for clients to fund accounts, and this quarter began to offer eDDA for Hong Kong dollars and offshore Chinese Yuan deposits, Open Banking for Euro deposits, and Plaid for Euro and British pound account funding.
- Our clients around the world, particularly younger ones, are used to the convenience of trading crypto 24/7, and will expect the same from other asset classes. We consider meeting these expectations vital. We already offer over 10,000 US stocks and ETFs during overnight hours, and in 2024 we expanded hours to 24/5 for corporate and government bonds in US dollar, Euro, British pound and Swiss-franc denominations and expanded them for US stock contracts-for-difference. This quarter, we also expanded our order types and introduced a new one called “Overnight + SMART” to specifically cover overnight trading hours.

  For other products like options and futures, which trade only on exchanges, we await only the willingness of the exchanges to extend trading hours. We will be ready when they are.
- There are at least 8 different regulatory projects we are programming for around the world, as the many numerous jurisdictions we operate in create, add to and update their regulations. We are on time or, more often, well ahead of schedule on all of them. Our close ties to over 20 very different regulatory regimes in multiple languages, and our ability to react to and program or re-program our systems to comply on a continuous

basis, is one of our advantages that we take extremely seriously, with employees on the ground and programmers dedicated to these tasks.

- And finally, a special note on ForecastEx. We created this exchange, which is regulated by the CFTC and allows trading on predictions that have measurable, third-party-verified outcomes. This is an entirely new asset class, one that provides a market-driven way to quantify real-world expectations on measures like economic, political and climate outcomes. Another significant broker now offers access to our exchange. We were ready with election trading when it became permissible but we believe the greater ambition – ForecastEx becoming the most accurate marketplace for predicting significant events – will occur over time.

Our pipeline of new business and new initiatives remains as strong as ever, and our product set clearly has resonated with people around the globe. We are not stopping here to rest on our achievements. We have many projects to work on, goals to achieve and - together with the Interactive Brokers team - we look forward to executing on them in 2025. We are eager to share our new products and enhancements as we introduce them.

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

Paul Brody

Thanks very much, Nancy. Thank you everybody for joining the call.

We're going to 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 for the quarter and also for the year.

Commission revenues rose to a record $477 million this quarter. For the full year, commissions were $1.7 billion, up 25% from last year. In 2024, we saw higher trading volumes across the major product categories, as well as 24% higher DARTs per account.

Net interest income also reached a quarterly record of $807 million and a yearly record of $3.1 billion, despite multiple rate cuts in nearly all the major currencies. A continued risk-on environment in the quarter led to a significant increase in margin borrowing; and strong net customer deposits led to higher segregated funds balances. These revenues were partially offset by the interest paid to our customers on their cash balances.

Other fees and services generated $81 million for the quarter and $280 million for the year, up 47% and 42% respectively. This was primarily driven by the continued risk-on positioning of customers, which has been reflected in rising risk exposure fees over the course of 2024; and to a lesser extent by both higher FDIC sweep fees and by higher payments for order flow from options exchange-mandated programs.

Other income includes gains and losses on our investments, our currency diversification strategy and principal transactions. The primary factor here was our previously-reported October sale of a portion of our interest in Tiger Brokers, which led to a one-time realized gain of $34 million. Together with a $10 million mark-to-market unrealized loss for the quarter, the Tiger investment contributed a net gain of $24 million to Other Income. Several of the items in this line are considered non-core and therefore excluded in our adjusted earnings. Without these excluded items, Other income was a $59 million gain for the quarter and $132 for the year.

Turning to expenses, Execution, Clearing and Distribution costs were $115 million in the quarter, and $447 million for the year, up versus last year due to higher trade volumes in stocks and options. Overall, commissions rose faster than execution costs, however, thanks to higher rebates earned from exchanges that pay for liquidity enhancing orders. Execution & Clearing costs were 19% of commission revenue in the 4th quarter, for a Gross Transactional Profit margin of 81%. 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 $138 million for the quarter, up slightly from the year-ago quarter. Due to the capitalization, rather than expensing, under GAAP of some software development this quarter, compensation expense is about $5 million lower than usual; adjustments of this nature may be made periodically. For the quarter, the ratio of compensation expense to net revenues was 10% and would have been 10.3% had that $5 million of capitalized software been included as comp expense. For the year, this ratio was 11%, down from 12% in 2023.

Our headcount at December 31st was 2,998, up 2% for the year.

G&A expenses were $59 million, up from the year-ago quarter. For the full year, G&A was $314 million, up 49%, primarily due to a one-time litigation expense in the 3rd quarter. Excluding this, G&A for the year was $236 million, up 12% primarily on higher advertising expense.

Our pretax margin was a record 75% for the quarter as reported and 76% as adjusted.

Income Taxes of $71 million reflects the sum of the public company's $34 million and the operating companies' $37 million. The public company's effective tax rate was 14%, below its typical range primarily due to a benefit from the annual revaluation of our Deferred Tax Asset.

Moving to our balance sheet on page 5 of the Release, our total assets ended the year 17% higher than last year at $150 billion, driven by strong growth in margin lending. New account growth also helped propel our customer credit balances by 14% to a new record level. We believe that our strong financial standing and competitive interest rates provide customers with an attractive place to hold their uninvested cash.

We continue to have no long-term debt.

Healthy profitability drove our firm equity up 18% to $16.6 billion. In recognition of this growth, we allocated capital to a dividend increase in the 2nd quarter of 2024. 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 volume in options, with our contract volumes up 32% over the prior-year, and also up 32% for the full year, well ahead of industry volumes. Futures contract volumes declined 3% for the quarter, but rose 4% for the full year; while stock share volumes rose 65% for the quarter and 22% for the full year.

Stock share volume generally increased versus last year as clients gravitated to larger, higher quality names, and traded relatively less in pink sheet and some other very low-priced stocks. Growth in the notional dollar value of shares traded in the quarter was about even with the growth in our share volumes overall.

On page 7, you can see that total Customer DARTs were 3.1 million trades per day in the quarter, up 61% from the prior year. Commission per Cleared Commissionable Order of $2.72 was down from last year, primarily due to smaller average order sizes across all product classes, and a shift to proportionally more trading in stocks versus options and futures from last year.

Page 8 shows our Net Interest Margin numbers.

Total GAAP net interest income was $807 million for the quarter, up $77 million or 11% from the prior year, while our NIM net interest income was $830 million, or $91 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 interest, partially offset by lower segregated cash interest and higher interest expense on customer cash balances.

Many central banks made cuts to their benchmark rates this quarter, including the US, Europe, the UK, Switzerland, Canada and Hong Kong.

Reflecting multiple rate cuts in most benchmark rates this year, our overall segregated cash interest income declined 2%, despite a 10% increase in average balances, while margin loan interest rose by 26% on a 41% increase in average balances.

The average duration of our US Treasury portfolio remains at under 30 days. With the US dollar yield curve continuing to be inverted during the first part of the quarter, though flattening somewhat in the medium term by quarter end, we continue to maximize what we earn by focusing on higher short-term yields, rather than accepting the lower yields and added risk of longer maturities. This strategy allows us to maintain a relatively tight maturity match between our assets and liabilities.

Securities lending net interest does not appear as strong as in prior years for three main reasons:

- First, as benchmark interest rates rose from near zero beginning in 2022, more of what we earned from securities lending became classified as interest on "segregated cash". We estimate that if the additional interest earned and paid on cash collateral were included under "Securities Borrowed and Loaned", then securities lending net revenue would have been about $182 million this quarter versus $156 million in last year's fourth quarter on the same basis.
- Second, we have seen strong stock market performance, with the S&P up over 20% in each of the past two years, which tends to reflect a smaller proportion of clients looking to put on shorts.
- Third, there are fewer "hard to borrow" names industry-wide, both because the overall market is rising sharply, and due to weakness in some of the typical drivers of securities lending, including IPOs, market volatility, and merger & acquisition activity. Despite this trend, we were successful in raising the total notional value of what we loaned out.

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 3.83% on qualified US dollar balances - is a significant attraction to new customers.

Fully rate-sensitive customer balances ended the current quarter at $19.1 billion, versus $17.8 billion in the year ago quarter.

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 December 31st, with the Fed Funds effective rate at 4.33%, and balances as of that date. Any growth in our balance sheet and interest-earning assets would reduce this impact.

About 25% 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 about $22 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 about $339 million. This takes into account rate-sensitive customer balances and also firm equity.

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

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

Question and Answer Session

<u>Operator</u>

(Operator Instructions) Our first question comes from Craig Siegenthaler of Bank of America.

Craig Siegenthaler

Good morning or good evening, everyone. I hope you're all doing well. First, I have a modeling one on expenses— so execution, clearing and distribution fees, as you pointed out in your prepared remarks, they did grow a lot slower than DARTs and commissions. In the press release, you kind of called out on what would look like a few negatives. In the prepared remarks, you called out rebates. But how should we think about this line item heading into 1Q? And then any high-level thoughts on modeling it because a lot of us model it relative to commissions or DARTs.

Paul Brody

Yes. So I'll take that one. Generally, yes, it's driven by volume. Obviously, those are all the variable costs, they're per share or per contract. But within that, there are things like order routing changes so that our systems that provide smart routing of, say, stock orders, can have many different venues to route in order to, to get the best price for the customer. And it can do that while maximizing the rebates, which are provided by some of the venues on liquidity-enhancing orders. And then we generally pass those rebates through to the customers, and that would show up in reducing commission revenue. So, they're somewhat paired. And therefore, if you only look at the expense side, it doesn't tell you the whole picture.

Craig Siegenthaler

Got it. And then just for my follow-up, we keep watching equity build. It's almost at $17 billion now. I just wanted your thoughts on how fast we should expect this capital balance continue building. And is this really helping your hedge fund prime marketing efforts given the size? And any updated thoughts on share repurchases in the future?

Milan Galik

Well, there is no plan to do any type of share repurchasing. We will, in the future, consider increasing the dividend, but that, of course, assume that the stock price will be about $200.00, and it will remain there.

As far as the strong capital, we like it that way for a couple of different reasons. For hedge fund clients or institutional clients, we compete with large banks that have been in business for more than 100 years. They obviously have an established reputation. And by many managers, they're considered to be the safe choice— they will never be blamed if something were to go wrong with a bulge bracket competing bank. We have to work hard to earn our reputation. We have been consistently growing the company and our capital base. It's visible—our balance sheet is strong. That is one way where we signal to the marketplace that we are a serious player, and they should consider us for custodying their assets.

The other way the very high capital base is benefiting us is that, unlike in the United States where we can fund the margin loans using other customers' uninvested cash, only the banks are able to do so outside of the United States, so we fund a large portion of those loans by our own capital. Those are the two reasons why we like the number to be ever growing.

Operator

Our next question comes from Benjamin Budish of Barclays.

Ben Budish

Hi, good evening and thanks for taking the question. Maybe first, I was curious to get your thoughts on what account growth could look like in 2025. I know you tend not to give guidance on a per year basis, but it's kind of remarkable with the momentum we've seen over the course of the year—accelerating as you're growing larger. So just curious, what do you think are the key factors in '25? Can you maybe talk about the word-of-mouth momentum you're seeing? Maybe unpack a little bit of where you're leading? And I think in the prepared remarks and in the press release, you called out a bit of a pickup in advertising spend. So just curious what your thoughts are on what account growth could look like this year.

Milan Galik

Well, our marketing spend will be slowly increasing. Obviously, it's necessary to attract the individual accounts. So that's why it's going to go up. We expect a steady growth in the number of accounts. As you could see this past quarter, we really enjoyed a high number. There is a lot of enthusiasm in the market, partially related to the ever-increasing prices in the market— stock prices in the market - partially related to the change of the administration that is largely considered to be pro-business, and the U.S. markets, as a result, are expected to continue to do well. So, there are a lot of accounts— new accounts being opened. Some investors who were sitting on the sidelines decided to open an account and start investing. So, we are bullish on the continued growth of the accounts.

Ben Budish

Got it. Maybe one quick modeling follow-up for Paul. I think for the employee comp and benefits line, you called out a capitalized expense. Just curious in Q1 and going into the year, how should we think about the level for the first couple of quarters of 2024 as the starting point? Or does it reset lower? Just any guidance you could give there would be helpful.

Paul Brody

Right. Well, it does go along with our hiring, which was only 2% higher than prior year. I think the best way to look at it is on the full year because the capitalization is measured only periodically and can be added in a given quarter. Our average for all of 2024 was $143 million a quarter, and that's probably your best starting point for going forward.

Operator

Our next question comes from James Yaro of Goldman Sachs.

James Yaro

Maybe just starting on aspirations in the High-Touch part of the prime brokerage offering, which you've obviously expanded in 2024. If there's deregulation of the bulge bracket prime brokers, which the market clearly expects, could this present a more meaningful threat to growth of the business? And then what is on the product road map for this business in 2025?

Milan Galik

I would not expect the deregulation to really have an impact. As I explained a bit earlier, what we're dealing with is competing with very large established banks—Goldman Sachs, Morgan

Stanley. I cannot see how a small newcomer would really be able to make a significant dent in our business. So deregulation, I do not think, would impact our business that way. As far as the product, did you mean within this white glove offering for the hedge funds?

James Yaro

That's right.

Milan Galik

Well, I can tell you that one of the things that we have done is we have revamped the way we do the capital introduction events in the past quarter. We do those events approximately once every three months. We changed the name of the event. We changed the way it's organized; we advertise it. And the result of that was in the last event we had doubled the number of participants, instead of 120, we had 240 accredited investors participating in the capital introduction event.

Otherwise, we are pleased with how the white glove offering is going. We have 34 hedge funds onboarded with average assets of $160 million. The goal here is to provide them with better service. They all appreciate direct access to the subject matter experts. They like talking to us. We handle approximately 50 different issues on a particular week. And as we talk to them more, we make adjustments. For example, just recently, we have started offering algorithms—VWAP, and similar algorithms for stocks in APAC region, and that was directly due to the fact that the hedge funds that are now more openly talking to us, were requesting that feature. We're pleased with the way it's going so far.

James Yaro

Excellent. That's very clear. Maybe just turning to the margins. Your adjusted margin did rise to best-in-class 75.6%. Can it continue to rise off of these levels? Is there an efficient horizon that you see for the margin?

Milan Galik

Well, I would not expect that number to go up. That is not the number that we're optimizing for. What we're trying to do is deliver value to our clients. We obviously have to pay attention to not just automating everything we can so that we can offer our services at the lowest prices, but we also have to make sure that when our clients need help, we have sufficient personnel to answer their questions— to help them on the customer service line.

And there are obviously the ongoing costs of compliance, which are ever increasing, given the very large number of jurisdictions where we operate. So, I would not expect that number to go higher.

Operator

Our next question comes from Brennan Hawken of UBS.

Brennan Hawken

Good afternoon. Thanks for taking my question. Margin balances have really shown very, very solid growth despite the volatility in the market. So how should we be thinking about that on a go-forward basis? What trends have you seen quarter-to-date? And maybe taking a step back, when you think about how your customer base has changed in recent years, how should we be thinking about margin penetration for you versus history?

Milan Galik

Margin balances have been increasing. That's due to the risk-on appetite of our clients, their positions have been more assertive, not only by trading stocks on margin, but by putting on aggressive positions in the derivatives. Remember, back in August of last year, there was a rather sharp sell-off and we quickly saw our clients reducing their risk positions. But as the stock market turned and things calmed down, they quickly came back on. So, I would expect some amount of correlation with what the stock market is doing. But for now, we seem to be in the risk-on mode because of the change of the administration, for example. So, margin balances, all things being equal, I think will be maintained at this level or slightly go higher.

Brennan Hawken

And when you think about some of the different cohorts of your customer base, advisers are a larger portion. When we think about penetration versus prior cycles and we compare margin balances, maybe client equity, what impact do you expect that could have on those metrics?

Milan Galik

Well, financial advisers— some of them, obviously, trade on margin, a majority of them do not. We have the prop traders, I would expect them to continue to trade aggressively. We have all sorts of individual accounts— small ones, large ones, more sophisticated ones, less sophisticated ones. So obviously, the more sophisticated ones, I would expect to continue to deploy leverage. And then you have the hedge funds, which, again, I would expect to continue aggressively.

Operator

Our next question comes from Dan Fannon of Jefferies.

Daniel Fannon

Thanks, good evening. So just following up on areas of investment in product development as you think about 2025. You've talked a bit about the prime brokerage as well as some of the things that you've come to market with here in the fourth quarter. So curious just about the areas of investment and really on that product development side for the individual that you see or focused on into 2025?

Milan Galik

Well, all the time, we look at all the client segments that we service. We carefully listen to the feedback we're receiving from them. What is it that they're looking for? And we continuously parse that feedback and ask ourselves the question, how is it that we can improve our offering. So that is what really the bulk of the work goes into when we are discussing the client-facing investments.

And then there is obviously a lot of work that we're doing on the back end. The number of accounts is increasing fast, the trading activity is going up fast. We have to make sure that our systems can handle the load spiking— which can be very often in spikes. You can have a normal day and all of a sudden, you get a really busy day when all the computers are running hot, so to speak. We have to pay attention to making sure that our systems are reliable, that we have no outages, and that we have very significant backups.

And then we have to work on systems that our operators use— our client service and our compliance departments, a significant number of employees work in those departments. And so that we do not have to hire as many of them as a less automated, competing firm would, we have to give them the right tools. So that is sort of where the attention is being paid, to all these different directions.

Daniel Fannon

Understood. And then as a follow-up, you've talked at previous periods about M&A and inorganic growth. Can you give us an update on your thoughts today? And maybe the current market opportunity for inorganic potential combinations?

Milan Galik

We remain open to M&A so far. As you know, we have not been really successful. There was one significant competitor we were looking at in the last quarter of last year. We did not succeed in completing a transaction. But we remain open to it, we will consider any opportunity that comes our way.

Operator

Our next question comes from Patrick Moley of Piper Sandler.

Patrick Moley

Yes, good evening. Thanks for taking the question. So, I had one on the prediction markets and the ForecastEx platform. It seemed like the election brought a lot of people into the prediction market. So, I just was hoping you could give us an update on the traction that you're seeing there, your outlook for next year and whether there's any kind of milestones or things we should be looking out for on the product road map there?

Thomas Peterffy

Well, the prediction markets are going slowly. We are being very careful not to step on the wrong foot. And we believe that this is going to be a huge market, but we want to do it slowly and carefully and build out our personnel and our systems so that we can do it in a really, really big way. And that's what we are— that's what I'm devoting my time to.

Patrick Moley

All right. Great. And then maybe just a follow-up on crypto. There's a lot of excitement around crypto here. It seems like the incoming administration, the change in leadership in the SEC is going to foster a new kind of era more favorable to the crypto trading firms, I guess, if you will. Your offering right now is relatively robust compared to some of the others. How are you feeling right now about that offering? And if there was to be more comprehensive legislation, what areas, if at all, would you look to expand the offering?

Milan Galik

Well, what our immediate plan is to offer cryptocurrency trading to the customers in the European Union, but that's obviously not affected by the changes in the administration. I'm cautiously optimistic about what's going to happen next. I think the regulations in this area need to be firmed up. And the task force was announced today. And I think they will work hard to make sure that the rules are clear, and that will obviously improve the area for the investors, as well as the companies that service them, like ours.

There are obviously things that are somewhat concerning. There are these meme coins, for example. There have been 2 of them issued just in the last few days, I'm not really pleased with that development. I think it looks a little strange. It may give the cryptocurrency industry somewhat of a bad name if that continues to happen. But overall, I'm optimistic about the regulation that is going to be clarified and firmed up.

Operator

Our next question comes from Chris Allen of Citi.

Chris Allen

Maybe just follow up on the crypto question. Any color you could provide in terms of your customer base, any rough percentage that are actually trading crypto on your platform currently? And if there was deregulation, where would be the opportunity set to expand in the U.S., maybe from a product offering perspective?

Milan Galik

At the moment, there are four coins that are really heavily traded on our platform, if I can call it heavily. It's the Bitcoin, Ethereum, stable coin and Bitcoin Cash. I would expect us to increase the number of tokens we would make available on the platform, which would make our platform more attractive to the run of the mill cryptocurrency traders. They have interest in trading, for example, Solana, which we are currently not able to offer because there wasn't sufficient regulatory clarity as to whether that would be considered a security or not. So those kinds of questions will get clarified. So as a result, I expect us to be able to list more tokens in the future and attract cryptocurrency traders who really focus on trading cryptocurrencies.

Another thing that I would expect is for us to be able to increase the percentage of assets we allow a single account to invest in the crypto assets. At the moment, that number is set to 1%. It's a very conservative figure. But as the crypto assets become more widely accepted, we would raise that number higher.

Chris Allen

And then just as a follow-up, on sec lending, recognizing the headwinds from low levels of IPO and M&A activity— just curious, how is your capacity to lend for securities lending compare now versus the end of '23 and in '22? Has it expanded with the account growth? I'm trying to think about what the potential could look like in a better environment, which many expect as we move through 2025 and into '26?

Paul Brody

Yes. It absolutely expands with our account growth and simply more participation in the markets by our clients who tend to go long and hold the stocks that are attractive for lending out, primarily to other broker-dealers and banks. And yes, we would expect that to continue to rise because our customer base is simply going to hold more of those positions.

Operator

Our next question comes from Kyle Voigt of KBW.

Kyle Voigt

Hi, good evening. So, I know you gave some commentary on pretax margin and investments for 2025. But maybe if I could just ask a question specifically on fixed expense growth. If we exclude some of the onetime items that you had in the third quarter and even the $5 million of 4Q comp that you noted earlier in the call, we're kind of calculating fixed expense growth of roughly 12% for the full year 2024. So, I think that's generally in line with that low double-digit expense growth rate you posted historically. I guess relative to that bogey, is there any way to frame whether core fixed expense growth should accelerate or decelerate versus that low double-digit level as we look out into 2025?

Milan Galik

I would not expect it to accelerate. I think you are likely to see next year, what you have just seen. That obviously assumes that the inflation doesn't kick in and we will have to pay more for the human resources than before. We will obviously remain competitive. It is our job to attract the best talent that we can. We pay attention to the market rates, and we either pay market rates or above to attract the best talent, and we will continue to do that. Given our focus on automation, we do not have a choice - just to do that.

Paul Brody

I might just add to that, that advertising is a component of that. And so, to the extent that we expect to do more, that will be somewhat of a driver.

Kyle Voigt

And for my follow-up, and I know this was asked last quarter as well, but the stock continues to perform very strongly even since then. But for Thomas, just curious as to whether you would consider any stock sales to help increase the public float. And if so, would that still only be in blocks and not in open market transactions?

Thomas Peterffy

It would be in blocks, and I will do that when the price reaches what I believe is the right price.

Operator

Thank you. And that does conclude today's question-and-answer session. I would like to turn the call back over to Nancy for closing remarks. Please go ahead.

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. Thank you again, and we will talk to you next quarter end.

Operator

Thank you for joining today's conference call. You may now disconnect. Have a good evening.