Operator

Good morning. My name is Dennis, and I'll be your conference facilitator today. I'd like to welcome everyone to the Goldman Sachs Second Quarter 2013 Earnings Conference Call. After the speakers' remarks there will be a question-and-answer period. (Operator Instructions) Also this call is being recorded today, July 16, 2013. Thank you.

Mr. Holmes, you may now begin your conference.

Dane E. Holmes

Good morning. This is Dane Holmes, Head of Investor Relations at Goldman Sachs. Welcome to our second quarter earnings conference call. Today's call may include forward-looking statements. These statements represent the firm's belief regarding future events that, by their nature, are uncertain and outside of the firm's control. The firm's actual results and financial condition may differ, possibly materially, from what is indicated in those forward-looking statements. For discussion of some of the risks and factors that could affect the firm's future results, please see the description of risk factors in our current annual report on Form 10-K for our year ended December 2012.

I'd also direct you to read the forward-looking disclaimers in our quarterly earnings release, particularly, as it relates to our Investment Banking transaction backlog, capital ratios, risk-weighted assets and Global Core Excess. And you should also read the information on the calculation of non-GAAP financial measures and regulatory capital ratios that are posted on the Investor Relations portion of our website at www.gs.com. This audiocast is copyrighted material of The Goldman Sachs Group, Inc. and may not be duplicated, reproduced or rebroadcast without our consent.

Our Chief Financial Officer, Harvey Schwartz will now review the firm's results. Harvey?

Harvey M. Schwartz

Thanks, Dane, and thanks everyone for dialing in today. I'll walk you through our second quarter results and then take your questions.

Net revenues were $8.6 billion, net earnings $1.9 billion, earnings per diluted share $3.70, our annualized return on common equity 10.5%. For the first half of the year our return on common equity was 11.5%. All in, a solid outcome and what continues to be a dynamic market environment.

On our earnings call last quarter, we discussed how the evolving economic outlook impacts client activity. Narrowing economic data and substantial central bank actions during the quarter caused our clients to continually reassess their expectations from global growth. As a result, our clients risk appetite in activity levels fluctuated over the course of the quarter.

At the beginning of the quarter, our clients remained focused on the European economic outlook. As the quarter progressed, solid economic data out of the U.S. began to moderate economic concerns. Client activity, risk appetite, and asset prices improved as a result of the increased confidence in the U.S. economy. Macro concerns emerged again towards the end of the quarter and refracted – reflected in lower activity levels and risk appetite in certain businesses. In addition, the market volatility created more challenging periods within the capital markets for managing client flows.

As I previously mentioned, central banks around the world were particularly active during the second quarter. This activity was a key driver of market sentiments during the quarter. In Japan, the Central Bank undertook unprecedented monetary action to stimulate their economy. During the second quarter, the yen declined by approximately 5% versus the U.S. dollar and 7% versus the euro.

The marketplace tried to weigh the potential near-term benefits for the Japanese economy against the relative headwinds for other parts of the world. In the U.S., commentary from the Federal Reserve about potentially tapering its bond buying program led to a significant rise in interest rates. Market participants continue to debate the timing and impact of tapering on both the market and economic activity.

Clients were also concerned with the potential slow down in China during the quarter. Ultimately our clients are assessing the broader global economy, specifically whether a recovering U.S., will offset potentially slower growth in other economic regions.

I'll now run through each of our businesses. Investment banking produced second quarter net revenues of $1.6 billion, roughly consistent with the first quarter. Second quarter advisory revenues were $486 million, consistent with the first quarter. Year-to-date, Goldman Sachs ranked first in worldwide announced and completed M&A. We advised on a number of important transactions that closed in the second quarter, including News Corporation approximately $9 billion spin-off of its publishing business. Hess's 2.1 billion sale of its Russian subsidiary to Lukoil and Siemens 1.7 billion British pound acquisition of Invensys Rail.

We are also an advisor on a number of significant announced transactions. They include Canada Safeway's CAD$5.8 billion sale to Sobeys. Springer Science and Business Media's €3.3 billion sale to BC Partners and Lender Processing Services $4 billion sale to Fidelity National Financial.

Second quarter underwriting net revenues were $1.1 billion, relatively consistent with a robust first quarter. Debt underwriting revenues were very strong at $695 million and represents a record quarter. While the pace of commercial mortgage related activity slowed, leverage finance activity remains strong. Equity underwriting revenues of $371 million were down 5% compared with the first quarter. Year-to-date, Goldman Sachs ranked first in global equity and equity-related common stock offerings and IPOs.

During the second quarter, there were several noteworthy transactions. Apple's $17 billion first ever debt offering. Valeant Pharmaceuticals $9.6 billion debt and equity financing and J.C. Penney's $2.3 billion term loan. Our Investment Banking backlog was consistent with first quarter levels.

Let me now turn to institutional client services. Total net revenues were $4.3 billion in the second quarter. FICC Client Execution net revenues were $2.5 billion in the second quarter, lower than the first quarter, but higher than the second quarter a year-ago. This quarter results continue to reflect a broad contribution across businesses and reinforce the benefits of having a diversified franchise.

While activity levels in our currency business remains strong as clients reacted to increased volatility, particularly in Asia, resulting other businesses were lower than the first quarter. As you would expect during the period of increasing interest rates and widening credit spreads, client risk appetite declined at rates, credit and mortgages and inventory management was a bit more challenging during the later part of the quarter. Commodity results increased relative to the first quarter as volatility remain low in many of our core products and client activity was lower as a result.

Turning to equities, net revenues for the second quarter were $1.9 billion, down modestly from the first quarter. Equities client execution revenues were $638 million, down 21% sequentially; largely reflecting the impact of the sale of our reinsurance business. Commissions and fees were $836 million, up 5% from the first quarter due to improved market volumes.

Security services net revenues of $376 million were 18% higher sequentially due to seasonally stronger client activity. With respect to risk average daily VaR in the second quarter was $81 million, up 7% from first quarter levels due to higher volatilities mainly in currencies. Adjusted for volatilities, VaR was relatively unchanged quarter-on-quarter.

Let me now review Investing & Lending. We produced net revenues of 1.4 billion in the second quarter. Investing & Lending includes direct investing, investing due to funds as well as lending activities. These activities occur across a diversified set of asset classes, including both equity and debt.

Equity securities generated net revenues of 462 million, primarily reflecting gains from private equity investments. This increase in fair value was driven by company-specific events and strong corporate performance. Also, we sold our remaining stake in ICBC during the quarter.

The net gain over the quarter was a modest $7 million. Net revenues from debt securities and loans was 658 million, driven by company-specific events and interest income. Other revenues of 295 million were driven by the firm's consolidated investment entities.

Switching to Investment Management, we reported second quarter net revenues of 1.3 billion, roughly consistent with the first quarter. Management and other fees were 1.1 billion, up 4% sequentially. During the second quarter, assets under supervision decreased 13 billion to 955 billion primarily reflecting net market depreciation and fixed income assets.

Now let me turn to expenses. Compensation and benefits expense which includes salaries, bonuses, amortization of prior-year equity awards and other items such as payroll taxes and benefits was accrued a compensation to net revenues ratio of 43% which is consistent with the firm's accrual in the first quarter.

Second quarter non-compensation expenses were 2.3 billion, 5% lower than the first quarter, largely due to the sale of our reinsurance business. Our effective tax rate for the quarter was 27%, driven by earnings that were permanently reinvested abroad. Year-to-date, our effective tax rate was 30.4%.

On capital we repurchased 10.5 million shares of common stock for a total cost of 1.6 billion during the quarter. Our basic shares outstanding were 468 million at the end of the second quarter, down close to 6% over the last four quarters. At the end of the second quarter, our estimated Basel III tier 1 common ratio under the advanced approach was approximately 9.3% and reflects the final Basel III rules that were issued by the Federal Reserve on July 2nd. Obviously, we are still reviewing the final rule but this is our best estimate subject to change depending on regulatory clarifications.

Now, over the quarter, we took a number of strategic actions to bolster our capital position. As you will recall, we announced the potential sale of a majority stake in our reinsurance business even the Basel III capital charges that we incurred as a 100% owner of the business. We completed the sale of our reinsurance business in the second quarter. The sale includes our Basel III capital ratio by approximately 50 basis points and reduced the firm's balance sheet by $17 billion. This benefit was partially offset by implementations of the final Basel III rule set.

Now, at 9.3% we are close to having achieved our previously-stated target of the 8.5% requirement plus an approximate 100 basis point buffer. Regarding the leverage ratio, we also received the NPR last week. Even it's in the proposal stage, it's hard to speculate on how it will ultimately be finalized. However, we have significantly reduced our leverage since 2007. Since then we've reduced our assets by roughly 180 billion while increasing our equity base by over 80%. As a result, we feel reasonably well positioned for the new leverage requirements at both the holding company and the bank's subsidiary. But once again, it's a proposal so we will work with the regulators over the coming months.

Effectively managing the firm requires us to comply with a variety of different regulatory measures. Just as we've improved our Basel III capital ratio, we will have to continually adjust to any new regulations as they are finalized. As we have said in the past, a high level of risk-adjusted capital not only provides protection against tail events to all of our constituents, it also creates the foundation for capturing opportunities.

With higher risk-adjusted capitalization, we are better positioned to help our clients navigate on uncertain economic environments and we can provide them with risk capital where capacity is diminished. An essential part of our role as managers on behalf of you, our shareholders, is to manage our capital effectively and efficiently in order to generate superior long-term returns.

Now in closing, we are cautiously optimistic about the outlook for the operating environment. Nevertheless, we remain vigilant regarding expenses and risks. Given the dynamic nature of the marketplace it's natural for people to become somewhat short-term focused. However, everyone at Goldman Sachs remains keenly aware that our success will be measured over years as opposed to weeks or months.

To that end, we are going to continue to invest in deepening and expanding our client franchise, building relationships that will pass the test of time. We will continue to invest in our people, recruiting and retaining a group of professionals who are committed to providing solutions to our clients and driving value for our shareholders.

With that, I'd like to thank you again for listening today. And I'm now happy to take your questions.

Question-and-Answer Session

Operator

(Operator Instructions). The first question comes from the line of Howard Chen with Crédit Suisse. Please go ahead.

Harvey M. Schwartz

Hi, Howard. How are you?

Howard Chen - Crédit Suisse AG

Well, thanks. How are you?

Harvey M. Schwartz

Great, thanks.

Howard Chen - Crédit Suisse AG

The more challenging conditions that you spoke to in the back half of the quarter with respect to client risk appetite and inventory management, was hoping you could comment how those difficult conditions persisted as we rebased it at new higher levels of U.S. benchmark rates or have they abated a bit?

Harvey M. Schwartz

So, I'd say we don't feel like they've abated a bit. I mean you see in the day-to-day volatility and that really is about I think the adjustments to people basically recalibrating to both a somewhat wider credit spread environment and obviously higher absolute interest rates and you can see that obviously it's quite visible, for example, in movements in a 10-year. So I think people are adjusting. What I would say is that it's now a very information-centric environment. And what I mean by that is people – all of our clients are going to be very keenly watching data, economic data whether it's nonfarm payrolls in United States, GDP growth in Europe, Japan, China, really trying to form their view because for the very long period of time, I think there was an expectation that this unusual low rate environment would persists. And to some extent people could build expectations around that. And now that we might be entering a different regime, you'll see people probably respond more to data but then again it's hard to [grade]. But I would say to answer your question the short way which is it does feel like people have recalibrated at this stage. And by the way and some of this, Howard, is returning to kind of normal interest rate levels, it feels good in some respects in terms of economic activity.

Howard Chen - Crédit Suisse AG

There's where I was hoping to go next. It feels like we've been talking for a couple of years now about this wall client liquidity that's out there and your interest rates creating more of a one-way market in certain clusters like credit and mortgages. Have we seen enough of a move in your mind to see more two-way flow in some of these businesses that we've been hoping for?

Harvey M. Schwartz

I think it's too early to tell which I why I highlighted the sensitivity to economic data. People are going to form their own impressions over the next several months and certainly everybody will be watching – clients are basically sitting on the edge of their seat for every communique out of the Federal Reserve and so there will be some sensitivity. But it feels like we're tracking more back to a period of normalcy.

Howard Chen - Crédit Suisse AG

Great, thanks. And then I was hoping you could just update us on all of what the firm experienced as we progressed through phase 2 of U.S. mandatory clearing not only in all of what you're doing with respect to centralized clearing efforts but also maybe just broad health, liquidity, bid out spreads of the over-the-counter markets as we went through that transition?

Harvey M. Schwartz

Right. So, obviously from a Goldman Sachs perspective and this is an industry participant, we're thrilled to see clearing really coming into vogue now. And as we talked about in the last call, while it's taken a while and people could be frustrating at the pace of things, the reality is that I think the regulators and market participants have done really an excellent job of the progression of phase 1 and phase 2. And as you saw, there was lots of concerns in the marketplace and for all intents and purposes it went through without any hiccups. I think as it relates to sort of any material move in bid out spreads or volumes, there are no material change there and it's too early for that. I think, to the extent to which clearing had a long-term impact on market structure it will happen over many months and years like we've seen in other market places.

Howard Chen - Crédit Suisse AG

Okay, thanks. And then just finally for me, thanks for the color on Basel 3 preparation, but just given the brightest steps you took with the reinsurance business and ICBC stakes, I was hoping if you'd just update us on your current Basel 3 RWA breakdown and just where you’re on passive and active mediation? Thanks.

Harvey M. Schwartz

Sure, so it's been a while since we’ve updated this audience on risk-weighted assets, so I just want to walk through this a little bit carefully. The last time we talked to you last year we gave you a number of $728 billion in terms of risk-weighted assets. That number is now $600 billion. I’m going to break it down and then I want to come back and reference the $728 billion I just mentioned. So the $600 billion our best estimate giving the final rule is $180 billion for market risk-weighted assets, $340 billion for credits, $80 billion for operation. Now you can obviously do the math, but that translates into $56 billion of Tier 1 common. The reason why I want to draw everyone’s attention to the comparison of the $600 billion to the $728 billion is because the way the final rules came out it was certain deductions that we were previously assuming would be risk-weighted assets which actually became deductions to capital. And so the $600 billion versus the $728 billion is not really apples-to-apples, the best way to think about our current position under the final rules is the 9.3% which obviously as I said during my prepared remarks is 20 basis points within range of the buffer. In terms of passive, you should be thinking about roughly $35 billion in risk-weighted assets that will roll off between now and the end of 2015.

Howard Chen - Crédit Suisse AG

Thanks, Harvey.

Operator

Your next question is from the line of Roger Freeman with Barclays. Please go ahead.

Roger Freeman - Barclays

Hi, good morning, Harvey.

Harvey M. Schwartz

Good morning. How are you?

Roger Freeman - Barclays

Hey, good, thanks. Thanks for taking my questions. I guess one just, maybe bouncing off couple of things Harvey was actually the -- so the market quality in rates and credit; would you characterize that as more normalized now in July. It sounds like in June that lack of for the dealer liquidity provision since maybe you contributed somewhat to the gapping and spreads, and I'm just wondering if that's kind of part of the new world we live in now with new regulatory environment where assets prices move -- and moves and dealers are less apt to sort of take positional risks?

Harvey M. Schwartz

Yeah, so I think I would describe it more as things are episodic. In other words I don't think there is a massive transition that's occurred in terms of four weeks ago till today clearly when you get big moves in interest rates all market participants are going to adjust their risk profiles and you'll see flows for example out of fixed income assets into other assets. I think that, as I said I think it's quite normal for us to see this and people are nearly in a position of reassessing their risk profile, but in terms of Goldman Sachs I can't speak for the rest of the street. Goldman Sachs is we feel quite well positioned in terms of our ability to make capital for our clients.

Roger Freeman - Barclays

Okay, thanks. And in I&L, I wonder if you can, and you have talked a lot about this in the past, but just help us think about maybe the average age of maybe buckets within there, I'm trying to, you've been coming in ahead of expectations obviously it's the tough one to forecast, but I think you like a lot of public private equity firms we have aged portfolios and there's a realization process going on, and I wonder if you can kind of help us think about kind of really where you're at in that cycle?

Harvey M. Schwartz

Well, as we've guided every one in the past generally speaking for the equity portfolio or reasonable guide it could be the MSCI, obviously there are divergence in this period. And as we've always told people it's really just a guide and there are going to be periods where idiosyncratically there's elements of the portfolio where we under perform, there's going to be periods where we over perform, obviously relative to that kind of benchmark in this quarter we outperformed and it really is a combination of things like debt repayments and adjustments obviously interest income is in there, and again idiosyncratically components of the portfolio. In terms of aging, I didn't bring specific numbers with me Roger, but the private equity portfolio obviously trend to have sort of a longer term frame on it relative to the debt portfolio, but we can follow up with you and give you more detail if that's helpful.

Harvey M. Schwartz

Okay, all right thanks, and just maybe lastly just the liquidity levels can either run high and again it's kind of early days and thinking about leverage ratios and how some of the liquidity assets are yet sort of calculate into that; does that kind of change just thinking about how much liquidity you want to run with?

Harvey M. Schwartz

So, we're always going to run with an amount of liquidity which is really designed to protect the firm and at the same time put us in a position where we can provide capital and liquidity to our clients. With respect to the sort of metrics out there things like the liquidity coverage ratio and we feel very comfortable with respective things like that. I don't know if you're going there, but in terms of the, since you mentioned leverage ratio, the only comment I'd say that, we're not -- we're going to modulate our liquidity down because of a given metric that's in the market place even if an incentive exists with that.

Roger Freeman - Barclays

Okay, great. Thanks a lot, Harvey.

Operator

Your next question comes from the line of Michael Carrier with Bank of America. Please go ahead

Harvey M. Schwartz

Hi, Michael.

Michael Carrier - Bank of America

Hi. First question, maybe just back on the leverage ratio some of your unit piers have put out some guidance in terms of kind of a first take. If we look at Goldman and what you've done on the Tier 1 common ratio, and there's obviously some mitigation that can be done, so I mean if you're below 5%, how are you guys thinking about achieving that whether it's through areas of asset mitigation that won't have a significant impact on the earnings power of Goldman or raising preferred or just what are the leverage that you guys have to get there?

Harvey M. Schwartz

Again this is a rule that just came out; it's in proposal form. And as I said, our first assessment is we're very comfortable with where we are. Now and again there probably shouldn't be a surprise to anyone given all the work that’s been done on the balance sheet since 2007 with an 80% increase in shareholder equity and a decrease of $108 million in the balance sheet as I said that’s the kind of metric that we should be really well positioned for. Having said that it's in proposal form, so we’ll have to see the final rule, and the only reason I’m not being more specific about numbers in this stage is our team really hadn’t had a time to building the kind of diligence that we would normally want them to, but as I said first we feel comfortable, lets see how the final rule is, we’ll work with the regulators.

Michael Carrier - Bank of America

Okay, got it. And then the fixed side of the business there’s a lot of I’d say uncertainty or debate on what the outlook is. You’ve just given higher rates and potentially a decline on the down rating side and then fund outflows in certain products. On the flip side though you basically have market growth and then if Centrum Banks are less are backing out and are not as intervening in the market. It seems like volatility levels particularly in rates and FX could resume to more normalized levels. So when you look at that, the longer term outlook of FICC, it doesn’t seem as if it’s that simple, that rising rates should be in a more negative to the business, but just wanted to get your take on, when you think about the headwinds versus the potential for a more normalized market environment in some of the product areas, what could we potentially see over the next couple of years?

Harvey M. Schwartz

It's a good question, but obviously exceptionally difficult to answer. Time will tell on that and we as a firm have had to navigate multiple rate regimes. If you just think about the rate regimes that we’ve experienced since 2000 and the volatility associated with that and not because just we haven't been on unprecedented period of sort of globally coordinated decline in rates, but I do think that the -- to the extent at which rates are a proxy for the thing about the fixed income business from a forward view, I think it really depends on what the driver is. I think even though it seems exceptionally unlikely if rate increases were due to things like inflation, then I think it's a different scenario than if it's as I said kind of a returning to a normal world of more steady economic growth. I think that's a reasonably attractive opportunity set not just for [FX] potentially but obviously across the entire firm. And so that's what we're routing for. Now in terms of strategically positioning the business and we benefit from the fact that it's diversified, we can interact with our clients across the full suite of their interest, whether its currencies, mortgages, interest rates and we have the global footprint required to do that. So, in a quarter like this where Asia becomes particularly interesting, we can deliver for our clients because we're positioned and we're strategically connected to do that.

Michael Carrier - Bank of America

Okay. That makes sense. And then just finally, so on the expenses, I think you mentioned non-comp impacted on the reinsurance business. On the compensation side, anything – it just seems like the pickup in activity, you get some higher competitive environment gets a little bit tougher. Just any update on that front? And then just on the tax outlook, when you said the earnings permanently being directed outside, is there something that's going to be more, like, ongoing in terms of the tax rate or was this more of a quarterly benefit?

Harvey M. Schwartz

No, it relates to the tax where you could just think of this as a quarterly benefit. The [war for] talents, it's something we do every day. I would say that there's nothing that we see in terms of sort of a shift. Goldman Sachs people are always in high demand and our competitors are always looking to take them over to their firms. I will say over the past several months, we've always felt like we're well positioned to recruit; we'll say its stealth like, we've had some recruiting tailwinds this year. Whether this is sustainable we'll see.

Michael Carrier - Bank of America

Okay, all right. Thanks a lot.

Operator

Your next question is from the line of Betsy Graseck with Morgan Stanley. Please go ahead.

Harvey M. Schwartz

Hi, Betsy.

Betsy Graseck - Morgan Stanley

Hi. How are you?

Harvey M. Schwartz

Good.

Betsy Graseck - Morgan Stanley

A couple of questions. One just on the leverage ratio when you say you're comfortable, what's your definition of comfortable?

Harvey M. Schwartz

Comfortable? So I'm not trying to be cute with you. Look, it's just come out. Our team has looked at it. Our early read is all the things we've done in the balance sheet over the past several years has left us reasonably well positioned. And so I know that perhaps you'd like me to get more specific into the [number] at this stage, I just want to give the team the final time to really dot the i's and cross the t's. But as I said, we think we can manage without any major adjustments certainly.

Betsy Graseck - Morgan Stanley

Okay, just to get – by year-end '18 to get to the 5% and 6%, is that --

Harvey M. Schwartz

Sorry, by comfortable I don't mean that timeframe. But again, I want everyone to really know this is a proposed rule. So let's see how the dialogue evolves with the regulators.

Betsy Graseck - Morgan Stanley

Yeah, I get it. Okay. On the RWA walkthrough which was helpful, I guess I'm wondering – you mentioned the 56 billion on the common tier 1 and that there were incremental deducts, right, relative to what was in the proposed rule. So, could you help us understand what you think you can do to mitigate those deducts going forward?

Harvey M. Schwartz

Well, right now as it relates to the ratio we're pretty comfortable. As we stated before, we plan to run with 100 basis point buffer and putting us in range of 20 basis points of that given the incredibly long [flight] path to compliance in 2019, we feel pretty comfortable. And one thing I do – you didn't ask specifically about this, but one thing I do want to give people a sense for is we talked about this 100 basis point buffer so that we can give people an estimate of where we thought we would ultimately land. Of course that was operating under a proposed set of rules, not finalized. So the way we typically work with metrics at Goldman Sachs is we introduce our own metrics for example is we'll work with them, we'll monitor them; we'll see how they move. And so we're going to do the same with this final Basel III rule now that we have it. And so in that sense, we feel quite comfortable. Now in the terms of the specific deductions, it mostly relates to financial institutions and at the specific deduction we can get into the [ways] offline if you'd like, but it relates to investments in funds and other things on balance sheet. Now it has to be the case that that sort of coincidentally runs parallel with sort of mitigating actions that we're taking under the – what we think the vocal rule is going to be when finalized. So we feel pretty good about that too.

Betsy Graseck - Morgan Stanley

Yeah. I was just wondering what you – the optionality you have to reduce those deducts? It sounds like there's some and you'll work on it and you'll address it as it happens? Is that fair?

Harvey M. Schwartz

It's always been the case and we like to build it into the muscle memory of the firm that everyone knows we're going to have to adapt. I think if you look at what we've done over the past 18 months as it relates to the Basel III ratio and now we have the final rule we can really discuss it with you in clarity which is nice, I feel very good about our team's ability to continue to make progress.

Betsy Graseck - Morgan Stanley

On the tax rate, you indicated in the press release and on the call that you made elections to permanently reinvest some earnings overseas. Does that imply a tax rate going forward that's different from what it's been in the past? I mean the first half was 30%. Is that what we should be using going forward?

Harvey M. Schwartz

No, I answered that question just a second ago, Betsy. You might have missed it. You should just think of it as a one-time event for this quarter.

Betsy Graseck - Morgan Stanley

Okay, all right. And then lastly on the reinsurance business, did you go through how that's going to be impacting – I mean you indicated the capital impacts, but I'm just wondering is there more to come with buybacks since it is positive for your Basel ratios or did you do everything with the buybacks that you were going to do this quarter with the reinsurance business? The reinsurance business changed, it freed up capital. Would you finish doing what you wanted to do with buybacks relative to that this quarter or is there more to come in the forward quarters?

Harvey M. Schwartz

Okay, I think I understand the question but if I don't you should correct me. We don't think about the capital management necessarily as being specifically linked to one individual asset disposition. So, it's a much longer timeframe in terms of how we think about the capital management. And so an easier way for me to say that would have been based on the quarter that we just went through, if we ended up selling the reinsurance business in the third quarter, you would have seen the same repurchase activity. Am I getting to your question, Betsy?

Betsy Graseck - Morgan Stanley

Yeah, I got it.

Harvey M. Schwartz

Okay. So actually on the reinsurance business – again, I would say it was a business that we liked in Goldman Sachs. It didn't make sense obviously under the new rules and so we're in a position where quite frankly a win-win for us and our clients in the investing division because we're able to take the action that we did.

Betsy Graseck - Morgan Stanley

All right, thank you.

Operator

Your next question is from the line of Brennan Hawken with UBS. Please go ahead.

Brennan Hawken - UBS Investment Bank

So a follow-up on Mike's question. If sort of the market is a big more data driven, does that mean that you guys would expect that the rates business should remain strong as clients continue to adjust and reposition based upon incremental data points going up?

Harvey M. Schwartz

Very difficult to tell, and we don't run the business week-to-week in terms of how the market's responding. Obviously we stay very focused on the risk dynamics in the marketplace when we go through the risk committee and obviously in the trenches. But strategically the way you have to interact with clients whether it's for example long-term investors that are managing pension obligations or insurance companies and the flipside this might even be more market sensitive to our total return business. So we just have to make sure that we stay very, very focused on our clients and it's a good opportunity because it's a content differentiating world right now. And so we have an opportunity to do that. We just have to deliver.

Brennan Hawken - UBS Investment Bank

Okay. And then I guess when you think about in that context thinking about your business and how you guys are approaching it given what you're seeing, we're seeing some slowing growth out of China strengthening dollar. How do you think about positioning of the commodities business in that context and while certainly it might not change strategic perception to the business, maybe does it have an impact on your thinking from a tactical perspective?

Harvey M. Schwartz

I think it's actually to say it literally had zero impact on how we think about the data and management of the commodity business and I emphasized that zero only because we run that business for the long-term. We entered that business in 1981 it's been core to our clients and core to the entire integrated strategy of the security division which includes both fixed income and equities. And so those kinds of near term adjustments in the market place super relevant for the conversations that our people on the ground are having with their clients all around the globe, but not a dictator to us in terms of how we think about our multi-decade commitment to the commodity business.

Brennan Hawken - UBS Investment Bank

No, sure. I just was curious about whether or not it might impact more short-term tactical decisions for those capital allocations and the like.

Harvey M. Schwartz

No the capital -- we don’t dial down the capital to the business. The client demand and the client activity levels will drive the capital needs that we provide.

Brennan Hawken - UBS Investment Bank

Okay, that’s fair. And then last one for me, it looks like there were some a moderate issuance of some preferred this quarter. Did that have anything to do with the leverage ratio coming out or was that something else driving that issuance?

Harvey M. Schwartz

No, that was part of our long-term capital plan. We had no insight into the leverage ratio.

Brennan Hawken - UBS Investment Bank

I had to given one last parting shot for the leverage ratio there, you know.

Harvey M. Schwartz

I like the persistence.

Operator

Your next question is from the line of Kian Abouhossein with JPMorgan. Please go ahead.

Harvey M. Schwartz

Hi, Kian.

Kian Abouhossein - JPMorgan

Yes, hi. The first question is regarding [SEF] platform, we had some clarity in respect to the submission of [SEF] platform, just wondering how you're preparing for this, how you're positioning yourself, if you can give us a little bit of color in that respect?

Harvey M. Schwartz

So, we have a long history of adopting and participating in platform developments, obviously it goes all the way back to trade web and we both developed our own internal platforms and we participate in external platforms. So, I don't think this represents any specific hurdles in terms of participating in that. I do think it will be quite interesting as trading moves over to swap execution facilities later in the year maybe to the beginning of next year, I think it will be quite interesting to see the market dynamic around that and particularly as we interface the finalized rules how the business evolves.

Kian Abouhossein - JPMorgan

And in terms of technological platform, is there anything that you're developing new, now that you have a bit more clarity in terms of a technological platform is there anything you can add in respect to how your response to that, how you try to differentiate to keep flows or gain new flows?

Harvey M. Schwartz

So once you have evolved, the way and we talked about this before. One of our competitive advantages assuming we execute is the fact that no we have SecDB, which is our internally developed platform. It is the platform that we use across all of our businesses whether you’re trading currencies in Asia or if you’re trading stocks in United States and so that should give us some advantage in terms of how we vision our self and our speed and our ability to adapt. But I think the early stage of this, I can’t -- maybe I’m wrong, but I think the early stage of this is somewhat similar to clearing and that it's all about educating the clients, interface with the clients and making sure that connectivity works for them, it's a big adjustment in terms of execution protocol for them. And then what we’ve just – really the differentiating thing is the content, and we just have to keep providing content.

Kian Abouhossein - JPMorgan

Okay, that’s helpful -- that’s really helpful. Just on securitization, we clearly heard from some of the banks that at the current level of interest rates production of mortgages could decline, thus wondering and it could have a material impact. Now just wondering since you’re such a big securitization player especially on mortgages, so wondering how do you see that business developing assuming that yields do stay the higher level, and would you call that material?

Harvey M. Schwartz

You have a better view on the competitors and their exposure to securitization. We’ve never really been big in securitization as it relates to sort of the new issue pipeline of for example residential mortgages, obviously we’ve been a big participant over the past several years in our ability to connect capital for clients, moving portfolios -- secondary portfolios. For example people would be risking out of Europe and connecting investors in the U.S. But I don’t know necessarily that I would attribute any concern to higher interest rates for us as it relates to the securitization activity level. Now that may translate into less activity for the entire industry. And it's really I think to some degree a bit of, of how it evolves over the next six months in terms of peoples expectations. Again if it's a particular volatile period it could have a different impact if we settle in and people feel a certain confidence around economic activity, it could clearly translate quite differently.

Kian Abouhossein - JPMorgan

Okay, that’s quite helpful. And the last question is, on the securitization consultation document by Basel that came out quite a while ago, now six months ago. I am sure you had the chance to look through it and just wondering if this could have a material impact on your risk-weighted asset changes that you just outlined, assuming that it comes as it's -- assuming it becomes as discussed in the paper?

Harvey M. Schwartz

Yeah, so I don't have any specific comments as it relates to the details of the paper. What I would say is, I think the really important takeaway as it relates to all of these regulatory processes is it's all about an ability to adapt. All firms are going to operate in the same rule sets. And so historically we've done a pretty good job of adapting and we just need to continue adapting. And one of the things I've said is, and I like to think of a bit of as an operating principal is a very, very low premium on trying to predict the outcome of rules. But it's huge, huge premium on adapting once you see them. Predicting rules and responding can be incredibly costly, you can get widely misdirected and you can lose track to your clients. Responding to rules, once they're finalized that really is a differentiating factor and we have to execute.

Kian Abouhossein - JPMorgan

Okay, that's very helpful. Thank you very much.

Harvey M. Schwartz

Thanks, Kian.

Operator

Your next question is from the line of Matt O'Connor with Deutsche Bank. Please go ahead.

Matt O'Connor - Deutsche Bank

Good morning.

Harvey M. Schwartz

Good morning.

Matt O'Connor - Deutsche Bank

A follow up question to your comment to the pipelines were relatively stable versus the end of last quarter, and I know it's early in the quarter here, but just any thoughts in terms of a change in the mix. I think a lot of people view that if rates increase like the way they did that's in the debt issuance for dry out, I mean as we know that's not always the case, but has there been any change in the mix in the pipeline maybe even within the debt business a mix change in terms of like away from high yield towards certain things?

Harvey M. Schwartz

Well, as I said in the opening the backlog was basically unchanged quarter-over-quarter from first quarter to second quarter, and just to give you a little bit of color, it was down a very small amount of advisory at the end of the quarter and it was up in underwriting. In terms of where it is, it's too early in the quarter to see how things will revolve, so I wouldn't take any material takeaways from any changes over the past two weeks.

Matt O'Connor - Deutsche Bank

Okay, and then the sales of the reinsurance business was there a gain or a loss?

Harvey M. Schwartz

So, there was nothing material with the sale of the reinsurance business. Just to give people some context on that business, obviously I have come through a lot of detail already, but since you're asking the question it represented just under 2% of last years pre-tax income.

Matt O'Connor - Deutsche Bank

Okay. And then just separately, if we back out some of the revenues from the reinsurance business, you just have a stub piece this quarter, if you back that all out, I mean it seems like the equity derivative business is doing pretty well, and we're seeing that in some other banks as well. Just wondering obviously volatility had been low -- lowed out a little bit, sometimes that can be good, sometimes not. Just what's driving some of the good trends in the equity derivative area?

Harvey M. Schwartz

Yeah, so as you mentioned last year second quarter 2012 there was $259 million from revenues in the reinsurance business obviously significantly less, 80 plus million in this quarter. So when you adjust after that you're right a strong performance in the equity business. Part of that equity derivatives I will say there was – there were – I'd say two other drivers; one is there was some good opportunities to provide our clients with capital around index rebalancings and other areas where we could really lean into the strength of client relationships, technology and capital committing in a way that I think leaves us quite well positioned, and obviously I noted that our performance in the equity derivative business broadly. But there's a little bit of a – everybody keeps talking about the rotation out of fixed income into equities and who knows how that will play out over the next decade. But certainly a lot of activity in equities space, particularly in Asia.

Matt O'Connor - Deutsche Bank

Okay. Thank you very much.

Harvey M. Schwartz

Thanks.

Operator

Your next question is from the line of [Jim Miller] with Buckingham Research. Please go ahead.

James Mitchell - The Buckingham Research

Hi. It's Jim Mitchell.

Harvey M. Schwartz

Hi, Jim. Sorry about that.

James Mitchell - The Buckingham Research

It's okay. On the Central Clearing, just a follow-up. Have you done any work, and I know it's early days, in terms of what the potential capital benefits could be and moving to more of the business to Central Clearinghouse and what that may mean also with respect if anything benefit with respective leverage ratios that relates to derivatives?

Harvey M. Schwartz

Yeah, we haven't – it's early days so we haven't spent a huge amount of time in terms of the capital benefits. As these leverage ratios unfold, one of the things I'm sure we'll get a lot of debate in the proposal process is the extent to which custody of client assets. Effectively people just putting money in a safe or holding collateral, how that plays out in a leverage ratio but we haven't done a huge amount of work as it relates to capital benefit at this stage.

James Mitchell - The Buckingham Research

I think it's fair to assume it should have some of that benefit but you just haven't really put your arms around it.

Harvey M. Schwartz

Yeah, we would expect over long term, a capital benefit but I think more importantly we've always been quite conservative we feel relative to the broad marketplace as it relates to the extension of credit and the extent to which more activities is cleared, obviously that levels the playing field and removes the ability of our third or fourth quartile more marginal competitor in a specific space to compete on terms. They have to compete on content and execution. But look, again early days and not seeing any tailwinds or headwinds at this stage.

James Mitchell - The Buckingham Research

Okay, thanks. And one quick question on the asset management business. You guys have seen pretty consistent outflows in alternatives the last year or so. What's driving that I mean if you look at the industry and you've seen pretty much inflows and alternatives, is it just a performance or it is a mix issue, how do we think about the alternative space for you guys?

Harvey M. Schwartz

So we're very focused on it. In terms of the trend obviously it's been a very important component of our business. Nothing specific there. The only thing I would say is that obviously as we previously announced, in anticipation of adjusting for that component of the vocal rule which we think will be in the finalized rule, we have been removing our own capital.

James Mitchell - The Buckingham Research

And that would show up as outflows?

Harvey M. Schwartz

No, not as third party.

James Mitchell - The Buckingham Research

Okay, all right. Thanks a lot.

Operator

Your next question is from the line of Guy Moszkowski with Autonomous. Please go ahead, sir.

Harvey M. Schwartz

Hi, Guy.

Guy Moszkowski - Autonomous Research LLP

Good morning. This is a slightly different kind of the question that was asked a minute ago on OTC derivatives. As we transition to a regime of much more of what used to be OTC being centrally cleared, is it the right way to think about the existing OTC derivatives portfolio as essentially being a run-off portfolio in a way and therefore sort of a source of passive release?

Harvey M. Schwartz

No. I want to make sure I understand your question clearly. The things that for example that we think are [indiscernible] businesses, for example, pre-crisis businesses like correlation books and things like that which just aren't relevant to our clients today and are quite capital consumptive under the new rule sets. So as it relates to clearing, given the number of instruments we have cleared now, I don't think the two really overlap. I do think that – I'll speculate a little bit here. I do think that as these rules get finalized and we're only living with really clearing for a couple of months now and then when we come into swap execution facilities, the venture – very interesting to see the impact that has on client activity which as best we can tell was a little dampened for the industry given the uncertainty around the rule sets. And so as we get certainty, it could be a little bit of a tailwind for volumes.

Guy Moszkowski - Autonomous Research LLP

Yeah, that was helpful. But the question really was sort of around as you think about for example leverage ratio and I'll stipulate to the fact that all my numbers show that you guys are pretty much where you need to be. But as you think about ways of mitigating down to where you might want to be if you weren't where you wanted to be and the add backs to the denominator of that ratio include a lot of off balance sheet OTC derivatives driven assets. Won't those be coming down quite significantly naturally over the next several years if in fact the regulatory shift towards centrally cleared derivatives really takes hold or am I thinking about that the wrong way?

Harvey M. Schwartz

No, I think you're right. The extent to which [indiscernible] leads to depending on the metric that we're observing, reduced notionals or other things then that's a natural tailwind for the industry. I think more importantly one thing we're all subject to having sort of kneejerk reactions to these proposed rules when they come out. I will say the regulators consistently, as least so far, have been very thoughtful about the glide path. So the adjustment process if we needed to make one, the way we would approach that is the way we've approached all the other rules that we've lived with as they've come into place, which is we evaluate the rule, we deploy tools to our people and in that context of delivering to our clients and at the same time maximizing the return to the shareholders, we'd adjust. So that's how we would handle it. But I think the nuance question around whether clearing is a tailwind to reduce I think the answer is yes on that. But I'm not [keeping the weeds] on that specific issue but we will get back to you on it.

Guy Moszkowski - Autonomous Research LLP

Okay. That would be great. Just a couple of quick housekeeping type questions. Have you spoken to the RWA that was associated with the reinsurance business?

Harvey M. Schwartz

No. And the reason why I didn't do that is not because I'm not happy to have the conversation but the way the sale to reinsurance has worked, it actually is it's a bit of adjustments to equity and it's also adjustments to RWAs, so I think the best way to frame it for all of you is just to say the net outcome is 50 basis points.

Guy Moszkowski - Autonomous Research LLP

Okay, that helps. And then the final one would be you talked about your 9.3% estimated core tier 1 under Basel III under the advanced approach. Can you tell us what it would be under the standardized approach?

Harvey M. Schwartz

So with respect to the standardized approach, we're still finalizing the numbers there but our first review is we're comfortably over the minimum requirements. But at this stage it's sort of the same with the leverage ratio, I want the team to really finalize the numbers before I cross the i and dot the t's on that, but we're comfortably and hopefully in excess.

Guy Moszkowski - Autonomous Research LLP

Okay, fair enough. Thanks very much for taking my questions.

Operator

Your next question is from the line of Mike Mayo with CLSA. Please go ahead.

Michael Mayo - Credit Agricole Securities (USA) Inc.

Hi. You mentioned some inventory management in June. Can you give us some sense for what sort of marks were involved?

Harvey M. Schwartz

No, there's nothing specific to comment on that. I was just trying to give you a little bit of extra color on how the quarter wrapped up, but I'm sure it wasn't surprising to anyone given the volatility in markets.

Michael Mayo - Credit Agricole Securities (USA) Inc.

Can you give some sense of break down between the U.S. and non-U.S. sort of revenue gross you're seeing and are you still as fully committed to the BRIC strategy as you've always been?

Harvey M. Schwartz

So no change in commitment and the mix hasn't changed significantly. It's down a little bit in the Americas, up a little bit in Europe but there are no material changes. But the core part of your question, which I think is the most important part is in terms of the strategic approach of the firm, very, very committed, very focused to those markets.

Michael Mayo - Credit Agricole Securities (USA) Inc.

All right. And I think the word of the day is comfortable and so I'll ask prior to the sixth or seventh question on the leverage ratio, but it just seems – you're comfortable with where you are which is I think what I hear you saying is trust us, we'll be there. On the other hand, you're not disclosing a number like your peers have done and perhaps other peers will do. So, on a disclosure basis, you’re behind peers. I’m just trying to reconcile the two thoughts?

Harvey M. Schwartz

You know when we look at NPRs, our approach might be a little bit different and you’ve seen from the peers, look – I suspect you could have said the same thing about Basel III process where I think you probably felt the same way in terms of being behind peers in terms of level of disclosure. Look one of the reasons that is, is because if we give you $728 billion and we update it quarter to quarter to quarter and then it dropped to $600 billion, I’m not sure we’re giving you a lot of value in that. I think there is much more value in sharing the process with you. Now when we have real confidence in the exact number, then we will be fine to share with you. But as I said, may be comfortable is the word of the day, we’re comfortable.

Michael Mayo - Credit Agricole Securities (USA) Inc.

Can you give us a sense of its above some number and give us that number?

Harvey M. Schwartz

You're looking for shades of gray in comfortable?

Michael Mayo - Credit Agricole Securities (USA) Inc.

Yes.

Harvey M. Schwartz

Pretty comfortable.

Michael Mayo - Credit Agricole Securities (USA) Inc.

Pretty – now just – last follow-up on that, because it goes – someone had said by 2018 you will get there or by 2015 or you will pass the Fed's stress test or will you be able to buyback shares as quickly as you've done. That's really what it comes down to I think.

Harvey M. Schwartz

Yeah, I wouldn't extrapolate too much information from the proposed rule set with respect to 2018 is miles away, if that gives you some context of how we're thinking about our initial review of the ratio. I'm not trying to be flipping with you. When we really finalize the numbers, I'm happy to come back to on it.

Michael Mayo - Credit Agricole Securities (USA) Inc.

All right. Thank you.

Harvey M. Schwartz

Thanks.

Operator

Your next question is from the line of Fiona Swaffield with RBC Capital Markets.

Fiona Swaffield - RBC Capital Markets

Hi. Good morning. I just had questions in two areas. Sorry to come back to the 9.3% Basel III, but I was trying to understand the movement in the quarter. I think you mentioned some offsets to the 50 basis points. So it was really I thought ICBC would also being positive and you made a little bit of money over and above the buybacks. So could you explain where it was the rules got tighter versus your original expectations? And the second area was just generally there seem to be lots of discussion about wholesale funding, particularly secured. I wondered if you could discuss whether you're doing anything to change your weighted average maturity or what your kind of view is on the wholesale funding area.

Harvey M. Schwartz

So, with respect to the first, there are always going to be pluses and minuses when you get a final rule set in terms of things that impact your ratio. But the reality is that I think the key driver here and we're happy to spend more time with you offline is what referred to as the financial institutions deduction, and as I said before it comes – it's a deduction from capital and it relates to both investments and funds, and also financial institution assets that we hold on balance sheet as part of our liquidity provision to clients. And so we're happy to walk you through that in more detail. The rest of its kind of pluses and minuses back and forth.

Fiona Swaffield - RBC Capital Markets

So just a follow-up, the $600 billion number that you gave for Basel III, has that been relatively consistent excluding the insurance kind of noise over the last couple of quarters?

Harvey M. Schwartz

Well, the one reason why I tried to draw the distinction between what you brought out in the fourth quarter of last year the 728 is just the change in the rule set. So, obviously there is passive things that occur, there is incremental capital built up during the quarter. But I think the primary takeaway should be the headline number of 9.3%.

Fiona Swaffield - RBC Capital Markets

Thanks.

Harvey M. Schwartz

And now that – now we have the final rule, we will keep up updated with respect to how the RWAs move.

Operator

Your next question is from the line of Douglas Sipkin with Susquehanna. Please go ahead.

Douglas Sipkin - Susquehanna Financial Group

Yes, thank you and good morning. Just wanted to drill down actually on some of the operations, specifically debt, just curious for your perspective, I think it was touched on earlier, I mean, what do you guys think if rates start to move up, obviously debt underwriting has been a real nice area for you guys, my first question. And then, secondly it does look like within that you guys are maybe out punching. I'd be curious to hear where you think you're gaining some market share by product or geography with respect to debt underwriting? Thanks.

Harvey M. Schwartz

Sure. So, in terms of the recalibration of interest rates, I think very difficult to predict, near-term what impact that have in terms of the debt market's appetite for new issues and the issuers ability or desire to pull the trigger on a particular transaction. I will say that, I think one of the most frequently asked questions we got at the end of the fourth quarter was the ability of the debt performance to continue and it was the same question at the end of the first quarter. So, obviously we will see how things unfold.

With respect to how we position the business, I listed off some of the transactions that we executed during the quarter, and really leveraged finance was a significant driver and this is all about again staying extremely focused on our clients. Particularly in our Investment Banking franchise where we're working with CFO's and CEO's and how they think about their balance sheets or how they think strategically about merger activity.

But again, the core message here is we're less focused on the quarter activity and much more just focused on the client long-term.

Douglas Sipkin - Susquehanna Financial Group

Great. Thanks for answering.

Harvey M. Schwartz

Thanks.

Operator

Your next question is from the line of Christopher Wheeler with Mediobanca. Please go ahead.

Christopher Wheeler - Mediobanca Securities

Yes, good morning.

Harvey M. Schwartz

Good morning.

Christopher Wheeler - Mediobanca Securities

Perhaps I could go back to the leverage ratio without actually asking a direct question about that. But it was really about the other components of your Tier 1 capital; clearly apart from your core Tier 1 you have 7.2 billion now preferred stock and I think about 2 billion at the end of the last quarter in junior subordinated debt. I'm trying to get my head around how much of that is Basel III compliance and whether or not any of that is going to have to be replaced if you go through the amortization, which obviously is important in terms of the leverage ratio. And also perhaps whether you've already considered part of your efforts to improve the leverage ratio, not improve it, but to reach the number is to actually start to issue some of this additional Tier 1 capital, which is going to be compliant with [Basel] and whether the regulators have given you any clue yet, your regulator as to what exactly are the characteristics of that new debt would have to be?

Harvey M. Schwartz

No, we don't have any specific insight in terms of any of the new debt proposals that you would have seen. As far as observation about the capital structure obviously preferred are fine. Trust preferred are being looked at, but we'll circle back to you with respect, but there is no change in anything as it relates to capital planning. By the way, I'd say that with respect to how we're thinking about share repurchase too. No changes in respect to capital planning as a result of any of the finalized proposed rules that we see in the marketplace.

Christopher Wheeler - Mediobanca Securities

Have you looked at all what the cost of boosting your Tier 1 capital might be? Because clearly that's an issue a lot of banks are looking at certainly in the European markets at the moment.

Harvey M. Schwartz

We evaluate the cost all the time, but it's not a question of cost so much. It is a question about basically positioning the firm to run it conservatively and position it for clients. So, it look – I think if you were on a discussion with our treasury team and myself talking about how we should think about cost at the margin, we're much more concerned about the stability of the capital structure and less about cost.

Christopher Wheeler - Mediobanca Securities

Okay. That's encouraging. Thank you very much. Thank you.

Harvey M. Schwartz

Thanks.

Operator

Your next question is from the line of Matt Burnell with Wells Fargo Securities. Please go ahead.

Harvey M. Schwartz

Hey, Matt.

Matthew Burnell - Wells Fargo Securities

Good morning, Harvey. Thanks for taking my questions. Just a couple of quickies I think. Your long-term unsecured debt at least according to the press release is down roughly 5 billion quarter-over-quarter. How are you thinking about debt levels going forward and have you changed your thinking at all on OLA and how that will affect your debt balance going forward?

Harvey M. Schwartz

So, just Orderly Liquidation Authority just for everyone dialing in, obviously any wall set that conceptually is designed to create order, in principal, we don't have any issues with. We haven't seen the detail in the weeds on that. And it gets back to what I said earlier, we're not going to adjust the capital structure of the firm based on a discussion or where we kind of guess things will come out. That's not the way we're going to think about or manage the capital structure. So, no changes and now at best we can tell. Again, these are all in discussions, so we don't have details. So as best we could tell given the amount of debt we have at the Holdco, one might say that we're reasonably well positioned, but again, really big caveat on that. We haven't seen any details.

Matthew Burnell - Wells Fargo Securities

Let me come at the same question from a different direction. Are your capital markets team and debt underwriting looking positively at that idea or is that – or they of the same opinion?

Harvey M. Schwartz

I think we need more details. There is – we've seen a lot of views in the marketplace.

Matthew Burnell - Wells Fargo Securities

Let me switch the question to activity levels across your broad geographic groups; Europe, Asia, U.S./North America, were there any meaningful improvements in activity level maybe outside the U.S. this quarter that helped the revenue side of things or were there any areas of particular weakness?

Harvey M. Schwartz

Well, certainly the activity levels in Japan and when I say Japan I don't necessarily mean specifically Japan geographically but activity that's driven around Japan. So, given the global nature of our clients one of the most important things that we need to do across the entire firm is make sure that we connect geographically in a way to deliver content. So it might be clients in Europe that are very focused on events in Japan, same as the U.S. So a lot of capturing that is making sure that they content mechanism works and a transmission mechanism works. And so I'll say Japan was a driver certainly of increased activity but not just isolated to Japan that's not on benefits.

Matthew Burnell - Wells Fargo Securities

And would you characterize Europe as still being a little bit below Asia and the U.S. in terms of activity levels given the economic conditions there?

Harvey M. Schwartz

I mean that's fair. I think there's more upside in Europe and I think there's more upside specifically – and again, this could play out over many years. I think there's more upside specifically for U.S. based firms like ourselves Goldman Sachs.

Matthew Burnell - Wells Fargo Securities

Okay, thanks for your time.

Harvey M. Schwartz

Thank you.

Operator

Your next question is from the line of Chris Kotowski with Oppenheimer. Please go ahead, sir.

Harvey M. Schwartz

Hi, Chris.

Christoph Kotowski - Oppenheimer & Co. Inc.

Hi. My questions were asked and answered. Thank you.

Harvey M. Schwartz

Okay, Chris. Thanks for dialing in.

Operator

At this time, there are no further questions. Do you have any closing remarks?

Dane E. Holmes

No. We'd like to thank everybody for dialing into the call. Obviously, if people have any questions they should feel free to direct them to us in the Investor Relations department. Otherwise, enjoy the rest of your day and the week. Thanks.

Harvey M. Schwartz

Thanks, everyone.