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GFI Group Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator instructions) And your first question comes from the line of Dan Fannon from Jefferies.

Dan Fannon – Jefferies

Good morning guys.

Michael Gooch

Good morning Dan.

James Peers

Good morning.

Dan Fannon – Jefferies

Mickey, as you look at the CDS market and some of the solutions that are being discussed for, you know the cleared product. Can you give us an update on your thoughts with regards to timing from both a regulatory perspective and when you actually think some of these products might go live? And then what are your thoughts – can you give us some color on what the dealers are talking about as you guys are obviously in constant contact with them and, you know, how they – do you think they are going to act post, you know, more transparency in kind of a different environment for trading, you know, CDS contracts.

Michael Gooch

Okay. I think that may be the, you know, the credit environment of the sort of last quarter of last year and also, you know, September naturally and the sort of reaction immediately by various regulators and politicians and things. In some respects, it might have actually slowed the process down of getting to a centralized clearing mechanism because the dealer community was prior to that, you know, really diligently moving towards introducing such and I think it was somewhat derailed by the environment and then the sudden announcements of various other efforts like CME, et cetera. And the Fed getting involved in the process and now obviously the uncertainty that comes from the different constituents in Washington that are, you know, thrown their hat into the ring, you know, the Agricultural Committee is the main CFTC regulator, I don't think they regulate it, but they control the CFTC and so you know, they are looking to be involved with the regulation of credit derivatives, even

though the underlying instrument is a security. The financial, Barney Frank's committee, I think wants to retain that regulatory oversight with the SEC.

So there is a little bit of a potential political battle on the horizon in that respect. Meanwhile in Europe, you know, there is two different situations happening between the UK and then a more pan-European effort to have essential clearing mechanism and there is definitely something of a turf war between Europe and North America in that respect, in that I think both sides somehow want to be the one most responsible. Now, in terms of launching there already is now live clearing for indexes in Europe that would be cleared by Bclear, which is part of Liffe, NYSE Liffe and cleared on LCH, but as far as I understand other than maybe one or two test trades nothing is being put into that at this point in time.

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