

## ICE Expands Data Reach with SuperDerivatives Buy

By Dan Barnes

**A**nalysts predict that Intercontinental Exchange will use its recent acquisition of SuperDerivatives to grow the exchange's market share of trading and trade processing for over-the-counter derivatives.

SuperDerivatives supplies market data on a real-time and historical basis for instruments across FX, interest rates, credit derivatives, stock indices, energy, metals and agriculture. The data are drawn from a variety of sources and are particularly useful for products that are relatively illiquid and difficult to value.

SuperDerivatives' clients cross the trading and investment spectrum, taking in everything from pension funds such as Sweden's AP3 that use the data to model the value of their OTC positions, to market operators such as Liffe that use the data to improve their pricing.

ICE first began using the firm's data in December 2013 to support settlement prices specifically for illiquid instruments. As swaps are pushed onto electronic platforms under Dodd-Frank and the European Markets and Infrastructure Regulation, ICE is likely to see increased need for in the ability to model price and risk for these instruments.

"With this acquisition we will be able to offer our customer enhanced data and technology services and continue to grow our clearing offering through the addition of a strong foundation of financial market data," said Jeffrey Sprecher, chairman and chief executive officer of ICE, when the \$350 million all-cash deal closed on Oct. 7.

Of particular interest to ICE are the company's services related to foreign exchange derivatives and credit derivatives. SuperDerivatives is widely used in the FX options market and has an application to open a

currency and commodity swap execution facility under review by the Commodity and Futures Trading Commission.

Christian Bolu and Ashley Serrao, analysts at Credit Suisse, commented that the deal fits the exchange's recent strategy of buying smaller "tuck-in" technology companies rather than large-scale deals for exchanges.

"The acquisition should enhance ICE's growing market data offering and bolster [its] clearinghouse capabilities," they wrote in a Sept. 5 research note. "Specifically, SuperDerivatives has expertise in gathering unique data on illiquid markets and products, which should help enhance the settlement/risk management process at ICE clearinghouses."

### Libor Connection

The acquisition also will support ICE's foray into the business of administering benchmarks. On ICE's Q2 earnings call, Sprecher said that operating the London Interbank Offered Rate—a mandate authorized by U.K. authorities in February 2014—required enhanced sourcing and processing of data in order to deliver a more accurate product.

"We have now launched technology that will allow data gathering to come in and be more automated and auditable," Sprecher said. "The next step is to expand the way Libor is calculated to include more transactional data, more transactional data."

ICE Benchmark Administration also won administrative rights to the ISDAFIX benchmark, confirmed in August 2014, and Sprecher reported that technology enhancements are ongoing for that business as well.

"We're going to be receiving data from a number of the multilateral trading facilities," he said. "We're working to automate the trade capture of that and analytics around that which we'll use to publish ISDAFIX."

### Intellectual Property

In a separate move, ICE in August acquired the intellectual property rights for certain computerized trading strategies from Edge Specialists, an independent software vendor based in Chicago. Edge first filed patents in 2006 for software used in market-making on Eurex and CBOE and has since filed several other patents covering different applications of the software.

"ICE acquired these patents with the goal of preventing third parties from using these intellectual property rights against our customers. ICE intends to make these patents available broadly for license to customers that provide beneficial liquidity in ICE's and NYSE's markets," said David Goone, chief strategy officer at ICE.

Even so, the firm shows little appetite to be an all-purpose technology provider and is ditching technology assets that it does not perceive as useful. It has been methodically selling off parts of NYSE Technologies, the trading system and network business it acquired as part of NYSE Euronext in November 2013.

"At ICE they are all about the trade," said Niamh Alexander, analyst at Keefe, Bruyette and Woods. "They are buying it [SuperDerivatives] to capture more trading volume. The other businesses are technology firms and that is not a business [that ICE] is in." ■

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