

FINANCIAL STATEMENTS

ICE Clear Europe Limited

Years Ended December 31, 2018 and 2017

With Report of Independent Registered Public Accounting Firm

ICE Clear Europe Limited

Financial Statements

Years Ended December 31, 2018 and 2017

Contents

Report of Independent Registered Public Accounting Firm.....	1
Financial Statements	
Balance Sheets	2
Statements of Comprehensive Income.....	3
Statements of Changes in Shareholders' Equity.....	4
Statements of Cash Flows.....	5
Notes to Financial Statements.....	6-30

To the Shareholders and the Board of Directors of ICE Clear Europe Limited

Opinion on the Financial Statements

We have audited the accompanying balance sheets of ICE Clear Europe Limited (the Company) as of December 31, 2018 and 2017, the related statements of comprehensive income, shareholders' equity and cash flows for the years then ended, and the related notes and schedules. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion. We have served as the Company's auditor since 2007.

Ernst & Young LLP

London

20 February 2019

ICE Clear Europe Limited

Balance Sheets

(Dollars, In Thousands, except share data)

	December 31,	December 31,
	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 60,105	\$ 62,038
Short-term restricted cash and cash equivalents	435,000	423,000
Customer accounts receivable	111,037	110,268
Due from affiliates	4,774	6,308
Margin and guaranty fund contributions	30,863,845	22,829,653
Prepaid expenses and other current assets	34,157	12,979
Total current assets	<u>31,508,918</u>	<u>23,444,246</u>
Property and equipment, net	<u>571</u>	<u>448</u>
Non-current assets:		
Long-term restricted cash and cash equivalents	206,000	150,000
Deferred tax asset	795	830
Other noncurrent assets	7,897	7,767
Total noncurrent assets	<u>214,692</u>	<u>158,597</u>
Total assets	<u><u>\$ 31,724,181</u></u>	<u><u>\$ 23,603,291</u></u>
Liabilities and shareholder equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 38,369	\$ 28,767
Accrued salaries and benefits	4,872	7,533
Deferred revenue	8,520	2,587
Income tax payable	74,731	72,213
Due to affiliates	33,297	35,542
Margin and guaranty fund contributions	30,863,845	22,829,653
Total current liabilities	<u>31,023,634</u>	<u>22,976,295</u>
Non-current liabilities:		
Other noncurrent liabilities	<u>–</u>	<u>514</u>
Total noncurrent liabilities	<u>–</u>	<u>514</u>
Total liabilities	<u><u>31,023,634</u></u>	<u><u>22,976,809</u></u>
Shareholders' equity:		
Share capital, \$1 nominal value; 216,000,100 and 160,000,100 shares allotted at December 31, 2018 and 2017 respectively	216,000	160,000
Additional paid-in capital	(14,723)	(7,353)
Retained earnings	499,270	473,835
Total shareholders' equity	<u>700,547</u>	<u>626,482</u>
Total liabilities and shareholders' equity	<u><u>\$ 31,724,181</u></u>	<u><u>\$ 23,603,291</u></u>

ICE Clear Europe Limited

Statements of Comprehensive Income (Dollars, In Thousands)

	Year ended December 31, 2018	Year ended December 31, 2017
Revenues		
Clearing fees, net	\$ 1,071,712	\$ 966,250
Affiliate revenues	219	357
Other revenues	42,688	36,181
Total revenues	1,114,619	1,002,788
Operating expenses		
Compensation and benefits	24,510	24,496
Professional services	6,126	5,179
Selling, general and administrative	19,809	15,937
Service and licence fees to affiliates	204,278	199,496
Depreciation and amortisation	280	189
Total operating expenses	255,003	245,297
Operating income	859,616	757,491
Other income/(expense):		
Interest income	11,649	4,397
Interest expense	(2,256)	(2,020)
Other (expense)/income, net	(961)	1,311
Total Other income/(expense), net	8,432	3,688
Income before income taxes	868,048	761,179
Income tax (expense)	(159,129)	(149,781)
Net income	\$ 708,919	\$ 611,398
Total Comprehensive Income	\$ 708,919	\$ 611,398

ICE Clear Europe Limited

Statements of Changes in Shareholder's Equity

(Dollars, In Thousands)

	Share Capital	Additional paid-in capital	Retained Earnings	Total Shareholder Equity
Balance at 1 January, 2017	\$ 160,000	\$ (1,699)	\$ 407,437	\$ 565,738
Dividends paid	–	–	(545,000)	(545,000)
Stock-based compensation	–	(5,654)	–	(5,654)
Net income	–	–	611,398	611,398
Balance at December 31, 2017	\$ 160,000	\$ (7,353)	\$ 473,835	\$ 626,482
Opening balance adjustment*	\$ –	\$ –	(4,484)	(4,484)
Dividends paid	–	–	(679,000)	(679,000)
Stock-based compensation	–	(7,370)	–	(7,370)
Net income	–	–	708,919	708,919
Issuance of common stock	56,000	–	–	56,000
Balance at December 31, 2018	\$ 216,000	\$ (14,723)	\$ 499,270	\$ 700,547

* On January 1, 2018, the Company adopted ASC 606, Revenue from Contracts with Customers, and ASC 340-40 Other Assets and Deferred Costs- Contracts with Customers, collectively referred to as ASC 606. The adoption of ASC 606 has decelerated the timing of \$4.5 million of clearing fees. The Company has applied the guidance retrospectively with the cumulative effect recognised as of the date of adoption. See note 2. Summary of Significant Accounting Policies for further details.

ICE Clear Europe Limited

Statements of Cash Flows (Dollars, In Thousands)

	Year ended December 31, 2018	Year ended December 31, 2017
Operating activities		
Net income	\$ 708,919	\$ 611,398
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortisation	280	189
Deferred taxes	35	679
Stock-based compensation	3,606	3,937
Changes in assets and liabilities:		
Customer accounts receivable	(5,253)	(7,421)
Prepaid expenses and other assets	(21,178)	(11,778)
Income tax payable	2,518	11,902
Due to affiliates, net	(11,687)	(9,061)
Accounts payable and accrued liabilities	9,602	6,831
Other current and noncurrent liabilities	2,758	4,746
Other noncurrent assets	(130)	(4,566)
Total adjustments	(19,449)	(4,542)
Net cash provided by operating activities	689,470	606,856
Investing activities		
Capital expenditures	(403)	(305)
Net cash used in investing activities	(403)	(305)
Financing activities		
Issuance of common stock	56,000	–
Dividend paid	(679,000)	(545,000)
Net cash used in financing activities	(623,000)	(545,000)
Net increase in cash and cash equivalents	66,067	61,551
Cash and cash equivalents at beginning of year	635,038	573,487
Cash and cash equivalents at end of year	\$ 701,105	\$ 635,038
Supplemental cash flow disclosure		
Cash paid for income taxes	\$ 154,333	\$ 142,687
Interest paid	\$ 133	\$ 84
Exchange rate change on cash balances held in foreign currencies	\$ (793)	\$ 1,311

ICE Clear Europe Limited

Notes to Financial Statements

For the years ended December 31, 2018 and 2017

1. Formation, Organisation and Description of the Business

Incorporated in 2007, ICE Clear Europe Limited ('the Company') is primarily regulated in the UK by the Bank of England, or BOE, as a Recognised Clearing House. It is also registered with and regulated by the US Commodity Futures Trading Commission, or CFTC, as a U.S. Derivatives Clearing Organisation, or DCO, and with the Securities and Exchange Commission as a Securities Clearing Agency in the United States because the Company clears security-based swaps (OTC CDS). The Company is authorised by the BOE as a central counterparty clearing house, or CCP, in accordance with European Market Infrastructure Regulation ('EMIR'). In December 2018, the Swiss Financial Market Supervisory Authority ('FINMA') recognised the Company as foreign central counterparty.

The Company is a wholly-owned subsidiary of IntercontinentalExchange Holdings, whose ultimate parent and controlling entity is Intercontinental Exchange, Inc., ('ICE'), a corporation registered in Delaware, United States.

As a clearing house the Company acts as a central counterparty that becomes the buyer to every seller and the seller to every buyer for its clearing members. Through this central counterparty function the Company provides financial security for each transaction for the duration of the position by limiting counterparty credit risk. The Company clears for ICE group exchanges ICE Futures Europe, ICE Futures U.S. and ICE Endex Futures. Between these three exchanges it clears options and futures contracts for interest rates, equity indices, single name equities, energy products and agricultural products. Additionally the Company clears OTC (predominantly) European CDS instruments.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared by us in accordance with U.S. generally accepted accounting principles, or U.S. GAAP.

ICE Clear Europe Limited

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

Preparing financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the Company's financial statements and accompanying disclosures. Actual amounts could differ from those estimates.

Cash and Cash Equivalents

The Company considers all short-term, highly liquid investments with original maturities at the purchase date of three months or less to be cash and cash equivalents.

Short-Term and Long-Term Restricted Cash and Cash Equivalents

The Company classifies all cash and cash equivalents and investments that are not available for immediate or general business use by the Company as restricted in the accompanying balance sheets. This includes amounts set aside due to regulatory requirements, earmarked for specific purposes, or restricted by specific agreements. The Company also invests a portion of funds in excess of short-term operating needs in term deposits and investment-grade marketable debt securities, including government or government sponsored agencies and corporate debt securities. These are classified as cash equivalents, are short-term in nature and carrying amount approximates fair value.

Customer Accounts Receivable

Customer accounts receivable primarily consists of clearing fees earned by the Company. Management performs periodic credit evaluations of its customers' financial condition and generally does not require collateral. The Company historically has not experienced material credit losses.

ICE Clear Europe Limited

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Margin and Guaranty Fund contributions

Original margin, variation margin and guaranty funds held for clearing members may be in the form of cash, government obligations, non-government obligations or gold. Government and agency securities held for margin purposes are recorded at an amount that approximates fair value. Cash and cash equivalent original margin, variation margin and guaranty fund contributions are reflected as current assets and current liabilities. The amount of margin on hand will fluctuate over time as a result of, among other things, the extent of open positions held at any point in time by market participants in contracts and the margin rates then in effect for such contracts. Changes in margin accounts are not reflected in the statements of cash flows. Non-cash and cash equivalent original margin and guaranty fund contributions are not reflected in the accompanying balance sheets as the risks and rewards of these assets remain with the clearing members unless the Company has sold or otherwise used the assets, or in the event of a clearing member default, where the clearing member is no longer entitled to redeem the assets. Any income, gain or loss accrues to the clearing members.

Property and Equipment

Property and equipment is recorded at cost, reduced by accumulated depreciation (Note 4). Depreciation expense related to property and equipment is computed using the straight-line method based on estimated useful lives of the assets. The Company reviews the remaining estimated useful lives of its property and equipment at each balance sheet date and will make adjustments to the estimated remaining useful lives whenever events or changes in circumstances indicate that the remaining useful lives have changed. Gains on disposals of property and equipment are included in other income and losses on disposals of property and equipment are included in depreciation expense. Maintenance and repair costs are expensed as incurred.

Software Development Costs

The Company capitalises costs related to software developed or obtained for internal use. The costs capitalised include both internal and external direct and incremental costs. General and administrative costs related to developing or obtaining such software are expensed as incurred. Development costs incurred during the preliminary or maintenance project stages are expensed as incurred, while costs incurred during the application development stage are capitalised and amortised using the straight-line method over the useful life of the software, generally not exceeding three years. Amortisation begins only when the software becomes ready for its intended use.

ICE Clear Europe Limited

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Derivatives and hedging activity

Periodically the Company may use derivative instruments to limit exposure to changes in foreign currency exchange rates. All derivatives are recorded at fair value. We generally do not designate these derivatives as hedges for accounting purposes. Accordingly, changes in the fair value are recognised in income. For the years ended December 31, 2018 and 2017, the Company recognised \$4.0 million in fair value gains and \$8.4 million in fair value losses, respectively, on derivatives.

Income Taxes

The Company recognises income taxes under the liability method. The Company recognises a current tax liability or tax asset for the estimated taxes payable or refundable on tax returns for the current year. The Company recognises deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of its assets and liabilities. The Company establishes valuation allowances if it is believed that it is more likely than not that some or all the Company's deferred tax assets will not be realised. Deferred tax assets and liabilities are measured using current enacted tax rates in effect.

The Company does not recognise a tax benefit unless it concludes that it is more likely than not that the benefit will be sustained on audit by the taxing authority based solely on the technical merits of the assessment of the associated tax position. If the recognition threshold is met, the Company recognises a tax benefit measured at the largest amount of the tax benefit that, in its judgment, is greater than 50 percent likely to be realised. The Company recognises accrued interest and penalties related to uncertain tax positions as a component of income tax expense.

Revenue Recognition

On January 1, 2018, the Company adopted ASC 606, Revenue from Contracts with Customers, and ASC 340-40 Other Assets and Deferred Costs- Contracts with Customers. The new guidance requires enhanced disclosures, including revenue recognition policies to identify performance obligations to customers and significant judgments in measurement and recognition. See "Recently Adopted and New Accounting Pronouncements".

ICE Clear Europe Limited

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue consists of clearing fee revenues for transactions cleared through the Company's clearing platform. Revenue is recognised when we transfer promised services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those services. The Company has entered into contracts that can include various combinations of services, which are generally capable of being distinct and accounted for as separate performance obligations. All contracts have been evaluated in order to determine appropriate gross versus net revenue reporting.

Substantially all of the Company's revenues are considered to be revenues from contracts with customers. The related accounts receivable balances are recorded in the Company's balance sheets as customer accounts receivable. The Company does not have obligations for warranties, returns or refunds to customers, other than the rebates, which are settled each period and therefore do not result in variable consideration. We do not have significant revenue recognised from performance obligations that were satisfied in prior periods, and we do not have any transaction price allocated to unsatisfied performance obligations other than in our deferred revenue. Certain judgments and estimates are used in the identification and timing of satisfaction of performance obligations and the related allocation of transaction price. We believe that these represent a faithful depiction of the transfer of services to our customers.

Clearing fees contain two performance obligations: (1) trade execution/clearing novation and (2) risk management of open interest. While we allocate the transaction price between these two performance obligations, since they generally are satisfied almost simultaneously, there is no significant deferral of revenue.

Deferred revenue represents our contract liabilities related to our clearing services. Deferred revenue is our only significant contract asset or liability.

We have elected not to provide disclosures about transaction price allocated to unsatisfied performance obligations if contract durations are less than one-year, or if we are not required to estimate the transaction price. In addition, we have elected the practical expedient of excluding sales taxes from transaction prices. We have assessed the costs incurred to obtain or fulfill a contract with a customer and determined them to be immaterial.

ICE Clear Europe Limited

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Clearing fees are recorded net of rebates, revenue share agreements and other incentives of \$406.6 million for the year ended December 31, 2018 and \$417.8 million for the year ended December 31, 2017. The Company offers rebates in certain markets primarily to support market liquidity and trading volume by providing qualified participants in those markets a discount to the applicable commission rate. Such rebates are calculated based on volumes traded. The Company also has revenue share agreements and incentive programs in place with certain ICE group affiliate execution venues. These are at varying rates and are determined based on revenue or volumes, subject to certain minimum requirements being met. Revenue is also stated exclusive of value added tax.

Affiliate Revenues and Expenses

Affiliate revenues are recognised when the related services are provided to the Company's affiliates and performance obligations are satisfied. Affiliate expenses are recognised at the time the services are provided to the Company by its affiliates and performance obligations are satisfied (Note 5).

Stock-based Compensation

ICE currently sponsors stock option and restricted stock plans to provide additional and incentive-based compensation to employees and directors (Note 11). The Company measures and recognises the compensation expense for all share-based payment awards, including employee stock options and restricted stock, based on estimated fair values on the date of grant. The value of the portion of the award that is ultimately expected to vest is recognised as stock-based compensation expense over the requisite service period.

The Black-Scholes pricing model is used to value stock option awards. The values estimated by the model are affected by the price of ICE stock as well as subjective variables that include assumed interest rates, expected dividend yield, expected share price volatility over the term of the awards and actual and projected employee stock option exercise behavior.

ICE Clear Europe Limited

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Stock-based Compensation (continued)

The Company has entered into recharge agreements with ICE in respect of ICE group incentive plans. Under the terms of the recharge agreements, the Company may be charged for the benefit of share-based compensation at the date of vesting/exercise. Any amounts paid under these agreements have been recorded as additional paid-in capital.

Credit Risk and Significant Customers

The Company is exposed to credit risk as a result of maintaining certain of the clearing member cash deposits at various financial institutions. Cash deposit accounts are established at larger money centre banks and structured to restrict the rights of offset or liens by the banks. The Company monitors the cash deposits and mitigates credit risk by keeping such deposits in several financial institutions, ensuring that its overall credit risk exposure to any individual financial institution remains within acceptable concentration limits, and by ensuring that the financial institutions have high investment grade ratings. The Company also limits its risk of loss by holding the majority of the cash received for margin and guaranty fund contributions in high quality short-term sovereign debt reverse repurchase agreements with several different counterparty banks or direct investments in short-term high quality sovereign and supranational debt issues. While the Company seeks to achieve a reasonable rate of return which may generate interest income for the clearing members, the Company is primarily concerned with preservation of capital and managing the risks associated with these amounts. As the Company may pass on interest revenues, minus costs, to the members, this could include negative or reduced yield due to market conditions.

When engaging in reverse repurchase agreements, the Company takes delivery of the underlying securities in custody accounts under the Company's control. Additionally, the securities purchased subject to reverse repurchase have a market value greater than the reverse repurchase amount. The typical haircut received for high quality sovereign debt is 2% of the reverse repurchase amount. Thus, in the event that a reverse repurchase counterparty defaults on its obligation to repurchase the underlying reverse repurchase securities, the Company will have possession of securities with a value potentially greater than the reverse repurchase counterparty's obligation to the Company.

ICE Clear Europe Limited

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Credit Risk and Significant Customers (continued)

The Company maintains a euro-denominated account at the De Nederlandsche Bank, or DNB, the central bank of the Netherlands, as well as a pounds sterling-denominated account at the BOE, the central bank of the U.K. These accounts provide the flexibility for the Company to place euro- and pounds sterling-denominated cash margin securely at national banks, in particular during periods when liquidity in the euro and pounds sterling repo markets may become contracted. Such accounts are intended to decrease the Company's custodial, liquidity and operational risk as compared to alternative custodial and investment arrangements.

Revenue from one clearing member accounted for 20% of the Company's futures and options contracts revenue for the year ended December 31, 2018 and 14% of the Company's futures and options contracts revenue for the year ended December 31, 2017.

Foreign Currency Exchange Rate Risk

The Company is exposed to foreign currency risk on a transactional basis, where receipts and payments occur in currencies other than the US Dollar, and on a translation basis, whereby assets and liabilities are denominated in currencies other than the US Dollar. The Company manages this risk by ensuring, as far as is possible, that it holds an equal amount of monetary assets and liabilities that are denominated in currencies other than the US Dollar. In addition, the Company also uses forward contracts on Euros and pound sterling in order to specifically manage exchange rate risk.

Interest Rate Risk

The Company is exposed to interest rate risk with the cash and investment balances it holds. The Company's cash is subject to interest rate volatility and is invested according to the Company's operating cash requirements.

Fair Value of Financial Instruments

Fair value is the price that would be received from selling an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The Company's financial instruments consist primarily of cash and cash equivalents, short-term and long-term restricted cash, customer accounts receivable, margin and guaranty fund contributions and certain other short-term assets and liabilities.

ICE Clear Europe Limited

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

The fair value of the Company's financial instruments are measured based on a three-level hierarchy:

- Level 1 inputs — quoted prices for identical assets or liabilities in active markets.
- Level 2 inputs — observable inputs other than Level 1 inputs such as quoted prices for similar assets and liabilities in active markets or inputs other than quoted prices that are directly observable.
- Level 3 inputs — unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company uses Level 1 inputs to determine fair value. The Level 1 assets consist of U.S. Treasury and other foreign government securities, equity and other securities listed in active markets. All other financial instruments are determined to approximate carrying value due to the short period of time to their maturities.

Foreign Currency Translation Adjustments and Foreign Currency Transaction Gains and Losses

The Company's functional and reporting currency is the U.S. dollar.

The Company has foreign currency transaction gains and losses related to the settlement of foreign currency denominated assets, liabilities and payables that occur through its operations. The transaction gains and losses are due to the increase or decrease in the foreign currency exchange rates between periods. Forward contracts on foreign currencies are entered into to manage the foreign currency exchange rate risk. Gains and losses from foreign currency transactions are included in Other income/(expense), net in the accompanying Statements of Comprehensive Income and resulted in net losses of \$0.8 million, and net gains of \$1.3 million for the years ended December 31, 2018 and 2017, respectively.

ICE Clear Europe Limited

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Recently Adopted Pronouncements

The Financial Accounting Standards Board, or FASB, has issued Accounting Standards Codification, or ASC, Topic 606, Revenue from Contracts with Customers, and ASC 340-40, Other Assets and Deferred Costs - Contracts with Customers, collectively referred to as ASC 606. ASC 606 provides guidance outlining a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. ASC 606 superseded prior revenue recognition guidance and requires revenue to be recognised when the Company transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASC 606 requires enhanced disclosures, including (i) revenue recognition policies used to identify performance obligations to customers and (ii) the use of significant judgments in measurement and recognition.

On January 1, 2018, the Company adopted ASC 606 retrospectively with the cumulative effect recognised as of the date of adoption. The adoption of ASC 606 decelerated the timing of recognition of a small portion of clearing fee revenues with transaction price recognition being aligned with the Company's performance obligations. The adoption decelerated the timing of \$4.5 million of clearing fees and this is presented as an opening balance adjustment in the Statements of Changes in Shareholder's Equity.

The FASB has issued ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, which provides updated guidance for the recognition, measurement, presentation, and disclosure of certain financial assets and liabilities, including the requirement that equity investments (except (i) those accounted for under the equity method of accounting or (ii) those that result in consolidation of the investee) are to be measured at fair value with changes in fair value recognized in net income. The Company adopted ASU 2016-01 on January 1, 2018. The adoption of ASU 2016-01 did not result in any fair value adjustments on the date of adoption or during 2018. The Company has made a policy election under ASU 2016-01 to only adjust the fair value of such investments if and when there is an observable price change in an orderly transaction of a similar or identical investment, with any change in fair value recognized in net income.

For the year ended December 31, 2018 the Company adopted ASU 2016-18, Statement of Cash Flows: Restricted Cash, or ASC 230, which requires the changes in the total of cash, cash equivalents and restricted cash and cash equivalents to be shown in the statement of cash flows. As a result, transfers between cash, cash equivalents and restricted cash and cash equivalents are no longer presented in the statement of cash flows. The Company has reclassified changes in restricted cash from cash flows provided by (used in) operating and investing activities, to the total change in beginning and end-of-period balances. The Company's statements of cash flows for 2018 and 2017 reflect this change.

ICE Clear Europe Limited

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Accounting Pronouncements Not Yet Adopted

The FASB has issued ASC 842, Leases, which requires an entity to recognise both assets and liabilities arising from financing and operating leases, along with additional qualitative and quantitative disclosures. A lessee should recognise in its balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. In transition, lessees and lessors are required to recognise and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 is required to be adopted at the beginning of 2019, with early adoption permitted. The Company will not adopt ASU 2016-02 early and adoption is not currently expected to have any material effect on the financial statements.

The FASB has issued ASU No. 2016-13, Financial Instruments - Measurement of Credit Losses on Financial Instruments, or ASU 2016-13. ASU 2016-13 applies to all financial instruments carried at amortised cost including held-to-maturity debt securities as well as trade receivables. ASU 2016-13 requires financial assets carried at amortised cost to be presented at the net amount expected to be collected and available-for-sale debt securities to record credit losses through an allowance for credit losses. ASU 2016-13 is required to be adopted at the beginning of fiscal year 2020, with early adoption permitted. We do not expect to adopt ASU 2016-13 early and we are currently evaluating this guidance to determine the potential impact on the Company's financial statements.

3. Restricted Cash and Cash equivalents

Short-term restricted cash

The Company operates as a U.K. Recognised Clearing House and as such is required by the BOE and the European Market Infrastructure Regulation, or EMIR, to restrict as cash, cash equivalents or investments an amount to reflect an estimate of the capital required to wind down or restructure the activities of the clearing house, cover operational, legal and business risks and to reserve capital to meet credit, counterparty and market risks not covered by the members' margin and guaranty funds. As of December 31, 2018 and 2017, \$435 million and \$423 million, respectively, are included in short-term restricted cash and cash equivalents held for these purposes. The increase in the regulatory capital restricted cash as of December 31, 2018 was primarily due to additional costs incurred due to the growth of the businesses and the consequential additional regulatory capital buffers required by the BOE. In addition to being regulated by the BOE, the Company is also regulated by the CFTC, as a U.S. Derivatives Clearing Organizations, or DCO. The regulatory capital available, as described above, exceeds the CFTC requirements.

ICE Clear Europe Limited

Notes to Financial Statements (continued)

3. Restricted Cash and Cash equivalents (continued)

Long-term restricted cash

The Company requires that each clearing member make contributions to funds known as the guaranty funds. The amounts in the guaranty fund will serve to secure the obligations of a clearing member to the Company and may be used to cover losses in excess of the margin and clearing firm accounts sustained by the Company in the event of a default of a clearing member. The Company has contributed cash of \$156 million and \$50 million as part of its futures and options guaranty fund and CDS guaranty fund respectively. See Note 6 for additional information on the guaranty funds.

4. Property and Equipment

Property and equipment consisted of the following as of December 31, 2018 and December 31, 2017:

	December 31, 2018	Depreciation Period
	<i>(In Thousands)</i>	<i>(In Years)</i>
Software and internally developed software	\$ 1,749	3
Computer and network equipment	121	3
	<u>1,870</u>	
Less accumulated depreciation	<u>(1,299)</u>	
Property and equipment, net	<u>\$ 571</u>	

For the year ended December 31, 2018, accumulated depreciation of software and internally developed software was \$1.2 million, and accumulated depreciation of all other property and equipment was \$0.1 million.

	December 31, 2017	Depreciation Period
	<i>(In Thousands)</i>	<i>(In Years)</i>
Software and internally developed software	\$ 1,671	3
Computer and network equipment	130	3
	<u>1,801</u>	
Less accumulated depreciation	<u>(1,353)</u>	
Property and equipment, net	<u>\$ 448</u>	

For the year ended December 31, 2017, accumulated depreciation of software and internally developed software was \$1.2 million, and accumulated depreciation of all other property and equipment was \$0.1 million.

ICE Clear Europe Limited

Notes to Financial Statements (continued)

5. Related-Party Transactions

The Company has agreements with ICE and other affiliates which are wholly owned subsidiaries of ICE to support the operations of the Company. These subsidiaries of ICE may make payments to vendors on behalf of the Company and the Company may also make payments to vendors on behalf of these subsidiaries.

ICE and the other subsidiaries of ICE make various charges to the Company. These include, but are not limited to charges for clearing and settlement services, ancillary technology licences, trade repository fees and various management and other administrative service charges. During the years ended December 31, 2018 and 2017, the Company has recorded \$204.3 million and \$199.5 million, respectively, for these affiliate charges. These affiliates include, but are not limited to: Intercontinental Exchange Holdings, Inc., ICE Futures Europe and ICE Futures U.S., Inc.

At December 31, 2018 and 2017, the Company owed its affiliates \$33.3 million and \$35.5 million, respectively, in relation to these agreements and other intergroup transactions arising in the normal course of business. The Company settles these balances on a regular basis, which is normally monthly.

Transaction fees for contracts executed on the ICE group affiliate trading platforms of ICE Futures Europe, ICE Futures U.S., Inc. and ICE Endex are cleared and collected through the Company and remitted to these entities.

The Company paid dividends to its immediate parent company IntercontinentalExchange Holdings for the years ended December 31, 2018 and 2017 of \$679 million and \$545 million respectively. For details regarding the Company share-based award schemes see Notes 2 & 11.

The Company also makes certain payments, including incentives payments, to its affiliate exchanges and trading venues for contracts executed thereon and submitted for clearing by the Company. The payments totalled \$351.5 million and \$341.9 million for the years ended December 31, 2018 and December 31, 2017, respectively, and such expense is recorded net in Clearing fee revenue in the accompanying Statements of Comprehensive Income.

ICE Clear Europe Limited

Notes to Financial Statements (continued)

6. Clearing House Operations

As a clearing house the Company acts as a central counterparty that becomes the buyer to every seller and the seller to every buyer for its clearing members. Through this central counterparty function the Company provides financial security for each transaction for the duration of the position by limiting counterparty credit risk. The Company clears for ICE group exchanges ICE Futures Europe, ICE Futures U.S. and ICE Endex Futures. Between these three exchanges it clears options and futures contracts for interest rates, equity indices, single name equities, energy products and agricultural products. Additionally the Company clears OTC (predominantly) European CDS instruments. The credit and performance assurance provided by the Company to clearing members is designed to substantially reduce counterparty risk and is a critical component of the Company's identity as a reliable and secure marketplace for global transactions. The clearing house is designed to protect the financial integrity of its markets by maintaining strong governance and rules, managing collateral, facilitating payments and collections, enhancing capital efficiency and limiting counterparty credit risk. The Company has a risk management program with both initial and ongoing membership standards.

Margin and guaranty funds

The Company collects “original margin” (also known as initial margin) from clearing members or participants in the form of cash contributions or certain pledged assets. In addition, the Company may make intraday original margin calls in circumstances where market conditions require additional protection. The daily profits and losses due to and from the Company due to the marking-to-market of open contracts is known as “variation margin”. In addition to the margin collected, each clearing member is required to make contributions to the guaranty fund which serves as a mechanism to provide additional protection in the event of a clearing member default. At December 31, 2018, the total amount of cash and cash equivalent margin deposits held in respect of original margin was \$27.6 billion (2017: \$19.8 billion) and in respect of the guaranty funds was \$3.3 billion (2017: \$3.0 billion).

The amounts that the clearing members and participants are required to maintain are determined by standardised parameters established by the Company and reviewed by the risk committees and the boards of directors and may fluctuate over time. Each of the ICE Clearing Houses are separate legal entities and are not subject to the liabilities of the others, or the obligations of the members of the other ICE Clearing Houses. Should a particular clearing member or participant fail to contribute its original margin, provide its collateral, or fail to make a variation margin payment, when and as required, the Company may liquidate or hedge its open positions and use their original margin and guaranty fund contributions to make up any amount owed. In the event that those contributions are not sufficient to pay the amount owed in full, the Company may utilise the respective guaranty fund contributions or collect additional funds from the clearing members on a pro-rata basis for that purpose.

ICE Clear Europe Limited

Notes to Financial Statements (continued)

6. Clearing House Operations (continued)

Margin and guaranty funds (continued)

The Company has recorded cash and cash equivalent contributions as amounts due as current assets with corresponding current liabilities to the clearing members.

The Company's cash and cash equivalent margin contributions are maintained in accounts with reputable financial institutions or secured through direct investments, primarily in U.S. Treasury securities with original maturities of less than three months, or reverse repurchase agreements with primarily overnight maturities. Cash held of \$18.1 billion and \$13.9 billion at December 31, 2018 and 2017, respectively is secured in reverse repurchase agreements with primarily overnight maturities or direct investment in government bonds. Cash held of \$4.0 billion and \$4.9 billion at December 31, 2018 and 2017, respectively is secured through direct investments in sovereign debt.

The Company maintains a euro-denominated account at the De Nederlandsche Bank, or DNB, the central bank of the Netherlands, as well as a pounds sterling-denominated account at the BOE, the central bank of the U.K. These accounts provide the flexibility for the Company to place euro- and pounds sterling-denominated cash margin securely at national banks, in particular during periods when liquidity in the euro and pounds sterling repo markets may temporarily become contracted. The Company held the equivalent of \$8.0 billion and \$4.0 billion at the DNB, and \$638 million and nil at the BOE at December 31, 2018 and 2017, respectively.

Such accounts are intended to decrease the Company's custodial, liquidity and operational risk as compared to alternative custodial and investment arrangements.

In addition to the margin and the guaranty fund contributions, the Company has also received other assets from clearing members, which include government obligations, and may include other non-cash collateral such as gold to mitigate credit risk. For certain assets the Company may impose discount or "haircut" rates to ensure adequate collateral if market values fluctuate. The risks and rewards of these assets remain with the clearing members. Any gain or loss accrues to the clearing member. The Company has not sold or re-pledged these assets or experienced an event of a default. These pledged assets are not reflected in the Company's balance sheet.

The total net amount of non-cash collateral held in respect of initial margin was \$29.9 billion and \$23.5 billion at December 31, 2018 and 2017, respectively and in respect of the guaranty funds was \$653.9 million and \$323.4 million at December 31, 2018 and 2017, respectively.

ICE Clear Europe Limited

Notes to Financial Statements (continued)

6. Clearing House Operations (continued)

Margin and guaranty funds (continued)

The Company's risk management framework for its CDS markets is separate from its non-CDS clearing operations. The clearing house is open-access, consistent with regulatory requirements, and the Company accepts qualifying trades for clearing that are executed on other venues. Of the cash contributions of \$30.9 million and \$22.8 million as of December 31, 2018 and 2017, respectively, which are primarily held in U.S. dollars, Euros and Pounds sterling, \$25.8 million and \$18.5 million relates to futures and options products and \$5.1 million and \$4.3 million relates to cleared OTC European CDS instruments for those years ended December 31, 2018 and 2017 respectively.

The Company has contributed \$206 million of its own cash to its guaranty fund and such amounts are at risk and could be used in the event of a clearing member default where the amount of the defaulting clearing member's original margin and guaranty fund contributions are insufficient. The contributions include \$156 million for futures and options and \$50 million to CDS.

In March 2018, through contributions from ICE Futures Europe, ICE Futures U.S. and ICE Endex entities, the Company increased its own guaranty fund contributions by \$56 million. These amounts form part of the \$206 million and would be utilised pro rata along with the existing contributions in the event of default. The exchange contributions are subject to a minimum \$10 million and based on average clearing member futures and options guaranty fund contributions.

In January 2019 the Company voluntarily further increased its contribution to the futures and options guaranty fund by \$27 million, \$2 million of which was through contributions from ICE Futures Europe.

7. Committed Repurchase Agreement Facilities

The Company has entered into Committed Repurchase Agreement Facilities, or Committed Repos, to provide a tool to address the liquidity needs of the Company and manage the liquidation of margin and guaranty fund contributions held in the form of cash and high quality sovereign debt. As of December 31, 2018 the Company had \$1.2 billion in Committed Repos to finance U.S. dollar, Euro and Pound Sterling sovereign debt deposits (2017: \$1.05 billion).

ICE Clear Europe Limited

Notes to Financial Statements (continued)

8. Commitments and Contingencies

The Company is subject to legal proceedings, claims and investigations that arise in the ordinary course of business. The Company establishes accruals for those matters in circumstances when a loss contingency is considered probable and the related amount is reasonably estimable. Any such accruals may be adjusted as circumstances change. Assessments of losses are inherently subjective and involve unpredictable factors. The company does not believe that the resolution of these legal matters will have a material adverse effect on the financial condition, results of operations, or liquidity. It is possible, however, that future results of operations for any particular period could be materially and adversely affected by any developments relating to legal proceedings, claims and investigations.

9. Income Taxes

Income taxes reflected in the accompanying financial statements are calculated on the basis that the Company files its own income tax return and are accounted for under the liability method.

For the years ended December 31, 2018 and 2017, the current tax expense recognised in the Statements of Comprehensive Income was \$159.1 million and \$149.8 million, respectively.

For the years ended December 31, 2018 and 2017, the deferred tax expense recognised in the Statements of Comprehensive Income was \$35 thousand and \$679 thousand, respectively.

ICE Clear Europe Limited

Notes to Financial Statements (continued)

9. Income Taxes (continued)

The tax effects of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases which give rise to deferred tax liabilities or assets as of December 31, 2018 and 2017 are as follows (in thousands):

	December 31, <u>2018</u>	December 31, <u>2017</u>
Deferred Tax Assets:		
Other deferred assets including Stock-based Compensation	\$752	\$778
Property and Equipment	\$43	\$52
Total Deferred Tax Assets	\$795	\$830
Valuation Allowances	-	-
Total Deferred Tax Assets, net of Valuation Allowances	\$795	\$830
Deferred Tax Liabilities:		
Property and Equipment	-	-
Other Deferred Liabilities	-	-
Total Deferred Tax Liabilities	-	-
Net Deferred Tax Asset	\$795	\$830
Reported as:		
Net Noncurrent Deferred Tax asset	\$795	\$830
Net Deferred Tax Asset	\$795	\$830

ICE Clear Europe Limited

Notes to Financial Statements (continued)

9. Income Taxes (continued)

The Company does not recognise a tax benefit unless it concludes that it is more likely than not that the benefit will be sustained on audit by the taxing authority based solely on the technical merits of the associated tax position. If the recognition threshold is met, the Company recognises a tax benefit measured at the largest amount of the tax benefit that, in its judgment, is greater than 50 percent likely to be realised. The Company recognises accrued interest and penalties related to uncertain tax positions as income tax expense in the statements of income.

For the year ended December 31, 2018, the Company had no unrecognised tax benefits. Based on an evaluation of these requirements, no provisions for uncertain tax positions have been made. As a result of the reduction in the standard rate of corporation tax in the UK from 19.25% in 2017 to 19% in 2018 and an increase in the utilisation of group relief available to the Company, the Company's effective tax rate for the year ended December 31, 2018 of 18.4% has decreased from 19.7% for the year ended December 31, 2017.

10. Investments

The Company has a 50% interest in ICE Clear EU CDS LLP. ICE Clear EU CDS LLP was incorporated on December 20, 2010 and is currently dormant. The investment has no cost and IntercontinentalExchange Holdings, a fellow subsidiary, holds the remaining 50% interest.

11. Equity

ICE sponsors employee and director stock option and restricted stock plans for the Company. The non-cash compensation expenses for options and restricted stock was \$3.6 million and \$3.9 million in 2018 and 2017, respectively and was recognised in the accompanying Statements of Comprehensive Income.

Stock Option Plans

Stock options are granted with an exercise price equal to the fair value of ICE common stock on the grant date. Employees and directors may be granted both incentive stock options and nonqualified stock options. The options generally vest over three years and may generally be exercised up to ten years after the date of grant, but generally expire either 14 or 60 days after termination of employment. The shares of common stock issued under ICE stock option plans are made available from authorised and unissued ICE common stock or treasury shares.

ICE Clear Europe Limited

Notes to Financial Statements (continued)

11. Equity (continued)

The fair value is based on the closing stock price of ICE stock on the date of grant as well as certain other assumptions. Compensation expense arising from option grants is recognised ratably over the vesting period based on the grant date fair value, net of estimated forfeitures.

The following is a summary of the stock option activity:

	2018	2018	2017	2017
	Number of	Weighted	Number of	Weighted
	options	average	options	average
		exercise		exercise
		price		price
Outstanding at 1 January	135,075	\$41.56	116,010	\$37.97
Granted	14,306	\$67.00	-	-
Transfers	-	-	19,065	\$57.31
Forfeited	(2,815)	\$50.01	-	-
Exercised	(113,195)	\$38.69	-	-
Outstanding at 31 December	<u>33,371</u>	<u>\$61.46</u>	<u>135,075</u>	<u>\$41.56</u>
Exercisable at 31 December	12,146	\$57.31	105,974	\$37.99

Details of stock options outstanding as of December 31, 2018 and 2017 are as follows:

	2018	2018	2017	2017
	Number of	Weighted	Number of	Weighted
	options	average	options	average
		contractual		contractual
		life in		life in
		years		years
	19,065	8.1	32,540	5.0
	14,306	9.1	27,635	6.0
	-	-	30,530	7.1
	-	-	25,305	8.0
	-	-	19,065	9.1
	<u>33,371</u>		<u>135,075</u>	

ICE Clear Europe Limited

Notes to Financial Statements (continued)

11. Equity (continued)

The weighted average share price for options exercised in 2018 was \$38.63. No options were exercised during 2017. The total charge for the year relating to share options under the employee share-based payment plans was \$126 thousand (2017: \$145 thousand) all of which related to equity-settled share-based payment transactions. The total intrinsic value for vested and exercisable options at December 31, 2018 and 2017 was \$219 thousand and \$3.5 million respectively. The intrinsic value of exercised options during the year ended December 31, 2018 was \$4.4 million. The Company uses the Black-Scholes option pricing model for purposes of valuing stock option awards. During the years ended December 31, 2018 and 2017, the Company used the weighted-average assumptions in the table below to compute the value of all options for shares of common stock granted to employees:

Assumptions	Year ended December 31	
	2018	2017
Expected volatility	20%	21%
Expected life (years)	6.0	5.0
Risk-free interest rate	2.67%	1.84%
Expected dividend yield	1.43%	1.40%
Estimated weighted-average fair value of options granted per share	\$14.08	\$10.50

The risk-free interest rate is based on the zero-coupon U.S. Treasury yield curve in effect at the time of grant. The expected life computation is derived from historical exercise patterns and anticipated future patterns. Expected volatilities are based on historical volatility of ICE's stock.

Restricted stock plans

Restricted shares are used as an incentive to attract and retain qualified employees and to increase stockholder returns with actual performance linked to both short and long-term stockholder return as well as retention objectives. The grant date fair value of each award is based on the closing stock price of our stock at the date of grant.

Granted but unvested shares are generally forfeited upon termination of employment, whereby compensation costs previously recognised for unvested shares are reversed. Until the shares vest and are issued, participants have no voting or dividend rights and the shares may not be sold, assigned, transferred, pledged or otherwise encumbered. Unvested restricted stock earns dividend equivalents which are paid in cash on the vesting date.

ICE Clear Europe Limited

Notes to Financial Statements (continued)

11. Equity (continued)

Restricted stock plans (continued)

The grant date fair value of time-based restricted stock units is recognised as expense ratably over the vesting period, which is typically three years, net of forfeitures. The equity plans include a change in control provision that may accelerate vesting on both the time-based and performance-based restricted shares if the awards are not assumed by an acquirer in the case of a change in control.

For awards with performance conditions, compensation costs are recognised, net of forfeitures, using an accelerated attribution method over the vesting period. Compensation costs are recognised only if it is probable that the performance condition will be satisfied. If it is initially determined that it is not probable of being satisfied and later determined that it is, or vice versa, a cumulative catch-up adjustment is retroactively recorded in the period of change based on the new estimate. The remaining compensation costs are recognised over the remaining vesting period.

The fair value of awards with a market condition is estimated based on ICE stock price on the grant date, the valuation of historical awards with market conditions, the relatively low likelihood that the market condition will affect the number of shares granted (as the market condition only affects shares granted in excess of certain financial performance targets), and expectations of achieving the financial performance targets. The grant date fair value of the awards, when considering the impact of the market condition on fair value, was determined to not be materially different from the stock price on the respective grant dates.

A reconciliation of restricted share movements over the year to December 31, 2018 and 2017 is shown below:

	2018	2018	2017	2017
	Number of	Weighted	Number of	Weighted
	shares	average	shares	average
		fair value		fair value
Outstanding at 1 January	177,950	\$52.01	248,999	\$44.38
Granted	71,907	\$70.89	77,330	\$58.23
Transfers	10,204	\$53.55	34,057	\$49.57
Performance grant amendments	-	-	5,442	\$44.78
Forfeited	(17,633)	\$58.15	(21,925)	\$51.05
Vested	(106,774)	\$49.54	(165,953)	\$43.20
Outstanding at 31 December	135,654	\$63.13	177,950	\$52.01

ICE Clear Europe Limited

Notes to Financial Statements (continued)

11. Equity (continued)

Restricted stock plans (continued)

Restricted stock shares granted in the table above include both time-based and performance-based grants. Performance-based stock awarded in prior years has been adjusted to reflect the actual stock to be issued based on the achievement of past performance targets. The fair value per restricted share granted is the market value of the share on the date of grant. The weighted average share price during the period for restricted stock vested over the year was \$73.65 (2017: \$66.46). The total charge for the year relating to restricted stock under the employee share-based payment plans was \$3,480 thousand (2017: \$3,792 thousand).

12. Pension commitments

The Company operates money purchase pension schemes (defined contribution schemes) for eligible employees. The assets of the schemes are held separately from those of the Company in independently administered funds. There were no contributions outstanding at December 31, 2018 or 2017. Defined pension contributions for the years ended December 31, 2018 and 2017 were \$922 thousand and \$724 thousand respectively.

13. Clearing House Exposure

The Company bears financial counterparty credit risk and provides a central counterparty guarantee, or performance guarantee, to its clearing members or participants. Calculations were performed to determine the fair value of the company's counterparty performance guarantee taking into consideration factors such as daily settlement of contracts, margining and collateral requirements, other elements of the Company's risk management program, historical evidence of default payments, and estimated probability of potential default payouts. Based on these analyses, the estimated counterparty performance guaranty liability was determined to be nominal and no liability was recorded as of December 31, 2018 or 2017. The ICE Clearing Houses have never experienced an incident of a clearing member default which has required the use of the guaranty funds of non-defaulting clearing members or the assets of the ICE Clearing Houses.

14. Fair Value Measurements

Financial assets and liabilities recorded or disclosed at fair value in the accompanying balance sheets as of December 31, 2018 and 2017 are classified in their entirety based on the lowest level of input that is significant to the asset or liability's fair value measurement.

ICE Clear Europe Limited

Notes to Financial Statements (continued)

14. Fair Value Measurements (continued)

The Company's financial instruments consist primarily of cash and cash equivalents, short-term and long-term restricted cash and investments, customer accounts receivable, margin and guaranty fund contributions and certain other short-term assets and liabilities.

Financial instruments measured at fair value on a recurring basis as of December 31, 2018 are as follows (in millions):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets at fair value:				
U.S. Treasury and Other Foreign Government Securities	644	—	—	644
Total assets at fair value	<u>\$ 644</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 644</u>

Financial instruments measured at fair value on a recurring basis as of December 31, 2017 are as follows (in millions):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets at fair value:				
U.S. Treasury and Other Foreign Government Securities	577	—	—	577
Total assets at fair value	<u>\$ 577</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 577</u>

The Company also recognised assets of \$65 thousand and \$249 thousand at December 31, 2018 and 2017 respectively for its forward foreign currency contracts held at fair value entered into to manage foreign exchange risk. These are level 2 input financial instruments and fair value is determined by reference to current forward exchange contracts with similar maturity profiles that are available in active markets.

As of December 31, 2018, the Company held \$644 million in U.S. Treasury and other foreign government securities which are considered cash equivalents. Of these securities, \$437 million were recorded as cash and cash equivalents and short-term restricted cash and cash equivalents and \$207 million were recorded as long-term restricted cash and cash equivalents in the accompanying balance sheets as of December 31, 2018.

As of December 31, 2017, the Company held \$577 million in U.S. Treasury and other foreign government securities which are considered cash equivalents. Of these securities, \$427 million were recorded as cash and cash equivalents and short-term restricted cash and cash equivalents and \$150 million were recorded as long-term restricted cash and cash equivalents in the accompanying balance sheets as of December 31, 2017.

ICE Clear Europe Limited

Notes to Financial Statements (continued)

14. Fair Value Measurements (continued)

The Company accounts for the U.S. Treasury and other foreign government securities held using the available-for-sale method. All of the U.S. Treasury and other foreign government securities recorded as cash and cash equivalents have original maturities of three months or less.

15. Subsequent Events

The Company has evaluated subsequent events through February 18, 2019, the date of issuance of the financial statements and determined that no events or transactions met the definition of a subsequent event for purposes of recognition or disclosure in the accompanying financial statements.