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ITG - Q2 2010 Investment Technology Group Earnings Conference Call

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PRESENTATION

Operator

Good day, ladies and gentlemen. And welcome to Investment Technology Group's Second Quarter Results for 2010. My name is Karma and I will facilitate the call today. After the speakers' remarks, there will be a question-and-answer period. I will provide further instructions before we take questions. As a reminder, this session is being recorded. I would now like to turn the call over to JT Farley of ITG. Please proceed.

JT Farley - *Investment Technology Group - IR*

Thank you, Karma, and good morning. In accordance with Safe Harbor regulations, I would like to advise you that any forward-looking statements we'll be making this morning are subject to a series of risks and uncertainties that may cause actual results to differ materially from those statements. These forward-looking statements speak as of today and you should not rely upon them as representing our views in the future. While we may elect to update these forward-looking statements in the future, we undertake no obligation to do so. I advise you to read about the risk factors that may affect forward-looking statements in this morning's press release, as well as in our SEC filings.

I would also like to point out that we will be referring to non-GAAP financial measures in today's presentation. Reconciliations of these non-GAAP measures to the comparable GAAP measures can be found in this morning's press release. The release and the PowerPoint slides which accompany this presentation are available for download at the Investor Relations section of itg.com. To begin I would like to introduce ITG's CEO and President, Mr. Bob Gasser.

Bob Gasser - *Investment Technology Group - President, CEO*

Thanks, JT. Good morning and thank you for joining us. Looking broadly at the second quarter, we believe we are performing well in a tough institutional environment. We grew revenue 6% on a sequential basis, while earning per share up 30% over the first quarter, excluding some onetime charges in Asia which Steve will walk you through in a few minutes.

These results are a testament to our strong competitive position, as well as the steps we took to streamline our cost structure at the end of 2009. I would like to give you an update on how current industry conditions are affecting our results and how we are adapting by diversifying our revenue stream and continuing to focus on our costs.

Overall, the second quarter was another difficult one for our clients, as the flash crash in May prompted heightened investor fear and a renewed flight from actively managed domestic equities. The first quarter had shown some hopeful signs with the return in net positive inflows into equity mutual funds. As you can see in slide three, however that recovery proved short lived, with the second quarter posting largest net flows of cash out of equity funds in the past five quarters.

Even the flow into corporate bond mutual funds has been falling sharply, as investors have been seeking refuge in defensive assets like treasuries and gold. In short, investors have retreated from what look like a slow but steady climb up the risk curve.

There renewed flight from equity funds was driven by resurgence in fear, as it reflected in the VIX volatility index graph on slide five.In what had been called the "risk rally", the VIX had been declining for most of the past year and in fact was settling in below its long term average of about 22. That is until May 2010, when volatility returned with a vengeance. It nearly tripled from the middle of April to the middle of May. The fear index remained at heightened levels, excuse me -- averaging over 26 for the quarter and reflecting a host of worries, ranging from possible US double dip recession to a European sovereign debt crisis.

The impact this fear has on our clients is apparent in the monthly funds flow data in slide six. After a few hopeful months, May saw a dramatic liquidation, with investors pulling about $19 million in net cash out of domestic equity mutual funds- a level of fear-driven net redemptions not seen since March 2009.

June was more muted, but investors still pulled almost $8 million in net cash from domestic equity funds, according to preliminary data. The brunt of the run on equity funds has been on the domestic side with US investors maintaining some appetite for international equity funds. Unfortunately, it is the hard hit domestic funds that at the core of ITG's business.

Many of our asset management clients speak to the inevitability of a return to higher yielding asset classes like equities to better match returns to pension liabilities. We believe that argument makes sense, but feel that changes to asset allocation models have been stalled by a pervasive sense that monetary policy will remain exactly where it is due to a faltering global economy.

Absent any cracks or fissures in the fixed income markets caused by monetary tightening, there is no sense of urgency to invest more heavily in equities.

Against this very difficult backdrop, ITG's business model has been performing well. In the current environment, we have seen some shift in buy side sentiment- institutions are increasingly aware of the predatory practices of some high frequency traders and the fact that many dark pools are full of what we would refer to as manufactured liquidity which can vanish almost instantly during times of duress, such as the May 6th flash crash.

Given the market dynamics, institutional investors are drawn towards the natural liquidity available in POSIT, as well as ITG's role as an un-conflicted agency broker. Our performance this past quarter bears this out. Our total US trading volumes climbed over 12% and our total global revenues rose 6% sequentially. POSIT average daily volume was up 9% over the first quarter to 69.1 million shares, while the average block size in POSIT Alert rose to 38,000 shares.

In addition to the growth in trading activity, the latest Greenwich Associates surveys confirm ITG's strong position within the US electronic training sector. ITG ranked number one as the most important provider of Execution Management Systems. In Algorithms, ITG ranked number one for portfolio trading algorithms and best pre- and posttrade analysis.

In DMA/smart orderrouting, ITG ranked number one in penetration for electronic trading. In Dark Pools, ITG ranked number one among large firms for market penetration and for best anonymity. And in portfolio trading, ITG ranked number one for overall trading quality. A recent Tabb Group report on low touch trading also highlighted our strength in Algorithmic trading- we ranked second behind only Credit Suisse. These results confirm our view that we have a strong platform and a loyal customer base even in the face of strong macro headwinds and intense competition from much bigger players.

Our product competitiveness, institutional penetration and reputation for best in class service and support remain strong.

We need to build on this strength, however, and we are adapting our model to the new realities of the market place, both in terms of our price offering and our cost structure. Maintaining single-threaded exposure to only the best execution/trader's discretion portion of the client wallet is no longer an option for us. We are aggressively going after the alpha generation portion now as well.

In terms of product offering, we are broadening our reach by developing potential new revenue streams in such areas as research content. Our recent strategic investment in independent research provider Disclosure Insight is showing early promise. Our role as the distributor of DI Research has put ITG on the broker research vote for the first time at a number of large institutions. And we have found that introducing this offering has resulted in very positive feedback, as well as conversations about how ITG can broaden its client relationships. As we speak ITG's sales force is out marketing the product with DI's founder and CEO, John Gavin.

Disclosure Insight's product offering is expanding as well. They are introducing new company coverage and are well on the way to the 1,500 company universe we aspire to cover. Our goal is for DI to cover nearly every public US company with a market cap in access of $100 million. Disclosure Insight's distribution is also growing with its reports, now available on such major research platforms as Factset, Firstcall, The Markets and Capital IQ.

Overall, this investment is still in its infancy, but we are confident in its future potential. Another great addition to our lineup is the hiring of Jamie Selway and his three partners from White Cap Trading. Jamie, who previously served as Chief Economist at Archipelago, will provide regular market structure commentary and bespoke advice to our clients. We believe Jamie's insight will be particularly valued by institution as they navigate their way through what we expect will be substantial changes in the regulatory environment over the next few years.

And we are continuing to look at other differentiated content properties to add to our research products portfolio. On the cost side, we continue to review opportunities to increase efficiencies while maintaining the effectiveness of the global trading platform we offer our clients. We have maintained a high level of service, despite reducing our consolidated headcount by more than 10% in late 2009 and by more than 15% from our high water mark in January of last year.

We've refocused our resources to better match what each client is willing to pay for, while still posting modest revenue growth. The number of active US clients now stands at 739 of which 25 are covered by our strategic sales group and more than 200 are considered to be core. When we started this initiative in early 2010, we had 674 active accounts on the rolls, of which only 150 were considered core. The results of this initiative are helping us control costs such as market data expenses.

Our operating US pretax margins have improved during the quarter from 19% to 22%. That's a real tribute to our sales and support people who have been managing this process in a gradual and thoughtful way with each client. While everything we've done here is grounded in data, we have a lot of respect for client relationships.

Turning to our international operations, we saw a solid improvement in our Canadian business, while Europe and Asia were somewhat muted. In Canada, we grew revenues almost 17% over the first quarter and increased profitability despite the market turmoil and the disruptions caused by the G20 Summit meetings in Toronto. We have addressed the increase presence of high frequency trading in the Canadian market by cutting our latency by more than half over the past six months, helping to reign in our transaction processing costs.

There is still more room for improvement and our Canadian colleagues are all over it. In Europe, fears of a sovereign debt crisis dampened investor sentiment, which had a negative impact on our results. While turnover levels increased from the prior quarter, high frequency trading now accounts for a significant share of European volumes, as much as 40% by some estimates.

Traditional buy side trading activity in contrast is at depressed levels. As a result, we saw European revenues fall 12% from the first quarter. However, we believe we remain well positioned to grow our European business and our product platform is gaining recognition from clients. In the most recent [Greenwich] survey, large firms ranked POSIT number one for best anonymity in the increasingly crowded European dark pool space.

The Asia Pacific region also saw heightened levels of investor risk aversion in the second quarter which weighed on our results there. Revenues were down about 2% as compared to the first quarter of 2010. Given the cost reduction program we've instituted there, I am pleasantly surprised and proud of my colleagues. It's worth noting that ITG's proprietary monthly Asia Pacific liquidity barometer showed a sharp fall in liquidity in June, to the lowest level since March of 2009.

Despite these headwinds we are committed to maintaining our presence in the region. As we announced a week ago, David Stevens has relocated from Europe to Hong Kong to serve as CEO of ITG Asia Pacific. David was key to our growth in Europe and I have every confidence that he will lead our move towards profitability in Asia Pac. The final point I want to update you on a share buybacks. We have a strong net cash position in our balance sheet and see compelling value in ITG shares.

In the first quarter we repurchased $10 million of ITG shares. We announced this morning that we purchased another $15 million in the second quarter. Our Board recently authorized the repurchase of 4 million shares under our share repurchase program.

Consistent with our mantra of the past year, we are focused on putting our cash balance to work with continued share repurchases at current price levels, as well as investment in additional content properties. So to wrap up, times remain tough for our asset management clientele. If I were a betting man, I would predict a bounce at one point or another.

During this bottoming out period we are controlling what we can control- our cost, and our existing and future business model. We remain profitable and are generating solid cash flow. We are maintaining a strong balance sheet. We are returning cash to shareholders via buybacks. When the clouds part and investors return to actively managed equities, we are confident that ITG is as well positioned as any time in its history to deliver attractive shareholder returns. With that background, our CFO, Steve Vigliotti, will take you through the key financial highlight of the second quarter. Steve?

Steve Vigliotti - *Investment Technology Group - CFO*

Thanks, Bob. A 12% increase in total US average daily executed volumes, including both commissions and net executions from spread trades, resulted in a substantial improvement from the first quarter in both our revenues and our pro forma operating earnings.

As noted on slide eight, we generated revenues of $155.3 million during the second quarter, up 6% over the first quarter of 2010 due to a 3% increase in revenues per day, as well as the impact of an additional two trading days. We generated net income of $0.17 per share on a GAAP basis inclusive of non-operating items compared to $0.19 in the first quarter of 2010.

On slide nine, we have detailed the non-operating charges included in our GAAP results for the second quarter and first quarter of 2010. In the second quarter of 2010, we recorded a non-cash goodwill impairment charge of 5.4 million, pre and post tax to write-off the entire amount of goodwill attributable to our Australian operations. We felt this accounting adjustment was appropriate given a lack of local market fragmentation and a continued bundling of research and execution services, which has slowed our growth rate in the region.

The restructuring charge of $2.3 million during the second quarter, pre and post-tax, reflects our previously announced decision to close our Japanese onshore operations, net of a small offset to reduce restructuring accruals established in the fourth quarter of 2009. Approximately $800,000 of this $2.3 million charge was non-cash consisting primarily of asset write-offs net of the accrual reversals.

The balance of the financial commentary during this presentation will be on a pro forma basis excluding these items, as well as a $6.1 million a pre-tax charge to write-off capitalized software in the first quarter of 2010 related to the EMS OMS merge initiative, as we changed our priorities and are now providing a solution to link those two offerings.

Next, we will look at our consolidated results broken down between our US and international operations. The comparison to the second quarter of 2009 on slide ten details the impact of the year-over-year decline in US institutional volumes on our results.

However, the comparison to the first quarter of 2010 on slide 11, shows a healthy quarter-over-quarter improvement in our US business, due in part to the increased market activity from the May volatility spikes, increased flow associated with our services related to the Russell reconstitution and the expansion of our net execution business.

On a consolidated basis you can see that the 6% growth in revenues over the first quarter yielded 30% growth in earnings per share to $0.35, inclusive of the impact of share repurchases. Our US business generated $0.33 per share of earnings for the quarter, compared to $0.25 per share in the first quarter of 2010, due primarily to an 8% increase in revenues. Our combined international business contributed net earnings of $0.02 per share in both periods on consistent levels of revenue.

Our consolidated pre-tax margin for the second quarter of 2010 improved to 17.4%, compared to 14.7% during the first quarter. Our consolidated pro forma effective tax rate was 43.5% for the quarter, compared to 44.6% for the first quarter of 2010.

Moving to slide 12, US expenses were $84.1 million, compared to $91.8 million in the second quarter of 2009 and $80.6 million in the first quarter of 2010. Consistent with our prior guidance, the increase in our US revenues over the first quarter resulted in a decrease to our US compensation expense ratio to 33%, compared to 33.4% in the second quarter of 2009 and 34.3% in the first quarter, demonstrating the improved leverage in our business model following our recent cost reduction measures.

Transaction processing costs were $13 million during the second quarter, representing 12% of revenues, compared to 11.3% during the second quarter of 2009 and 10.3% during the first quarter. The increase in this percentage reflected in part higher revenues from our derivatives business, which incurs higher execution costs on average and the impact of a lower average rate per share during quarter on commission-based executions.

The continuation of fund outflows has further reduced the amount of trading by our core institutional money manager clients, resulting in an increased mix of our business from higher turnover, lower rate clients that focus more on our direct market access services.

On slide 13, we have provided a summary of our international results. As compared to the first quarter of 2010, revenues were up $400,000, inclusive of a negative impact from foreign currency translations of $700,000, primarily in Europe.

This net growth reflected an improvement in our core Canadian client business, offset by a reduction in Europe due to the challenging macro environment there. A compensation ratio for our combined international operations was 40%, compared to 41% in the first quarter, and our transaction processing costs as a percentage of revenue were 22.5%, compared to 22.2% during the first quarter.

On the next slide, we track the performance of our foreign segments over the past five quarters. As compared to the first quarter, our pre-tax profit margin was down in Europe but improved nicely in Canada. On slide 15, you can see that we have changed the presentation of our volume and rate capture statistics to improve both traditional commission execution volumes, and the volumes from net executions.

On this basis, you can see that our total average daily executed volumes were up 12%, compared to the first quarter. We decided to make this presentation change to provide visibility into our total executed volume, particularly as net executions are now accounting for a greater portion of our total volume.

For competitive reasons we do not break out the historical revenue and rate associated with these combined volumes, so as not to provide detail on the capture per share for net executions through a comparison to our prior disclosures. Going forward, our monthly reporting of executed volumes will be on this combined basis.

We ended the quarter with $325.9 million of cash and cash equivalents on our balance sheet, up slightly from the $322 million at March 31st. During the quarter we repurchased 903,900 shares at an average price of $16.83. This brings the total number of shares repurchased so far this year to 1.5 million.

As Bob mentioned earlier, our Board has recently authorized the repurchase of an additional 4 million shares, bringing the total number of shares currently available for repurchase under approved authorizations to 4.6 million shares. The specific timing and amount of repurchases will vary based market and business conditions, as well as other factors.

Looking ahead, I would like to offer the following observations. We are targeting a US compensation ratio of 33% for the remainder of the year; however this ratio could tick up a little if we have a drop in revenues as we need to retain our high caliber workforce in order to remain competitive.

In July, we completed the migration of our European settlement books and records to an in-house solution and consolidated our European settlement agents to one provider. As previously disclosed we expect the annual savings from this initiative, net of offsetting incremental equipment, software and personnel costs, to be in excess of $3 million based on current trading rules.

We expect to complete the migration of our Canadian clearance and settlement activities to a new third-party provider in August, resulting in an annualized reduction to the clearance of settlement portion of our Canadian transaction processing costs by $2 million. And with that, I'd like to open the call to Q&A. Operator, please open up the lines for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

And the first question comes from the line of Mike Vinciquerra from BMO Capital Markets. Please proceed.

Mike Vinciquerra - *BMO Capital Markets - Analyst*

Thank you. Good morning.

Steve Vigliotti - *Investment Technology Group - CFO*

Good morning, Mike.

Bob Gasser - *Investment Technology Group - President, CEO*

Good morning, Mike.

Mike Vinciquerra - *BMO Capital Markets - Analyst*

Just one clean up question first. I know, you're not disclosing historical numbers on the new blended commission rate in the US. But is it fair to say based on your comments on higher direct market access that the 68 mills last quarter would have been lower on an apples-to-apples basis this quarter?

Bob Gasser - *Investment Technology Group - President, CEO*

Yes.

Mike Vinciquerra - *BMO Capital Markets - Analyst*

Okay. Nice. That's fair enough. I was looking at the balance sheet, you guys obviously talked about the share repurchases, just wanted to get sense on the debt side of things, we have in our model you are paying off your long-term debt sometime during the third quarter. Is that still correct or am I correct in that? And secondarily, I noticed that you drew $30 million in short-term bank loans, is that just a temporary issue or something that we need to be noting?

Steve Vigliotti - *Investment Technology Group - CFO*

On the long-term debt we have two quarterly payments left, so one in Q3 and one in Q4 to pay down the remaining balance, about 12 million each. On the short-term bank loans, those are primarily or exclusively related to our clearing and settlement activities. So to the extend we have a fails to deliver or facilitate customer short settlement activity at the end of the quarter. We find that in addition to using our securities lending operations we'll from time-to-time use short-term bank loans as well.

Mike Vinciquerra - *BMO Capital Markets - Analyst*

Okay. So we should look at that and apply some sort of interest rate on that, that's just going to be -- ?

Steve Vigliotti - *Investment Technology Group - CFO*

No. Those are like daily settlement balance --

Bob Gasser - *Investment Technology Group - President, CEO*

Pay loans --

Steve Vigliotti - *Investment Technology Group - CFO*

That's all. Yes. They resolve themselves the next day.

Mike Vinciquerra - *BMO Capital Markets - Analyst*

Got it. And then just one question on Europe, and I'll let someone else jump in here. But Europe notional value traded as we calculated and I know you mentioned this, Bob, we had it up north of 20% Q2 versus Q1, your revs were down on a constant currency basis, I guess, about 9%?

Bob Gasser - *Investment Technology Group - President, CEO*

Yes.

Mike Vinciquerra - *BMO Capital Markets - Analyst*

So essentially, it's really just the high frequency shops trading or people that wouldn't use you to execute, is that right?

Steve Vigliotti - *Investment Technology Group - CFO*

Yes. I think, now, folks are discovering that the high frequency phenomena is now taken hold and taken shape in what is a radically different European market structure, and I think the volatility spike as we've seen in other markets like the US providing some great trading opportunities for high frequency folks, electronic market makers that are basically pouring into that market at this stage.

Mike Vinciquerra - *BMO Capital Markets - Analyst*

Can you capture any of the, I guess, the direct market access through your execution platforms at all or is it mostly going to be stuff that you can't touch?

Steve Vigliotti - *Investment Technology Group - CFO*

We could, I think, that it has the same issues the toxicity issues that I think we've had in the US. So we've always been very concerned about the utilization of capacity and the direct effect of those players on the quality of execution, and I think the same thing holds in Europe. And I think the data would suggest that dark pools particularly POSIT are actually contributing quite a bit of a performance relative to the MTFs and traditional exchanges.

We've been out making that case very aggressively here to US investors who invest into Europe and I think that's been well received. So this notion of manufactured liquidity, the quality of execution, the evolution of market structure, how those things work together to define our product offering and other product offerings out there, I think, it something that we spend quite a bit of time communicating on and certainly, it defines our vision.

Mike Vinciquerra - *BMO Capital Markets - Analyst*

Got it. Okay. Thanks very much, guys.

Bob Gasser - *Investment Technology Group - President, CEO*

Thank you, Mike.

Operator

And the next question comes from the line of Rich Repetto from Sandler O'Neill. Please proceed.

Rich Repetto - *Sandler O'Neill - Analyst*

Hi, guys. Good morning.

Steve Vigliotti - *Investment Technology Group - CFO*

Hey, Rich. Good morning.

Rich Repetto - *Sandler O'Neill - Analyst*

I guess, could you just go over the new volume -- what exactly net executions are and I guess sort of, you're saying the mix has moved, it's become an increasing portion of the mix. Could you say what it was before or what the trend, how big of a change in trend it is?

Steve Vigliotti - *Investment Technology Group - CFO*

So just in terms of the use of the word net executions, that's -- we used to make reference to spread based trading, that's how we are referring to that now. So the current presentation combines our traditional core commission volume along with that volume, to come up with that 199.9 million share number we've disclosed now.

Bob Gasser - *Investment Technology Group - President, CEO*

Yes. So we thought, Rich, from a semantic standpoint that spread based trading certainly applied, that the firm was taking some risks and so we moved away from that. We're now defining it as net trading and it has become, as you know, a significant portion of our US volumes. And so, I think, one of things that we were constrained by was looking back on kind of the way that we've operated the business.

The rate card from time-to-time would get in the way of creating additional revenue opportunities in the net trading space. So in other words, would we have taken this DMA business from a client at a specific rate card that might be lower than the average?

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While at the same time it might contribute to the net trading business and our ability to interact with some would have been kind of non-traditional constituents for ITG.

I think the story is well-known at this stage. And I think we felt as if, at one stage or another that that rate card was influencing some of what we considered to be rational business decisions on behalf of the firm. So that hopefully gives you some background.

Rich Repetto - *Sandler O'Neill - Analyst*

Okay. And then, I guess, next on international, Canada seems like, you made some meaningful headway, kind of in latency, and in Asia-Pacific, you could say that that's still in early stages --

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Bob Gasser - *Investment Technology Group - President, CEO*

Challenging --

Steve Vigliotti - *Investment Technology Group - CFO*

Yes.

Rich Repetto - *Sandler O'Neill - Analyst*

-- challenging, but I guess on Europe, you've been over there for a while, I know the market conditions are certainly not good. But what's going to break loose, is it going to be that much better as market conditions improve or is it the market just, that difficult over there, not competitive?

Bob Gasser - *Investment Technology Group - President, CEO*

Well, I think, while all markets are difficult and competitive, there is no question about it. But I think in Europe we have now put in place both client penetration and install base a liquidity suite, as you heard me talk about before, product parity to North America, plus now an operating environment where we control our own books and records, and I think have some leverage there as well.

We now have, I think, the optimal business model to take advantage of any uptick from here in institutional interest and activity in that region. So we continue to feel very good about Europe and we consider this volatility spike to be just that, a spike. And hopefully that will not discourage the actively managed European investors from participating in the market going forward.

So there's going to be a lot of regulatory reform and activity, dialogue, [MIFID 2] is clearly on the horizon, our guys are very seriously engaged in that process. We've added Steve Wood to our Board. He was very, very engaged. And so, we feel as if we've got a front row seat there in terms of the way that markets going to evolve. But so far, we think structurally we're in as good a shape as we've been to take advantage of an improvement in institutional volumes.

Rich Repetto - *Sandler O'Neill - Analyst*

Okay. And then, Bob, last quick and I'll try to be quick. But the regulatory, in all asset classes, it seems the regulatory issues are key factors now.

Bob Gasser - *Investment Technology Group - President, CEO*

Yes.

Rich Repetto - *Sandler O'Neill - Analyst*

So you're following equities much closer than anybody, I would imagine, here.

Bob Gasser - *Investment Technology Group - President, CEO*

Yes.

Rich Repetto - *Sandler O'Neill - Analyst*

So could you say over the last quarters, any developments, suppose the dark pools became, not your dark pools, because I think there has been special exemptions, but others, would the fragmentation hurt you, or is there anything on the regulatory front that we should be aware of that's over the last 90 days come to your attention?

Bob Gasser - *Investment Technology Group - President, CEO*

We don't see anything that would concern us presently. We felt good about the outcome in terms of the dark pool concept release, the common period where the staff seemed to be headed in terms of kind of reading the tea leaves. Obviously that was never regulated into place formally and we are waiting for that at one stage or another to come.

There is obviously a lot of a focus on a trade-at rule and a variety of other topics, but everything we have heard so far has not raised our antenna in terms of its effect on [posit], but that, and [I said], like we were back in 2009, we're going to be and are very actively engaged.

Steve Vigliotti - *Investment Technology Group - CFO*

Okay. The operator said I could make a comment, so my comment is, you need to check the passport of Jamie Selway. I'm kidding, he is a great addition, he is a very knowledgeable guy in market structure.

Rich Repetto - *Sandler O'Neill - Analyst*

Yes. I think, Jamie is going to be a great resource for us and a nice pickup in terms of content. So yes, thank you, Rich.

Operator

And the next question comes from the line of Niamh Alexander from KBW. Please proceed.

Niamh Alexander - *Keefe, Bruyette & Woods - Analyst*

Good morning. Thanks for taking my questions.

Bob Gasser - *Investment Technology Group - President, CEO*

Good morning, Niamh.

Niamh Alexander - *Keefe, Bruyette & Woods - Analyst*

Good morning. $60 million potentially in repurchases there, if we assume kind of around the same share price and it looks like you have gotten the banks back to kind of lend for the carrying period. So how can we understand what the excess cash level will be, if we kind of ex out share repurchases, your appetite or ability to kind of pay cash for an acquisition?

Steve Vigliotti - *Investment Technology Group - CFO*

Well, we currently have $326 million of cash in our balance sheet, of which approximately $240 million, it's funny, the desired level of capital in our regulated subsidiaries. As you know, we're currently maintaining excess cash in our balance sheet to satisfy potential spikes in clearing deposits. We recognize that's not the most efficient use of our balance sheet which is why Bob and I have been focused on looking at ways to provide more flexibility on our balance sheet by securing a committed financing facility and hope to have more to report on it the next time we talk.

Bob Gasser - *Investment Technology Group - President, CEO*

Yes. Capital efficiency is a big area of focus, Niamh, and I think as you've seen in terms of the willingness of the Board to step up and reauthorize and I think the steady increase quarter over quarter sequentially, we feel the stock here that this is the place to put it to work and Steve and I are working hard to free up even more capital within the balance sheet.

Niamh Alexander - *Keefe, Bruyette & Woods - Analyst*

Over and above this, potentially $60 million today, right?

Steve Vigliotti - *Investment Technology Group - CFO*

Yes.

Niamh Alexander - *Keefe, Bruyette & Woods - Analyst*

Okay. Okay, helpful. Thanks. And then on the -- I guess on the same subject of diversification, we're three months down the line where you talked last quarter, you just announced the disclosure, you gave us some color on how that it going. But you talked last quarter about continuing to look for maybe, something transformational. Can you help me update, have the pace of discussions changed? Have you seen more properties? Where is management's head on that?

Bob Gasser - *Investment Technology Group - President, CEO*

Yes. We're seeing actually -- I think we're seeing a lot of properties generally across all of our spaces right now, probably the most I think we've seen since I've been here. I think a couple of things are driving that. One of which is the environment that we're operating in clearly and in terms of critical mass, I think there is a lot of firms out there that have solid offerings, solid business models but it's tough to sustain and support something without that balance sheet and the ability to reinvest in the business.

And then you've got I think an uncertain tax environment in 2011, particularly in the personal side that is driving some folks to think a little bit more aggressively and differently about where they go from here and potentially monetizing. So the short answer to your question is yes. The longer answer to your question is that there is as much activity out there in terms of properties being shown as we've ever seen.

Niamh Alexander - *Keefe, Bruyette & Woods - Analyst*

Okay. Great. That's helpful. And then it's still about kind of content, rather than kind of product diversification, kind of get yourself into the research bucket more. Is that --

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Bob Gasser - *Investment Technology Group - President, CEO*

I think yes. Clearly the most visible thing on horizon for us is content. And, you know, but given the opportunity to find some more scale in some of our businesses by taking out a number two or three competitor, we would certainly look at that. So we're engaged on a lot of fronts right now.

Niamh Alexander - *Keefe, Bruyette & Woods - Analyst*

Okay. Thanks. And then if I could, just real quick on the international business, Bob. If I look at the pro forma result summary, the Asian losses, they have been pretty consistent -- and I know you have had quite a few managers there now over the last two years. So what gets you off of that? Four, three, because it's going to be hugely helpful also in the tax -- that huge tax line too once you get into profit there, right?

Bob Gasser - *Investment Technology Group - President, CEO*

Exactly, exactly. Well, Dave -- I'll talk a little bit about Dave and Dave started his career at Goldman Sachs, moved to J.P. Morgan, ran research sales in Europe and I think did a fantastic job there by all accounts. We hired him to run ITG Europe. And in many ways, Dave was a significant change agent for us in that business.

And our view is that he brings the same skill set level of professionalism and client capabilities to Asia-Pac now. Rob Boardman has replaced Dave in Europe and has a very -- was the obvious choice. He is running liquidity management there and he has been a big part of what I've been describing as the product paritization of Europe and North America. But Dave has got a proven track record and a history with ITG and he moved very quickly. And I think he has hit the ground running. So we're hopeful.

Niamh Alexander - *Keefe, Bruyette & Woods - Analyst*

Is his mandate to get to profitability maybe in the next year or two, is that something we should start thinking about?

Bob Gasser - *Investment Technology Group - President, CEO*

Well as you can see, we are doing everything in our power to control the cost. You know, I think Japan clearly was a big event for the firm and we want to give him an operating structure that gives him an ability to win here. So while at the same time, not choking off business opportunities, which would be a disaster for us there. So I think, we've reached the right equilibrium in terms of him having the resource and an income statement to work with that I think hopefully can get us to a place where it can turn a profit.

Niamh Alexander - *Keefe, Bruyette & Woods - Analyst*

Okay. Great. Thanks for taking my questions.

Bob Gasser - *Investment Technology Group - President, CEO*

Thank you.

Operator

The next question comes from the line of Ken Worthington from J.P. Morgan. Please proceed.

Ken Worthington - *JPMorgan - Analyst*

Hi. Good morning.

Bob Gasser - *Investment Technology Group - President, CEO*

Good morning, Ken.

Ken Worthington - *JPMorgan - Analyst*

First to follow-up on Mike's question, the high frequency trading. In Canada, the business is moving towards high frequency trading. You adapted lower latency and the revenue improved. In Europe, at least from your description, it seems like the same thing kind of happened this quarter. Is that a fair comparison and you mentioned the issue- I'm not sure you mentioned how you're responding- Are you doing the same thing in terms of latency in Europe that you did in Canada?

Bob Gasser - *Investment Technology Group - President, CEO*

I don't know that our latency issues are as pronounced in Europe today. I think it's more about the mix of -- of the growth in high frequency coming at the cost of institutional activity. I think we feel pretty good about our smart routing, our algorithmic capabilities in Europe, in the current environment they're operating in.

We don't really have a model, I think that effectively gives us an ability to take advantage of the spike in high frequency activity in Europe and in fact, I think probably we've in some ways avoided it to -- as I said earlier, to stick to the firm's knitting in terms of the quality of execution and the capacity issues that that potentially represents for us.

But I don't think it put us at any competitive disadvantages. This spike in clearly in Canada caught us, I think a little bit off guard and certainly affected results for two or three quarter. I don't think that phenomena is in place in Europe presently.

Ken Worthington - *JPMorgan - Analyst*

Okay. Thank you. And then you had executed layoffs, pulled back on some services from certain customers to align the revenue with the expense of servicing these customers.

Bob Gasser - *Investment Technology Group - President, CEO*

Right.

Ken Worthington - *JPMorgan - Analyst*

What kind of reaction are you getting from your overall customer base? I could see that being a positive as it gets people who may not have been engaging to kind of reengage or it gets those who were sort of engaged to completely disengage. So any anecdotes or information you can share with the reactions to those meaningful changes?

Bob Gasser - *Investment Technology Group - President, CEO*

Yes. Absolutely. Clearly, the transparency that we brought to this client dialog, I think, is something that's new for the firm. It clearly, I think, has been well received. As I said I'm proud of the sales force in terms of the way they've handled this in -- the purposeful way in which they have handled this while still being sensitive to client relationships and a lot of these clients have had significant longevity of dealing with ITG.

But coming in there and talking about the P&L client by client, the value of the products and services, the cost to us of providing those and the ultimate profitability that we expect from the client, I think has been a very useful exercise and it's allowed us in some cases to retain a very healthy and positive relationship with accounts, while actually still removing services that they weren't using or didn't really care for and but that doesn't mean that there is not areas for growth that remain for us.

I sat with our strategic sales group this morning and that's a group that we created as part of this whole process in terms of investing in the very top of those core relationships and taking what I would describe as a very holistic approach to consultancy with those clients. So using all of our TCA, all of our data, all of the resources at the firm's disposal to really get down and dirty in terms of a granular analysis of how to affect a better outcome on behalf of the client using our algos and other client's algos.

So I think that there has been two fronts. One has been this client profitability and I think this operating discipline that's been imposed on the US sales and trading business. And the other front has been the investment in the very top of the pyramid of our client constituency and I think we're -- so far we're pleased with both outcomes. So driving, if you're looking at a pyramid, driving it from both the base or the foundation and the top towards a better result.

Ken Worthington - *JPMorgan - Analyst*

Great. Thank you.

Bob Gasser - *Investment Technology Group - President, CEO*

Thank you.

Operator

And the next question comes from the line of Dan Harris from Goldman Sachs. Please proceed.

Dan Harris - *Goldman Sachs - Analyst*

Thanks. Thanks very much. Good morning, guys.

Bob Gasser - *Investment Technology Group - President, CEO*

Hi, Dan. Good morning.

Dan Harris - *Goldman Sachs - Analyst*

Given all the changes that we've seen here in the US, obviously with the asset managers and their flows and what you're seeing internationally. When you look out over the next 12 months, where do you see the bigger opportunity for growth, is it in the international businesses as you change the way you interact with the flow, or here in the US as you continue to tweak what you're doing with clients?

Bob Gasser - *Investment Technology Group - President, CEO*

Well, I think in US, we still feel that there is a huge amount of the client wallet that we don't even really touch today or touch very minimally. So we think there is a big, big opportunity there in terms of the content provision to get us to a place where we have more exposure. We also believe that this market is bottomed out in terms of the whole notion of equities as an asset class. Equities -- large cap equities are as highly correlated as they have ever been. There is -- obviously there is a tremendous amount of noise around the commoditization of equities created by ETFs and the lack of active management returns as a result.

So all those things are about as -- I think on the negative scale or the negative barometer, they are about as, I think, probably below and trending along at that place. So we believe now -- we all fall into this kind of reversion to the mean mentality. It's the way we all grew up, whether or not you were a trader or sales person or an analyst, everybody believes in things ultimately revert to the mean. Do we know how high that mean will be from here? I can't tell you but at one stage or another, we think the US has got a lot of operating leverage at the harvest year, once we return to some sense of normalcy in terms of institutional activity. In the international markets, clearly, I think Europe we have the same type of exposure now. As I said, we're not sitting there building a foundation or as I said product parity, the same operating efficiency or getting close to the same operating efficiency at the other parts of the world. Canada has been a demonstrative performer throughout with the exception of a quarter or two, and Asia-Pac, any improvement from here, I think, would be welcome and would show up on the bottom-line.

Dan Harris - *Goldman Sachs - Analyst*

Okay. Thanks. Actually staying in Asia -- staying internationally, how should we think about 2011 on the tax rate, given that there has obviously been a lot of moving parts over there, with businesses, with NOLs? In terms of thinking about, do we get back to about a 40% tax rate, Steve?

Steve Vigliotti - *Investment Technology Group - CFO*

As I mentioned, we are at 43 and change right now. We could see some improvement in the next couple of quarters to the extent we get some clarity around some of the US Co. with respect to research and development credits. So that could shave 1.5% or so off of our current run rate. Internationally, it's really a function of when we can improve our operating results in the Asia Pacific region as right now --as you guys know, we're not recording any benefits for the losses so as we start -- when such -- in such time, as we start generating profits there, those profits will drop to the bottom-line because we won't need a tax expense given the fully reserve for NOLs there. So that's just a function of us performing well there.

Dan Harris - *Goldman Sachs - Analyst*

Okay. So if Asia moves back to profitability at some point in 2011, we should expect that number to be normalized back to where it had been in that 40% to 45% range for the international business.

Steve Vigliotti - *Investment Technology Group - CFO*

Yes. That's what's hurting that right now. Correct.

Dan Harris - *Goldman Sachs - Analyst*

Okay. And then just, quickly moving back to that derivatives part of business. I know that you guys structured a new relationship earlier this year with MF. And we don't really get the same break out the way we used to but how should we be thinking about your futures and derivatives business here. I mean, did you -- are you getting more traction then [as you might] have been earlier this year?

Bob Gasser - *Investment Technology Group - President, CEO*

Futures, I'd say that we're still in the early stages of building out that MF relationship. I would say on the options side, we continue to have that's, that's the vast majority of our businesses exchange traded options in our derivatives business today. So it's very early stages on the MF side and one of the things that we're working on, as you've seen, is the notion of integrating futures into our algorithm and product offerings particularly our portfolio trading offerings. So we believe at this stage, that's probably our best entree.

Dan Harris - *Goldman Sachs - Analyst*

Okay. Great. Thanks a lot, guys.

Bob Gasser - *Investment Technology Group - President, CEO*

Thank you.

Operator

And the next question comes from line of Patrick O'Shaughnessy from Raymond James. Please proceed.

Patrick O'Shaughnessy - *Raymond James - Analyst*

Hey, good morning, guys.

Bob Gasser - *Investment Technology Group - President, CEO*

Good morning, Patrick.

Patrick O'Shaughnessy - *Raymond James - Analyst*

Quick follow-up question on the share repurchase authorization. Can you provide any comment or color on some of the timing that you see with the authorization? Obviously, it's a pretty big amount. Do you think the repurchases are actually going to be dependent on your lining up that credit facility?

Steve Vigliotti - *Investment Technology Group - CFO*

Well, we are continuing -- obviously, we continued our repurchased activity from the first quarter and into the second quarter, even took up a bit. And we continue to generate obviously positive cash flow on our business that we -- in fact are returning to shareholders via our repurchasing. In terms of going forward guidance, hard to predict right now, we continually compare that versus other strategic investment opportunities. And obviously, those strategic investment opportunities right now have a very high threshold for us, given the attractiveness of our stock at the current levels.

Patrick O'Shaughnessy - *Raymond James - Analyst*

Understood. And then touching on the credit facility a little bit. I know it's something that you guys have been talking about for a few quarters now. What's the difficulty with getting something like that lined up? Is it just kind of current market conditions, or what are the elements that are in play here?

Steve Vigliotti - *Investment Technology Group - CFO*

Well, Patrick, post the financial crisis, many of the lenders have become nervous about extending, committing credit facilities to brokerage firms, even one like ITG which has a completely different business model than any of the firms that got into trouble in 2008. We are doing our best and we're working hard with our financing partners. We think that's going to thaw and it's continuing to thaw a little bit, but that's really been the hang over really from the 2008 crisis. And again, educating, even though we are a brokerage firm, we are a different type of brokerage firm in our business model.

Bob Gasser - *Investment Technology Group - President, CEO*

But I think it's important to note and I just want to highlight that -- we repurchased $15 million of stock. We amortized some more of our debt, (inaudible - multiple speakers) millions dollars of our debt facility. We continue to generate cash. So we have --clearly there is pent-up capability within our balance sheet to do more. But we are -- as we said, I think we are going to be as aggressive as we possibly can we and have the organic resources to do that at this pace. And remember that the 4 million share authorization from a notional perspective, is probably about what it was when we got the 2 million shares back in I believe --

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Steve Vigliotti - *Investment Technology Group - CFO*

2008.

Bob Gasser - *Investment Technology Group - President, CEO*

2008.

Steve Vigliotti - *Investment Technology Group - CFO*

Yes.

Bob Gasser - *Investment Technology Group - President, CEO*

So I would just make sure everyone just keeps that in mind. I'm not -- certainly, I don't want to discourage anybody from feeling as if we are going to get a credit facility in place -- not at all. But I want to make sure that folks know that we do have the firepower internally to do a lot of things in the interim.

Patrick O'Shaughnessy - *Raymond James - Analyst*

Understood. That's very helpful. Thank you.

Bob Gasser - *Investment Technology Group - President, CEO*

Yes.

Operator

And the next question comes from the line of Nick Setyan from Wedbush Securities. Please proceed.

Nick Setyan - *Wedbush Securities - Analyst*

Good morning. Thanks.

Bob Gasser - *Investment Technology Group - President, CEO*

Good morning.

Nick Setyan - *Wedbush Securities - Analyst*

Would you please tell us, what were some of the variables that drove the sequential decline, other commission and fees in the US? Was there a change in the way you report the rate card [kind of company] by reclassification as well?

Bob Gasser - *Investment Technology Group - President, CEO*

It was entirely achievable to the reclassification. So the net executions, historically, had been in the other commission and fees lines that we now pulled that up to the reported volume numbers, so that's larger driven the -- if you compare what we disclosed prior quarter to this quarter. The actual other commissions that are in there actually ticked up a bit over the first quarter.

Nick Setyan - *Wedbush Securities - Analyst*

Okay. Great. As the sovereign debt fears have receded a little bit in Europe, have you seen some of the institutional volumes return?

Bob Gasser - *Investment Technology Group - President, CEO*

I think it's been -- probably, the best way to characterize that is slowly, ever so slowly.

Nick Setyan - *Wedbush Securities - Analyst*

Okay. And then as high frequency volumes are growing, institutional volumes recede, what are some things you are doing proactively as you wait for these actively managed institutional volumes to return? Should it take longer than expected for the latter to return?

Bob Gasser - *Investment Technology Group - President, CEO*

Well, clearly, net trading has been an area of focus and exposing our business to more and more constituents that we have not had been in the past. And these will be retail trading, the institutional -- we are doing a lot more institutional algo business -- I'm sorry a sell side algo business, excuse me.

We are doing a lot more sell side algo business than we have ever done before, of which we are internalizing quite a bit of that. The retail flow -- we've got a variety of different liquidity partnerships that I think have been very productive for us. So absent the institutions returning in a fulsome way, we have been aggressively out there growing some of what we are traditionally the business that we weren't engaged in 18, 24 months ago.

Nick Setyan - *Wedbush Securities - Analyst*

Okay. Great. Thanks very much.

Bob Gasser - *Investment Technology Group - President, CEO*

Thank you.

Operator

And the next question comes from the line of Chris Allen from Ticonderoga. Please proceed.

Chris Allen - *Ticonderoga Securities - Analyst*

Good morning, guys. It's Ticonderoga. Not too bad, yourselves.

Bob Gasser - *Investment Technology Group - President, CEO*

Good. How are you?

Chris Allen - *Ticonderoga Securities - Analyst*

Good. I just want to follow-up a little bit on capital and share repurchases. I guess if you could just give us a sense for the priority of capital usage right now, whether it's returning capital to shareholders via repurchases or thinking about growth -- different growth opportunities either organically or M&A? And then just on obviously the credit facility is taking some time but if we assume that it's in place, and stock is where it's right now, would that be a catalyst for maybe acceleration of the share repurchase?

Bob Gasser - *Investment Technology Group - President, CEO*

Good questions. I will start out with answering the first, very consistently, I think what Steve stated earlier and that is we are seeing a lot of properties. We are seeing a lot of things offered in terms of potential strategic transactions, but that has to be weighed against what we consider to be -- the very depressed levels at which our stock is trading today. It's a hard -- as difficult as any time in our history, it raises the bar for a strategic transactions. So it's got to be very, very compelling.

And clearly on the other side, if were to free up some more cash -- I wouldn't say it is out of the question, it's certainly something that we would consider like we would consider a number of other financial engineering alternatives. But it clearly would be possible, absent, finding the right property at the right price.

Chris Allen - *Ticonderoga Securities - Analyst*

Got it. Thanks a lot, guys.

Bob Gasser - *Investment Technology Group - President, CEO*

Okay.

Operator

And the next question comes from the line of Michael Wong from Morningstar. Please proceed.

Michael Wong - *Morningstar - Analyst*

Hi. Good morning.

Bob Gasser - *Investment Technology Group - President, CEO*

Good morning, Michael.

Michael Wong - *Morningstar - Analyst*

In Canada, do you have a feel for how Alpha's Dark Pool Proposal might affect your business? Does it have the same client base as yours and just a general feel for the demand for dark liquidity and block trading in Canada, in an environment of increased high frequency trading and fragmentation?

Bob Gasser - *Investment Technology Group - President, CEO*

Yes, clearly, Alpha has accomplished quite a bit in terms of taking share away from the TSX. The question will become -- I think similar to other multilateral ATSs here in the US whether or not they can turn that into ineffective block trading dark pool mechanism. And so -- I think they are going to have the same challenges that they have here in -- that they would have here in the US in terms of small execution size, probably a significant interaction of high frequency, and other players involved that would -- I think make it little bit more difficult to attract institutions to trade within that pool. But I wouldn't -- certainly can't rule out Alpha as a strong competitor.

In many ways I think we benefited from Alpha's presence in the market place. Clearly it's created a very competitive market up there between the incumbent exchange and alternative trading platforms. So I think Alpha is actually -- to this stage, has probably been a pretty good catalyst for things like smart routing and algorithmic trading and things that I think benefit us over the longer haul. And I wouldn't rule them out as a competitor in the dark space, but I would use the US as a -- clearly as an example of the difficulty that I think some of these multilateral dark pools have.

Michael Wong - *Morningstar - Analyst*

Okay. Thanks for that. And lots of the European volume growth has been from -- I guess increased high frequency trading, due to I guess technology and pricing changes in that environment. What do you see as potential drivers of increased trading from your more traditional asset manager clients and maybe even increased demand for some of your more higher-value services or technology in Europe?

Bob Gasser - *Investment Technology Group - President, CEO*

Well, certainly we are all hoping for a return of institutional activity and interest. As I said earlier, I think we are as well positioned from a product perspective. We have absolute product parity in terms of the desktop, in terms of algorithms, dark matching, routing the overall liquidity management scheme there is almost a replica of what we have here in the US. And a very capable group to deliver and service all that, so any uptick in institutional activity in interest I think would be a good thing. In addition to the fact that we are now controlling our own books and records and that's fully implemented as of July, as of the earlier part of this month.

Michael Wong - *Morningstar - Analyst*

Thank you.

Bob Gasser - *Investment Technology Group - President, CEO*

Thank you, Michael.

Operator

And the next question comes from the line of Rob Rutschow from CLSA. Please proceed.

Rob Rutschow - *CLSA - Analyst*

Good morning.

Bob Gasser - *Investment Technology Group - President, CEO*

Good morning, Rob.

Rob Rutschow - *CLSA - Analyst*

I guess, couple of quarter in -- since you tried to start segmenting your client base a little bit more. I was wondering if we could get an update on how that's going and whether you've seen some tangible benefits at this point?

Bob Gasser - *Investment Technology Group - President, CEO*

Yes. I think we've seen it in places like our US pretax operating margin. We certainly have pared down the number of clients that we are covering. Fairly significantly, we put them into basically three categories that we are managing very actively. One is kind of the middle market or smaller accounts that may not have the wallet to pay for everything we do, or full suite of products but have the ability to pay for individual products and where there are opportunities for us to trade with them based on the liquidity we have as a firm that is unique to us.

We have another segment of clients we would call development clients. These are folks that we -- that do have the wallet and do have the activity that we believe would give us the potential to become core. And then at that top level are the core clients that generate a significant amount of our revenue and our gross operating -- I'm sorry our operating profit of the US business and there are hurdle rates there in terms of the profitability of those accounts and the contribution to the business.

So there's a very tangible process driven and grounded in data. Steve and I review the progress of that effort on a weekly basis, with the US sales and trading team and I think we saw good benefit from that in the quarter versus Q1.

Rob Rutschow - *CLSA - Analyst*

So of those core clients that generate the most revenue and earnings, is that primarily large global, mostly long only institutions and do you have some of the larger hedge funds in that group?

Bob Gasser - *Investment Technology Group - President, CEO*

We certainly have some of the larger hedge funds that are institutions in and of themselves and global. Clearly, they would -- they would have natural interest in our product suite. There is a lot of global asset managers on that list and so as you would expect, global asset managers have the assets, they have the sophistication, they have the capabilities internally to interact with a firm like ITG and make it a fruitful relationship for us. So that's the way I would characterize that.

There are a number of hedge funds out there where we are probably under penetrated who generate a lot of trading activity. Clearly, alternatives have been amongst -- the asset classes out there, alternatives have been, alternative investment strategies have been one of the clear winners. So this notion of generating Alpha and expanding our content is defined by that as well.

Rob Rutschow - *CLSA - Analyst*

I guess and then that kind of gets me to the last question. In terms of the hedge funds, the tendency would -- you would assume what be that there would be more trading volume with you and be good clients and so I guess I'm curious as to whether or not, say, a $10 billion hedge fund generates as much business as, say, a $500 million or a $1 billion long only traditional manger or if there are other dynamics there that I'm not thinking about?

Bob Gasser - *Investment Technology Group - President, CEO*

No, I think there is certainly -- the possibility is there that they do, given the nature of the beast and so that's obviously an imperative for us. We have some great hedge fund products. We have a great single stock EMS that's very well penetrated. We have a great CSA soft dollar business that we bought as part of the Hoenig acquisitions, years ago.

Hoenig has been a great acquisition for us, but is there room to grow that space, absolutely. But what will define I think our growth strategy for covering those accounts will be more content, going forward, alpha generating content, not necessary electronic trading content.

Rob Rutschow - *CLSA - Analyst*

Okay. Thank you.

Bob Gasser - *Investment Technology Group - President, CEO*

Thank you.

Operator

And we have no further questions at this time. I would now like to turn the call back over to Mr. Bob Gasser. Please proceed.

Bob Gasser - *Investment Technology Group - President, CEO*

Well, we appreciate you joining us this morning and we look forward to speaking with you in October. Take care.

Operator

This concludes the presentation for today. Ladies and gentleman, you may now disconnect. Have a wonderful day.