FLOW TRADERS

Full Year 2019 Results Call

Friday, 7th February 2020

Transcript produced by Global Lingo
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Full Year 2019 Events Call

Operator: Ladies and gentlemen, thank you for holding and welcome to the Flow Traders' Full Year 2019 Events Call. During the presentation all participants will be in listen-only mode and later we will conduct a question and answer session.

I would like to hand over the conference to Mr Jonathan Berger. Go ahead please, sir.

Jonathan Berger: Thank you. Good morning and thank you for joining Flow Traders' Fourth Quarter 2019 and Full Year 2019 Results Call. As you have seen, we released our results first thing this morning, and hopefully, you've had chance to digest those. I'm joined here on the call by our CEO, Dennis Dijkstra; and Chief Trading Officer, Folkert Joling, who will run through the results presentation after which, they'll be happy to take any questions you may have.

Before we begin, on slide 2, let me draw your attention to the disclaimer. Please be advised that if you continue to listen to this presentation, you are bound by this disclaimer. Also, please note, the results we will discuss in this presentation are unaudited.

With the formalities out of the way, I would now like to hand over to Dennis for his opening remarks.

Dennis Dijkstra: Thank you, Jonathan. Good morning and thank you all for joining this call where we will provide additional colour on our fourth quarter and full year 2019 results.

As is evident from the monthly market data published on our website, the fourth quarter was subdued from a market activity standpoint with reduced traded volumes and lower levels of volatility, particularly in November and December. Indeed, 2019 was a relatively subdued year overall compared to 2018. Consequently, Flow Traders performance – financial performance for the quarter and the year reflects this market environment.

For 2019 as a whole, this was the first time that Flow Traders has surpassed the €1 trillion ETP Value Traded mark. Moreover, the fact that we have grown our ETP Value Traded by 12% against the market backdrop of declining volumes is testament to our expanded market presence and global footprint. We have continued to focus on executing our strategic growth initiatives both in terms of broadening our ETP footprint and expanding trading into other asset classes.

Flow Traders is now an official liquidity provider in over 7,000 ETP listings and is connected to 187 venues in total. In Europe, our onstream market shares continue to reach new highs. We merged the dealing rooms in APAC, and this has already delivered improved trading performance in that region. In the US, our presence continues to grow as we add more counterparties to our platform and capture more OTC volumes. Folkert will cover the US performance and outlook later in this presentation.

Lastly, in terms of diversification, our FX offering continued to gain traction as we connected to additional platforms and traded with an increasing number of counterparties.

Flow Traders NTI in the fourth quarter and indeed for the whole of 2019 was realized while controlling cost growth and our trading capital. Trading capital was €368 million at the end December, following the slowdown in trading in the market. Capital buffers also remained very strong. Cognisant of our future growth initiatives, we maintain headroom in order to finance growth without losing sight of regulatory and prime broker requirements. Flow Traders had an excess capital position of €133 million at the end December 2019 and includes the impact of dividend payments. Taking all of this into account, Flow Traders proposes a final dividend for 2019 of €0.55, bringing Flow Traders' total 2019 dividend to €0.90, pending shareholder approval at our upcoming AGM. With our strong balance sheet and conservative capital position, we have also announced the €20 million share buyback programme.

Now let's take a closer look at the market developments and Flow Traders' accomplishments. First, we will take a closer look at the recent ETP market dynamics on slide 4.

As shown at the top left-hand side of this slide, market ETP Value Traded declined 11% in the fourth quarter of 2019 compared to the third quarter. This was driven by a particularly benign market environment and low levels of volatility experienced following the spike in market activity seen in August. Accordingly, this reduced market volatility or velocity in the fourth quarter after a mild uptick seen in the third quarter. In stark contrast to the ETP Value Traded trends, ETP assets under management continue to grow again in the fourth quarter. It is also worth noting that according to iShares, for 2019 as a whole, this was the second highest inflow year on record for ETPs, and this was mainly driven by fixed income. This is the strength of Flow Traders in Europe in particular.

In summary, it is fair to say the momentum in the ETP universe remained positive but was influenced by market sentiment and velocity in the latter part of 2019.

Now I will hand over to Folkert who will brief you on Flow Traders' regional performance in greater detail, as shown on slide 5.

Folkert Joling: Thank you, Dennis, and good morning all. On this slide, we present an overview of some of the key performance indicators for the fourth quarter and for full year 2019 on a regional basis.

The disciplined execution of Flow Traders' growth strategy resulted in a growth in ETP Value Traded in every region during the course of 2019 against the backdrop in declining volumes in the Americas and APAC. The subdued market environment in the fourth quarter, as referred to by Dennis previously, led to a decrease in market ETP Value Traded particularly in the US, which saw the largest decrease globally in market volumes during the fourth quarter, combined with an extended period of low volatility. This created a challenging market environment in which we operate. Nevertheless, as I mentioned a moment ago, Flow Traders continue to enhance its position in the region by growing ETP Value Traded in 2019 despite the declining overall markets. ETP Value Traded in the fourth quarter reduced at a rate less than the markets. We have connected with additional counterparties, providing a foundation for increasing success going forward.

Moving to NTI in the US in the fourth quarter, this was lower-than-expected due to a weak market environment, where, amongst other things, trading strategies and fixed income performed less optimally in such a low volatility environment. It is important to note that management in the US was strengthened during the year with the appointment of 2 new managing directors focusing on trading. This dedicated focus on pricing and OTC trading will build scale as Flow Traders seek to become a key component in the US ETP ecosystem. While this transition is expected to take some time to be fully realized, there are already signs of improvement in trading results. Of course, the year-on-year NTI comparison is distorted by the extremely strong performance recorded in the first quarter of 2018.

In Europe, we confirmed our position as the leading liquidity provider in ETPs. On-exchange market share reached new highs throughout the year as we successfully build on and enhance this market-leading position. Flow Traders' ETP Value Traded broadly tracked market value traded in the fourth quarter given this leading competitive position in the region, and as seen elsewhere, low volatility affected the level of NTI generation.

Lastly, in Asia, Flow Traders ETP Value Traded grew significantly during 2019 as the regional presence in both on and off-screen trading increased. In the fourth quarter, we saw strong OTC flows. We continue to see improved trading performance following the move of all our desks for on-screen liquidity provision to Hong Kong from Singapore. And despite the uncertainty in the region, we remain committed to providing liquidity to counterparties as well as continuing to grow our presence in the region.

And I will now hand over to Dennis for the next slide, where we'll cover the cost base in greater detail.

Dennis Dijkstra: Thanks, Folkert. The 10% overall growth in fixed operating expenses in 2019 was well within our guidance. One of the main drivers of the increased fixed cost base relates to new hires, where we now have 18% more FTEs compared to a year ago. It is important to note that average fixed cost per FTE remained broadly flat.

As we mentioned in our third quarter trading update, we welcomed a large intake class in September and the full operating expense impact of these hires was evident in the fourth quarter. This intake class was comprised mainly of graduates in our technology and trading areas. Again, this further highlights our position of an increased –

Operator: Please wait while the recorder is connected.

Dennis Dijkstra: – as an employee of choice for many graduates. These hires support our diversification strategy.

We also saw increased technology expenses as investments were made to support diversification and improve efficiency. Technology is truly at the heart of our business, and our infrastructure backbone is critical to our diversification. Technology represents our largest employee group, as you would expect for a technology-enabled business like ours.

We also seen €1.2 million of one-off expenses in the fourth quarter, which includes items such as the termination of the Hong Kong office lease extension.

As you can also see on this slide, the variable compensation has adjusted to reflect the overall financial performance of the business and remains a key lever in managing the total cost base. The variable compensation amounted to 38% of operating profit in 2019, which is clearly higher than the 35% limit we have mentioned before. This is due to the IFRS treatment of the various equity participation plans. Given the increase in FTEs in 2019 and ongoing organisational and technological improvements, we expect no material net FTE increase in 2020.

In terms of costs for this year, we expect a maximum of 10% fixed operating increases in 2020 compared to 2019.

Now I will take a closer look at Flow Traders' capital position on slide 7. On this slide, we show our required core tier 1 capital levels and our excess capital on the top left-hand side. After accounting for dividends in 2019, Flow Traders' capital buffers have remained strong and remain comfortably above our requirements under CRR. Our solvency ratio with the prime brokers increased somewhat compared to the end of the third quarter and the recent low point in the first half of 2019. Taking all these developments into account, Flow Traders has proposed a final dividend of €0.55. Our payout ratio for 2019 remains comfortably above our 50% minimum level as stipulated in our dividend policy. Flow Traders will continue to evaluate its capital buffers in light of its future growth plans and upcoming regulations.

In light of our conservative capital position and strong balance sheet, we have also announced the share buyback of up to €20 million. This buyback, in combination with the proposed final dividend, will further enhance capital returns to our shareholders.

Now I will hand back to Folkert to review our achievements in 2019 and take a closer look at the strategy for 2020 and beyond.

Folkert Joling: Thank you, Dennis. Looking at all the strategic objectives, we have made good progress in all of the focus areas we identified at the start of 2019. Flow Traders remained the leading ETP liquidity provider globally and grew its presence in all regions, but especially in the US and Asia. We increased Value Traded in all regions as we traded with more counterparties on more venues.

As mentioned previously, 2019 saw Flow Traders surpassed the €1 trillion mark for ETP Value Traded for the first time. Global non-ETP Value Traded grew 12% year-on-year and platform infrastructure – and represented 75% of our Value Traded, further highlighting the strength of our platform and infrastructure.

We continue to invest in our technology platform throughout 2019. Part of the non-ETP Value Traded was accounted for by the diversification into trading other financial instruments. We have seen momentum in FX trading in Europe in 2019. And as we have said on many occasions, diversification of our trading activity is a key part of our strategy going forward. As highlighted earlier by Dennis, all these was done while being disciplined around cost growth.

On the next two slides, we will focus on the key growth drivers for Flow Traders going forward. Our strengths here at Flow Traders is our global ETP footprint. As can be seen at the top of the slide, we have consistently connected to more and more venues and counterparties, which has driven increase in ETP Value Traded. It is also worthwhile highlighting regional nuances that make up our overall global trading footprint.

Starting with Europe, which is our strongest market and obviously, where we are headquartered. What we have seen in Europe, following the introduction of MiFID II is a step change in transparency, with trading moving away from dark pools to MTFs. This trend has been a real positive for Flow Traders, and we now see almost all the flows which has a significant impact on our pricing capabilities. We have a leading market position, and our on-screen market share is regularly in the 35-plus region. Critically, we are successfully building on and expanding this market position. The nature of the European market and concentration of market share has led to the withdrawal of certain smaller competitors.

The US market is the largest ETP market globally and crucially has a single regulatory regime. Technology, including RFQ adoption and regulatory changes such as unbuilding and best execution will create a more level playing field, and this is an opportunity for Flow Traders. We are seeing a growth in more transparent OTC trading platforms with best execution becoming more prevalent. Our position in the US is more nascent, and we are very much in investment and growth mode. We are already top three in OTC trading with our current setup. More products and onboarding additional counterparties will generate more flow and help to improve overall pricing capabilities.

Lastly, about Asia. Asia is the second largest regional ETP market and is dominated by China. Asia has a slightly fragmented landscape, and this is also very much a growth market for us. And Flow Traders currently operates in Asia ex-China, although we are examining, entering this market given its size and importance. From a competitive perspective, there is a high degree of relationship-driven trading led by domestic banks who indeed often are also ETP issuers themselves.

In summary, there is still considerable opportunity to enlarge our footprint further further, particularly in the US and Asia and gain market share. Our global footprint will ensure we are well positioned to take advantage of positive market developments as we have seen since the start of the year.

On the next slide, I will now cover our additional growth drivers. The previous slide demonstrated that there is growth to come from leveraging our core strength in ETPs. Likewise, Flow Traders will use this expertise to focus on two additional growth drivers which are the enhanced coverage of fixed income and currency products. During the course of 2019, we've been further progressing the strategy of diversification into asset classes, and these various initiatives remain very much on track. Our move into FX trading started in 2018 and has gained traction in 2019 as we now trade with an increasing number of counterparties on additionally connected platforms. In addition, we have sought to strengthen the team by making some experienced hires who have already made an impact.

As mentioned before, our fixed business thus far has focused on Europe and on deliverable spot. During the course of 2020, we will be expanding trading globally to 24 by 5.5[?]. And lastly, technology upgrades and prime broker diversification will also help to drive this business forward. Fixed income is much more nascent business and FX. The focus for 2019 has been on upgrading the technology suite and developing greater pricing experience. This year, we will be focusing on driving increased volumes with focus on corporate net instruments, and we have covered many of these behind us already, but there is always work on the way to improve and drive greater efficiencies. For example, in 2020, we will be looking at increasing capture rates throughout our hedging strategies and undertaking trading in other index derivatives.

In conclusion, these growth drivers are key to structurally grow the NTI over time and to also improve efficiency by building greater skill and attract more flow.

I'll now hand over back to Dennis, who will conclude the presentation.

Dennis Dijkstra: Thanks, Folkert. Let me conclude the presentation by summarising our strategic priorities for 2020, many of which we have covered already in this presentation, of course. Naturally, we will focus on expanding our leading ETP liquidity provider position and continue to grow the ETP ecosystem with our partners through more venues, products and counterparties. As Folkert mentioned a moment ago, we will expand currency and fixed income trading capabilities to embed diversification. Fixed income trading, in particular, will also drive fixed income ETP trading. Indeed, iShares have stated that fixed income ETPs experienced record inflows during the fourth quarter and this is also expected going forward.

As we have consistently done, we will maintain a strong capital position and robust risk management framework. Indeed, I want to take the opportunity to note that this week, we welcomed Britta Achmann to the company as our Chief Risk Officer. Her nomination to the Management Board will be voted on by shareholders in our forthcoming AGM in April. We will also drive efficiency improvements through technology infrastructure and data processing. Lastly, we will maintain strong cost discipline as growth investments are made. Ultimately, these strategic priorities for 2020 are part of the journey to succeed in our mission to – of becoming a top three player in all markets we operate in and increasing our potential for structural NTI growth.

I will now hand back the call to Jonathan.

Jonathan Berger: Thanks, Dennis. This concludes our presentation. We'd now like to open up the floor to any questions you may have. Operator?

Questions and Answers

Operator: Thank you sir. Ladies and gentlemen, we will start the question and answer session now. To register for the question and answer session queue, please press *1 on your telephone. So that's *1 for your questions. Go ahead, please.

The first question is from Mr Albert Ploegh, ING Bank.

Albert Ploegh (ING Bank): Yes, good morning. A few questions from my end. Maybe the first one, a bit on the outlook for January, which are considerably higher than the average of the – for Q4. Can you maybe give a bit more colour per region, what you see? And then, obviously, especially on the US? And the second part of the question is also related to the US, on the improving trading results since the start of the year. Yes, with the Q3 results and the disappointment was explicitly focused on the fixed income part. So can you help us a little bit what kind of management actions have been taken because the way I still see it and listening to the remarks still seems mostly a pricing issue. So is the setup in terms of brokerage, and so the prime brokers giving now as you wanted to have it? So is it more about pricing, so to understand a little bit better with what you're struggling there?

And the final question on the cost guidance of max 10%, helpful to have that reconfirmed. But to be absolutely sure because as you mentioned, you don't need basically material net new hires. That is more that you see operational efficiencies and there's nothing to do with fewer initiatives of growth that you see on the platform, let's say, on the trading side itself to have this clear as well. Thank you.

Dennis Dijkstra: Okay. So let me start with the outlook mentioned in the trading update and the cost guidance, and I will probably – I will ask Folkert to give a bit more colour on the US situation. And so the current outlook, I said, I think we see considerably higher-than-average NTI recorded in this – the start of this year than in Q4. And combined with the comments about that also the investments and the changes and additional focus we've seen in the US, we can see that the increase is across all regions. And so we are also there, with the elevated market conditions and volatility. We benefit in every region. So that's one on the cost guidance.

As we also said in the call, in the press release, especially after the summer when all the graduates start, we've seen a stronger headcount growth with all the graduate programs, especially in trading and our technology department. So if you look at the current 513 FTEs we have, we don't anticipate that that will grow, but the headcount has grown throughout 2019. So you have to look at it on the cost growth guidance going forward because we've grown throughout 2019. We don't expect further growth if you look at our December run rate.

Folkert Joling: Yes. About your questions in the US, well, obviously, we have seen lower volumes, lower volatility, less rebalancing from institutional investors. And the market is obviously hugely competitive. So in our fixed income business, well, we are top 3 in the ETPs, in all these activities. But we feel that we need to improve the pricing of the, let's say, the underlying basket is a lot more to benefit in the low vol environment. We obviously need a bit of movement to deploy the strategies properly. So if the movements are low, the thing to improve is the underlying to be able to adjust the strategies for this environment a bit better. So we'll be focusing on the underlying pricing quite a lot. And there, we see already improvements in the positional activities we have here. So that's a clear improvement given the environment.

Luckily, the movement has been a bit better. And then you usually see these results as well from this. But the US is not only fixed income. Obviously, there's also a bigger share of the equity operation, similarly there with low vola and lower volumes. And the competitive nature of the US markets, we've seen that to put a big effort in the setup – the efficiency of the setup, the quality of the trades so that's more a technical approach. And there, we – yes, our competitiveness is increasing also visible. So, let's say, both spectrums of the trading, we have purposely made a lot of improvements already, which are not finished yet. And they will be more visible the next coming months and if it starts to move even more. So that's why we're pretty confident that NTI will pick up even more. Your question about the prime brokers and the clearers, we don't have an issue there.

Operator: The next question is from Mr Heijdenrijk, ABN AMRO. Go ahead, please.

Ron Heijdenrijk (ABN AMRO): A few questions from my side. Coming back to the US fixed income business. You mentioned this as a growth driver. I was wondering, in your total US flow, how much of that would be fixed income related, how much of that will be equity related?

Then secondly, on the profitability. Folkert, you just said that the competitiveness is increasing in the business, both on the equity side as well as on the fixed income side. Does that mean – because typically, that means that your pricing is lower versus your competition rather than higher. So is that the source of the margin pressure that you have? And I'm trying to understand how from 1.5 basis points in the second quarter to 0.8 basis points in the third quarter, 0.5 basis points in the fourth quarter, how much of that is mix effect? How much of that is an inefficient setup, which is going to improve? And how much of that is structural? So if you could actually spend some time on it, and that would be really helpful.

Folkert Joling: Yes, to sort of clarify your comment about the competitiveness in a low vol environment, it's easier for people to deploy the strategies. So it's not that the capabilities of the parties increase. But if it starts to move a bit more, our strengths become more evident. So if the dollar goes down and everybody can play this game, right? So everybody is grabbing share increase – impact also on the revenue capture, which for us is not that hugely important because the volumes are not linearly scaling with the P&L in there. But the setup is efficient, I think relatively, we have improved our competitiveness compared to others. And this will surely demonstrate in slightly more vol environment.

The relation between fixed income and equity. It's – I'm not sure if it's really fair to compare it, obviously, in the equity areas in the straightforward names, there's a lot of volume going on, which dominates the overall volumes in the US market in general. In some periods, these products are far more active than other periods. So we see some movements in – if you look at the total statistics and some quarters, they're highly dominated by, let's say, the Spy type of flows. So we're not fully focusing on those statistics but more looking at the level of the quality of the trades we do. But I'm not – I don't have the statistics before me, but I think the equity side is larger than the fixed income side. But in the fixed income side, we probably have a better market share relatively.

Ron Heijdenrijk: Yes. And then, sorry, could you maybe add to that the – because probably your fixed income is growing as a percentage of your total volume. So do you have some statistics on that?

Folkert Joling: Yes, well, I don't have these figures here. I'm not sure if we're going to include them in the reporting either, so we will get to that and come back to you, Ron.

Ron Heijdenrijk: Okay. And then maybe finally, if I may, on fixed income, the – well, the trading strategies that are working less now than they used to work. Is that predominantly ETP-related flow, or is it predominantly naked flow in fixed income?

Folkert Joling: Well, in the – if you look at how the market develops, it's sort of in a continuous upgoing markets in the equity space. These types of markets, where you gradually have an increase and not too much ups and downs, they make it more difficult to trade in and out of your positions. So it's more the position management overall. We have obviously a position that we have continuously with a high – have a high turnover in this, but they're sort of a base position, which is a combination of thousands of products. And if the market is reacting in a sort of completely up and down volatile way, this makes it far more easy. So it's more related to the nature of the, let's say, the long-term trends in the market, then specifically on Flow's strategies. For the last quarter, S&P goes in a straight line up, and that's not ideal for this type of position.

Operator: The next question is from Mr Gregory Simpson, Exane BNP Paribas.

Gregory Bickley Simpson (Exane BNP Paribas): Just three on my side. This first is a very simple one. The current levels of NTI and given the fixed cost of running the infrastructure, is the US region actually profitable for you to operate in?

The second question, you mentioned, I think, some competitors withdrawing in Europe. Are you seeing opportunities to hire talent from this, or even does it present M&A opportunities?

And then the final question, it seems like you're seeing good momentum in FX, for example, around connecting to venues. Is there a bit more of a timeline around when you might – when you think you might be able to achieve more material revenues for market making here?

Dennis Dijkstra: Thanks, Gregory. So as will be shown in kind of our annual report, all regions are profitable. So from an operational profit and a net earnings perspective, and that's what we also monitor very closely. So although it's subdued for kind of the second part of 2019, having monitored this very closely in all regions are profitable by themselves.

Coming back to your questions to having kind of competitors stepping out of the market. Also there, it kind of confirms that you need to have the scale kind of a market – kind of a leading – need to have a leading position in trading these products and have – you need to have the connectivity to all the counterparties, all the platforms kind of trade all the underlying assets as well. So of course, well, we've been talking to talent, who is probably kind of made redundant. But then again, there's a reason we are kind of market leaders and the biggest and they're not. So we are very confident in our own people, our own infrastructure that has made us as successful and market-leading as we are. So we prefer to kind of focus and concentrate on our own people and build on those and them than kind of hiring external people who are kind of looking very actively in M&A or acquiring infrastructure or talents.

Folkert Joling: Yes. On the FX side, we have an outlook of how the strategies are expected as opposed to grow the next couple of years. And obviously, there is an increase expected. And we have a full plan underneath with lots of KPIs, which demonstrate that the growth of the business, both in volumes but also profitability, is supposed, and we have a lot of confidence in to grow in more than linearly. We're not going to disclose details on those separate strategies, yet.

Gregory Bickley Simpson: Okay. And then can I just double check if there are any lost days or not in 2019?

Dennis Dijkstra: No, there were no lost days.

Operator: The next question is from Mr Mike Werner, UBS.

Michael Joseph Werner (UBS): I have two questions, please. With regards to the performance in January, which was considerably above the average of Q4, can you provide any colour within the month, was this front-end loaded, back-end loaded? I'm just curious as to when that revenue generation might have been more concentrated in, in the first half of the month to the second half of the month?

And then second, just thinking about your US growth strategy, I'm just curious as to what the main KPIs that you're looking at? Is this a business – are you targeting a certain market share revenue, profitability, return on capital? How are you guys thinking about it? I mean, you noted that it is profitable in one of your previous answers. But yes, I was just wondering what you would consider success in the US longer term?

Dennis Dijkstra: So about kind of the current trading, although there might have been a few days where kind of the NTI was a bit elevated, what's very comforting that it has been reasonably evenly distributed across all the days in the month. So that also – and of course, kind of not specifically evenly distributed in other regions, but also all the regions contributing to the NTI, so it's not that it's kind of a big outlier. So it's a very consistent and very strong performance in all of the regions.

So coming back to your questions about kind of what success means, that's very simple. That's NTI. That's the only thing we focus on. So it's not, per se, kind of our revenue capture. NTI is kind of the money we make on the trading we do. And then kind of in addition to have a very conscious and as low as possible cost base, that's kind of what we focus on. So it's the NTI we focus on. And to get there, you need to have the pricing right. So it's a stronger focus on the pricing, very dedicated. It's – part of it is also probably the – you need to have a leading position. You need to have the skill. So also there, over the last – in the last period and also going forward, we've been investing quite a lot in kind of growing our foundation so that's connecting to exchanges, dark pools, becoming a single-dealer platform as a single kind of bilateral liquidity provider, but also – and that's an important factor that's kind of growing our OTC counterparty base. To make sure that we kind of see and are connected to all the flows in the products we want to trade. So we're confident that, as in Europe, being a top 3 or slightly even better liquidity provider also in the US markets, will bring us the NTI and even more profitability.

Michael Joseph Werner: And just as a quick follow-up here. As you noted, the NTI is kind of your key target. Internally, do you look at kind of NTI versus capital allocated or capital used? How do you think about that? Especially if you're only focused on NTI, how do you kind of bring into the considerations of the capital that NTI might require?

Dennis Dijkstra: Yes. So from a capital perspective, we're kind of bound by the regulations, so both in the US and in Europe. And we have kind of pre-set rules, how to calculate our capital requirements both from the regulator as the prime brokers. And there, again, we have plenty of capital, but we also want to remain enough headroom to capture future growth and opportunities. So the capital set is kind of bound by the regulators and prime brokers. Then again, we have plenty. And also there, if you look at our kind of NTI, the capital, both regulatory and kind of trading capital we use, all of our strategies are, from a kind of return versus capital allocation, profitable. That's also how we manage it exactly.

Operator: The next question is from Mr Michael Roeg, Degroof Petercam.

Michael Roeg(Degroof Petercam): I have two questions. The first one is on your OTC business in the US. You made good progress there in the past couple of years by signing on more and more counterparties. And I was wondering where you are today compared to where you want to be? Are you halfway, or is there – are you almost there in terms of number of counterparties potential?

And the second question is on the Chinese ETP market. I think in the past, you talked about the possibility of entering that. Where are we today in terms of legislation and potential to do so?

Dennis Dijkstra: Thanks, Michael. So on the OTC trading in the US. I think we made some comments about that there's a lot of future growth, so we just see – we see the kind of, I don't know, about 25%, 30% of the OTC markets. So – and giving debt, have we already kind of are a top 3 kind of liquidity provider, so that says that we have a – so we're very successful in our pricing in these block trades. Unfortunately, both technology and regulation still needs to further evolve and to make sure that kind of we would see all OTC counterparties. So like with MiFID II in Europe, where there is kind of clear unbundling, which there isn't in the US, but also kind of electronification with RFQ, MTF flag platforms in the US, that's something that's where we also are very supportive. So we do see also the American markets or the US markets kind of changing in our favour where kind of the growth of Bloomberg or BE platforms are very beneficial for us but also for the investors. And so we are confident that we have the ability to further grow our OTC business in the US, but we're not there yet. So I would say we anticipate to at least, I don't know, double in one or two years the volume and the number of counterparties we should be able to see. But then again, kind of accelerated changes in the favour of the marketplace, creating level-playing fields what will help. I think from a technology perspective and infrastructure, we're ready, but we can’t force everybody to trade with us, unfortunately. On China, do you want to comment?

Folkert Joling: Yes. About – the regulation is opening up gradually, so that's great. So last year, the local regulators announced to be more open to foreign entities entering. So this year, we will continue the preparation for this. And hopefully, in – towards the end of the year, we can see if we can get a license for the equity trading side, which would also cover the ETFs. So this year, it's more preparation. And then depending on, let's say, external factors on the Chinese regulation, it could be 2021. Obviously, this market is very huge. We think it fits our business properly, so we want to get in, but we want to do it, obviously, in a very controlled and a good way. So this is definitely something which can grow the APAC region in the next two years

Michael Roeg: That's very helpful and interesting. If possible, to enter that market, would you have to open an office in China? Or would you be able to do that from your existing office?

Dennis Dijkstra: Well, most probably, we need to have an office there, so that's definitely an option. And then the sort of the sizing and the test distribution, that's something that still needs to be prepared. But if that's a requirement, which probably is, then definitely, that will be part of the plan.

Operator: Ladies and gentlemen, if there are any other questions, please press *1. So *1 for any additional questions. Go ahead please. There are no further questions at the moment.

Jonathan Berger: Okay. Thank you, operator. We'd like to thank the analysts for participating in today's call. Please note that our next analyst call will be held on the release of our half year numbers. Details of this call and time of the call will follow in due course. The second quarter – sorry, the first quarter trading update is scheduled to release on 21st April. And that now ends the call. So thanks again, and have a good day.

Operator: Ladies and gentlemen, this concludes the Flow Traders full year results call. Thank you for attending. You may now disconnect your lines. Have a nice day.

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