INTERCONTINENTAL EXCHANGE/TRAYPORT MERGER INQUIRY

Summary of response hearing with IHS Markit on 13 September 2016

An alternative to Trayport

1. IHS Markit said that historically many firms had considered the viability of setting up a rival to Trayport and that internal discussions had taken place within Markit in the past to offer a trading platform in energy markets.

2. IHS Markit said that it had recognised there was a market problem and raised the prospect of developing a trading platform in energy markets internally in April 2016. It said it had taken the idea forward by entering informal discussions with energy market participants in June 2016.

3. IHS Markit said that any discussions were at an early stage and it was only at step two of ten in its product development process. It said nascent product development had been postponed in September 2016 due to a lack of current domain expertise and resourcing within IHS Markit, in addition to other reasons, including a wider restructuring owing to the recent merger of IHS and Markit. It said that due to the restructuring it was an inopportune time for IHS Markit to commit to a resource-intensive project. It said the length of the postponement was unknown at that time.

4. IHS Markit said it currently provided software services and products, such as Markit Digital and DealHub, in other markets. It said it did not have experience of delivering trading platforms in energy markets specifically and that developing or adapting its current products to serve a new market might require a significant work package. IHS Markit said it had not reached the stage of product development to define these requirements but that it maintained its interest in developing products for the energy market.

5. IHS Markit said a firm launching a rival to Trayport would face significant challenges. It said that doing so would depend significantly on the commitment of key market participants since a new platform would need to secure a critical mass of liquidity from the first day of launch. Markit said that if it were to re-engage with the project it would require a minimum of 12 weeks further engagement with market participants to make a decision to invest or not, then at least an additional 18 months to bring an alternative platform to market.