INTERCONTINENTAL EXCHANGE/TRAYPORT MERGER INQUIRY

Summary of hearing with Engie Global Markets (Engie) on 8 June 2016

Engie on ICE and Trayport services

1. Engie said it used the Trayport trading platform to trade over the counter (OTC) products; specifically, gas, power, emission and coal products.

2. Engie said Trayport's key value was as a price aggregator. It said that it had recently renegotiated its three year contract with Trayport and that Trayport had been able to leverage its dominant market position to negotiate a [✂] price increase and enforce a move to software as a service (SaaS).

3. Engie said that it used ICE as an exchange for futures products, as well as a clearinghouse for OTC broker products in gas, oil and emissions.

4. Engie said that due to compliance reasons it had two separate front-end screens - ICE's WebICE screen and Trayport's front-end - but that it only executed trades on Trayport.

Engie on competition to supply front-end screens

5. In principle, Engie said that traders could use whatever screen and trading venue offered the lowest transaction fee for the same quality of services, provided it had the necessary liquidity. However, Engie said that it, and traders generally, did not consider that there were front-end screens available as viable alternatives to Trayport's Joule/Trading Gateway screen for the energy markets. Engie said that Exxeta and Trading Technology provided screens with price aggregation but that they were dependent on, and paid a fee to, Trayport. It said the only other alternative was CME Direct and this was a very small player compared to Trayport.

Competition for execution

6. Engie said that its primary criteria when executing a trade was securing the best price, whether buying or selling, and that the type of trading venue it

used was of secondary importance. It said that OTC brokers and exchanges were in competition with each other.

7. Engie said that Trayport and ICE were also in competition with each other at the execution level; ICE on its exchange and Trayport through its aggregation of broker's offerings. It said Trayport could be considered a quasi-trading venue because it aggregated broker liquidity and enabled execution. It said this demonstrated how one might choose to trade on ICE directly or via Trayport, and that, in effect, they both provided the same service.

8. Engie said that competition on trading venues varied by asset class, and that for UK Natural Gas most trading was moving from OTC towards the ICE exchange. It noted that PEGAS was the main competitor for ICE on gas and power markets, especially in Europe.

9. Engie said that when conducting trades OTC there were broker fees and the cost of credit, whereas when using an exchange there was an execution fee and a clearing fee. It said that products had different associated costs depending on the trading venue, however, traders did not consider this factor when making a trade due to the time constraints on securing the best price. It said its compliance department ensured that trading was conducted with different brokers to avoid Engie using a dedicated broker in individual markets which could lead to concentration and a worsening of terms in the long-run.

10. Engie said that there existed direct competition between OTC brokers and ICE in providing prices. It said that brokers and ICE offered the same products but competed differently depending on non-price positioning, such as maturity and volume. It said ICE featured in the futures market whereas brokers dealt with products with less than one month's maturity. This also had implications for the clearing process; OTC cleared trades were routed via Trayport's straight through processing (STP) service and this is a service Trayport provided to Engie. It said ICE futures products were cleared directly without the need for STP. Engie said that in 2008 traders in the oil market started switching from OTC to ICE's exchange to decrease the credit cost, demonstrating the possible rapid change of liquidity.

11. Engie said that trades were sometimes conducted by voice and this occurred when it wished to trade illiquid products of a specific size or maturity. It said, however, that voice dealing was also processed via Trayport.

12. Specifically on exchange competition, Engie said that Dutch Natural Gas (TTF) was traded on two different exchanges, PEGAS and ICE, which competed with one another for liquidity. Engie explained that ICE Endex was the first to trade TTF in a market dominated by OTC brokers; PEGAS then

entered the market and was able to gain market share and increase liquidity on its exchange. Engie said that exchanges could improve liquidity by offering a rebate or discount on its transaction fee for a set period.

13. Engie said in the event ICE were to increase its execution and clearings fees, traders would likely move to an OTC broker or an alternative exchange, such as PEGAS. However, it said that in this scenario traders would still have to use Trayport for price aggregation, unless a new exchange entered and provided a similar service to ICE's WebICE.

14. Engie said that it was a 'market maker' and that it could use this to lower transaction fees through annual negotiations with providers which it assessed at a global level rather than for individual transactions. Engie said that its own market position was a positive factor when it negotiated with brokers and exchanges, who wanted its high trading volumes to promote liquidity on their trading venues.

Competition for clearing services

15. Engie said that ICE and Trayport competed in clearing; ICE via its clearinghouse and Trayport through clearing with its STP process.

16. Engie said that it used clearinghouses via sponsorships by [✂] for coal and oil products, [✂] for European oil products, and [✂] for European gas and power. Engie confirmed it was not a member of any clearinghouse as the cost was too high compared to the savings on the clearing fee.

17. Engie said that STP was important as it allowed it to minimise the credit risk related to the counterparty and avoid potential regulatory issues. It explained that it had a maximum ratio of credit to traded value that it had to comply with and, so, it preferred to clear transactions using STP.

Engie's concerns with the merger

18. Engie said the implementation of the contemplated transaction would imply that Trayport – that is currently dominant – together with ICE would be in a situation of monopoly. It said taking into account that Trayport's platform was an essential facility for commodity traders to execute deals and ICE was already an important player on different related markets, the merged entity would have the possibility and the incentive to exclude directly or indirectly intermediaries (brokers, exchange), to favour directly or indirectly its products.

19. Engie said ICE might aim to drive liquidity to ICE services by (i) increasing brokers or exchanges Trayport's licenses fees (that would pass on the

increase to the trading customers making themselves not competitive),(ii) promoting its products on the Trayport platform by setting mechanisms that would automatically attract the deals to the detriment of competing alternatives.

20. In other words, Engie said that Trayport's dominant position in the market meant it could possibly leverage higher fees from new brokers in order to shift liquidity from OTC to an exchange. Engie said there was no evidence that this occurred during Trayport's pre-merger ownership by GFI.

21. Engie said that ICE owning Trayport would give it access to the data Trayport collected, giving it a potential advantage in the market. Engie gave an example that ICE might use data to develop a unique view of the overall market, especially in determining liquidity and would hold commercial data on its main competitors that may unduly advantage the merged entity.

Concluding remarks

22. Engie reiterated its concerns that a merger between ICE and Trayport could permit ICE to obtain Trayport's advantageous market data, favour its products over its competitors and limit new entrants when setting Trayport license fees.