

Registered number
51976196

ICE Clear Netherlands B.V.

Annual Report

31 December 2019

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ICE Clear Netherlands B.V.
Report and financial statements
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ICE Clear Netherlands B.V.
Report and financial statements
Company Information

Executive Directors

J. Beckers
E. Bons

Secretary

B. Moolenbeek

Company number

51976196

Registered office

Hoogoorddreef 7
1101 BA
Amsterdam

Auditors

Ernst & Young Accountants LLP

ICE Clear Netherlands B.V.
Registered number: 51976196
Directors' report

The directors present their directors' report and audited financial statements for ICE Clear Netherlands B.V. ('the Company') for the year ended 31 December 2019.

Principal activities

The Company's ultimate parent is Intercontinental Exchange, Inc. ('ICE'), a corporation registered in Delaware, United States. Members of the ultimate parent company's group of companies in these financial statements refer to 'the ICE Group'. The Company is regulated and supervised in the Netherlands by the Authority for the Financial Markets ('AFM') and the Dutch Central Bank ('DNB') and is also authorised as a Central Counterparty ('CCP') under the European Market Infrastructure Regulation ('EMIR').

Financial results and review of the business

The Company made a loss before tax of €3,291,000 (2018: loss of €3,028,000) for the year ended 31 December 2019 on revenues and other operating income of €(8,000) (2018: €(11,000)). No dividends were declared in the General Meeting of Shareholders or paid during the year (2018: €nil).

Highlights 2019

In July 2018 the Company received regulatory authorisation to clear equity and index derivatives traded on ICE Endx, an ICE Group Regulated Market operating in The Netherlands. In December 2018 the Company cleared the first block trades executed on ICE Endx. In the second half of 2019, the Company provided further Clearing services for equity and index derivatives traded on ICE Endx. The provision of services encompasses possible trades executed on a Central Limit Orderbook on ICE Endx in addition to the already live Block Trade segment. To date, the Company has only processed trades executed on the Block Trade Segment, and no trades are executed on the Central Limit Orderbook.

The Company remains active and licensed as a CCP under EMIR.

Strategy and forecast for 2020 and beyond

In 2020, the Company plans to provide further clearing services for equity and index derivatives traded on ICE Endx. These clearing services will be provided for trades executed on a Central Limit Orderbook on ICE Endx, in addition to the already live Block Trade segment. It is the intention of the Company to provide future clearing services for a range of products for hedging, investing and trading with the clearing services built on a foundation of strong governance, proven risk frameworks and capital. The Company directors believe that the Company's clearing services bring additional transparency, discipline and security to the European marketplace.

The Company will continue to work with other ICE entities, Clearing Members, Clients and Regulatory Authorities to prepare for a potential transfer of services from the United Kingdom to the Company as a result of Brexit on 1 February 2020 or other economic, regulatory or geo-political events.

Regulatory and EMIR

The Company has been EMIR authorised since 2014 to deliver clearing services for equity derivative markets traded on Multilateral Trading Facilities (MTF) and/or Regulated Markets (RM).

Since 2014, the Company has complied with the annual obligation to be re-assessed by the regulatory authorities on its EMIR authorisation each year. The Company prepares and publishes its self-assessment based on the PFMI Disclosure Framework of CPMI IOSCO.

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Directors' report

Brexit

The U.K. left the EU on 31 January 2020 on the basis of the Withdrawal Agreement and the associated Political Declaration, commonly known as 'Brexit'. The Political Declaration states that the parties intend to reach agreement on the future relationship by the end of 2020. However, this future relationship between the U.K. and the EU remains uncertain, as the U.K. and the EU work through the transition period that provides time to negotiate the details thereof. Although the Withdrawal Agreement includes a provision for extension for a further two year period, the transition period is currently expected to end on 31 December 2020. If no agreement is reached then the U.K. will leave the EU with no agreements in place beyond any temporary arrangements that have or may be put in place by the EU or individual EU Member States and the U.K. as part of no-deal contingency efforts and those conferred by mutual membership of the World Trade Organization. Given the lack of comparable precedent, it is unclear what financial, trade and legal implications the U.K. leaving the EU with no agreements in place would have and how such withdrawal would affect the ICE Group and the Company.

If there is no extension of the current equivalence determination or there is no grand-fathering of U.K. CCPs into the new EMIR 2.2 regime for supervision of CCPs in the EU, it would be unlawful for Group company and U.K. based CCP ICE Clear Europe Limited to continue to provide clearing services to EU27 Clearing Members and regulated markets. The overall impact of this outcome, or other outcomes, to the ICE Group and Company remains uncertain at this time. The impact is being monitored, a scenario analysis has been performed that is being updated continuously and Group wide detailed contingency plans have been developed. This will allow the Company to timely address potential outcomes of the final Brexit arrangements.

On 24 January 2019 the Company was included in the Bank of England list of Third Country CCP's that will offer clearing services and activities in the UK under the Temporary Recognitions Regime ('TRR') of the Central Counterparties Regulations 2018 if the UK leaves the EU with no implementation period. The TRR will enable the Company to provide clearing services and activities in the UK for up to three years from the commencement of the TRR (expected 31 December 2020 after the end of the Transitional Period), extendable by HM Treasury in increments of twelve months.

On 28 February 2019 the Company was included in the Bank of England list of EEA systems whose operators have notified their intention for such systems to receive settlement finality protection in the U.K. under the Temporary Designation Regime ('TDR') of the Financial Markets and Insolvency Regulations 2019 if the U.K. leaves the EU with no implementation period. The TDR will enable the Company to receive settlement finality protection in the U.K. for up to three years from the commencement of the TDR (expected 31 December 2020 after the end of the Transitional Period), extendable by HM Treasury in increments of twelve months.

On 21 February 2019 ICE Endex was granted Recognised Overseas Investment Exchange ('ROIE') status by the Financial Conduct Authority ('FCA') to ensure UK customers can maintain access to ICE Endex markets after the transition period ends, in the absence of a trade agreement.

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Directors' report

Risk Management

The Company employs its own risk management group for its activities. The activities are organized in a "Three-Lines-of-Defence" model, a distinction is made in this model between the First Line functions (business and operations) that directly own and manage risk versus the Second Line functions (Enterprise Risk Management, Legal & Compliance, and others) that oversee and challenge the First Line. The Third Line (Internal Audit) provides independent assurance of the functions of the First and Second Lines.

Audits are regularly performed on the Company's core processes as well on ICE intragroup services delivered to it. Business risks are evaluated regularly as well, applying a common methodology from the wider ICE Group. In parallel the Company has its own compliance function to ensure that it meets its own regulatory obligations at all times.

The Company has set a framework for policies regarding internal control processes and this framework reflects the extremely low appetite the Company has for operational errors. The management team meets on frequent basis to discuss operational risk, the mitigations in place and to consider potential improvements to the control environment. In 2019, the highest inherent risks to the Company as established by the ICE Group were considered to be from Cyber risk, specifically, Economic Sabotage (Destructive attacks to undermine confidence in financial markets) and Asset Theft (Cyber enabled theft of cash/securities collateral assets). These risks are monitored (amongst others) on a continuous basis and mitigated through several control measures by the ICE Group as well as by several Committees within the governance structure of the Company. The manifestation of risks of this nature could potentially have a significant negative impact on Company profits and its reputation and the Company has dedicated resources focused on addressing these risks. The Company continues to develop its risk management programme in line with the ICE strategy.

Further details of risk management objectives and policies have been disclosed in the notes to the financial statements and can be found in note 19.

Coronavirus (Covid-19)

After the Statement of financial position reporting date of 31 December 2019, on 11 March 2020, Coronavirus (Covid-19) was recognised as a pandemic by the World Health Organization (WHO). The ICE Group has a Pandemic Plan and its Pandemic Steering Committee (PSC) meets regularly to assess new information relating to Covid-19. The PSC leads for the ICE Group in determining the response level, recommending strategy and disseminating information to staff.

To date, the ICE Group's extensive business continuity plans that have been developed and tested for crises such as Covid-19 are operating as planned and have ensured operations, including those of the Company, continue to function effectively. The Company's employees and ICE Group employees who perform work related to the Company, continue to utilise a remote work framework when required, complying as necessary with local government mandates and social distancing directives as appropriate. It is considered that these arrangements will continue for as long as is required with no detrimental impact to the operations of the Company. The Company has not experienced any detrimental impact on its cash flows, liquidity, performance or revenue collections to date.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In reaching this determination they have considered the cash flows and capital resources of the Company alongside the events and topics discussed above. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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Directors' report

Corporate responsibility

All statutory directors have the skills, qualifications, experience and expertise that are essential to meet their responsibilities and obligations. All statutory directors are currently male. The Company will continue to strive for an adequate and balanced board composition in future appointments, by taking in to account all relevant selection criteria including but not limited to gender balance, executive experience. The Company is committed to providing a comprehensive and competitive benefits package to ensure employees' health, well-being and financial security for all employees including directors.

Directors

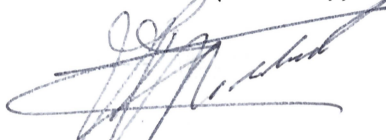
The directors of the Company who served during the year, and up to the date of the financial statements, were as follows:

J. Beckers
E. Bons

Auditors

A resolution to reappoint Ernst & Young Accountants LLP as auditors will be put to the members at the Annual General Meeting.

This report was approved by the board on 05 August 2020.



Executive Director and
President & COO
J. Beckers



Executive Director and
CRO
E. Bons



Company Secretary
B. Moolenbeek

ICE Clear Netherlands B.V.
Statement of profit or loss and other comprehensive income
for the year ended 31 December 2019

	Notes	2019 €'000	2018 €'000
Continuing operations			
Revenue	2	(8)	(11)
Operating expenses	3	(3,203)	(2,959)
Operating loss		<u>(3,211)</u>	<u>(2,970)</u>
Finance costs	6	(80)	(58)
Loss before tax		<u>(3,291)</u>	<u>(3,028)</u>
Income tax	7	-	-
Loss for the year		<u>(3,291)</u>	<u>(3,028)</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u>(3,291)</u>	<u>(3,028)</u>
Attributable to:			
Equity holders of the parent company		<u>(3,291)</u>	<u>(3,028)</u>

The results are derived from continuing operations.

See accompanying notes to the financial statements.

ICE Clear Netherlands B.V.
Statement of financial position
as at 31 December 2019

	Notes	2019 €'000	2018* €'000
Non-current assets			
Property, plant and equipment	8	<u>512</u>	<u>150</u>
		512	150
Current assets			
Trade and other receivables	9	23	14
Member balances: cash relating to margin and guaranty fund contributions	10	3,000	3,000
Guaranty fund: own contribution	11	1,875	1,875
Cash and cash equivalents	12	<u>12,975</u>	<u>11,153</u>
		17,873	16,042
Total assets		<u>18,385</u>	<u>16,192</u>
Current liabilities			
Member balances: cash relating to margin and guaranty fund contributions	10	3,000	3,000
Trade and other payables	13	966	563
Lease liabilities	14	<u>102</u>	<u>-</u>
		4,068	3,563
Non-current liabilities			
Lease liabilities	14	328	-
Total liabilities		<u>4,396</u>	<u>3,563</u>
Equity			
Issued capital	17	7,000	7,000
Share premium	18	17,311	12,811
Retained earnings		<u>(10,322)</u>	<u>(7,182)</u>
Equity attributable to equity holders of the parent		<u>13,989</u>	<u>12,629</u>
Total equity and liabilities		<u>18,385</u>	<u>16,192</u>

See accompanying notes to the financial statements.

*Comparatives have been re-presented to reflect the Company's own contribution to the guaranty fund on the face of the Statement of financial position, for details see notes 11 and 12. There is no effect on profit or net assets for the prior financial year.

ICE Clear Netherlands B.V.
Statement of changes in equity
for the year ended 31 December 2019

	Issued capital €'000	Company contribut- ion to guaranty fund €'000	Share premium * €'000	Share- based payments €'000	Retained earnings ** €'000	Total €'000
Balance as at 1 January 2018	7,000	1,875	10,936	371	(4,705)	15,477
Effect of capital contributions relating to IFRS 2 share-based payments	-	-	-	180	-	180
Profit for the year	-	-	-	-	(3,028)	(3,028)
Balance as at 31 December 2018	<u>7,000</u>	<u>1,875</u>	<u>10,936</u>	<u>551</u>	<u>(7,733)</u>	<u>12,629</u>
Increase in share premium	-	-	4,500	-	-	4,500
Effect of capital contributions relating to IFRS 2 share-based payments	-	-	-	151	-	151
Loss for the year	-	-	-	-	(3,291)	(3,291)
Balance as at 31 December 2019	<u>7,000</u>	<u>1,875</u>	<u>15,436</u>	<u>702</u>	<u>(11,024)</u>	<u>13,989</u>

* Share premium before Company contribution to guaranty fund, see note 18 for details.

** Retained earnings before share-based payments

See accompanying notes to the financial statements.

ICE Clear Netherlands B.V.
Cash flow statement
for the year ended 31 December 2019

	Notes	2019		2018*	
		€'000	€'000	€'000	€'000
Operating activities					
Loss before tax			(3,291)		(3,028)
<i>Adjustments to reconcile loss before tax to net cash flow:</i>					
Depreciation	8	169		26	
Finance costs		80		58	
Equity-settled share-based payments		151		180	
<i>Working capital adjustments:</i>					
Increase in trade and other receivables		(9)		(4)	
Increase/(decrease) in trade and other payables		403		(168)	
			<u>794</u>		<u>92</u>
Net cash flow from operating activities			(2,497)		(2,936)
Financing activities					
Repayment of lease liabilities		(118)		-	
Increase in share premium	18	4,500		-	
Interest paid		<u>(63)</u>		<u>(58)</u>	
Net cash flow from Financing activities			<u>4,319</u>		<u>(58)</u>
Increase/(decrease) in cash and cash equivalents			1,822		(2,994)
Net cash and cash equivalents at beginning of the year			<u>11,153</u>		<u>14,147</u>
Net cash and cash equivalents at end of the year	12		<u>12,975</u>		<u>11,153</u>

See accompanying notes to the financial statements.

*Prior period cash and cash equivalents have been re-presented and no longer include the Company's own contribution to the guaranty fund. See notes 11 and 12 for details.

ICE Clear Netherlands B.V.
Notes to the Financial Statements
for the year ended 31 December 2019

1 Accounting policies and notes to the financial statements

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as they apply to the financial statements of the Company for the year ended 31 December 2019 and applied in accordance with Part 9 of Book 2 of the Dutch Civil Code. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019. Where accounting policies are not specifically mentioned below, reference should be made to the IFRS's as adopted by the European Union. The financial statements are prepared on a historical cost basis. The financial statements are expressed in Euros and rounded to the nearest thousand, unless otherwise stated.

Foreign Currency

The Euro (EUR) is the functional and presentational currency of the Company. Transactions in foreign currencies are recorded at the foreign exchange rate applying at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Statement of financial position date are translated to Euros at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Euros at the foreign exchange rates ruling at the dates the fair values were determined.

New/Amended standards

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Company has adopted all the new and revised standards which are effective for annual periods beginning on or after 1 January 2019.

IFRS 16 Leases

In the current year the Company adopted IFRS 16 Leases for the first time. The standard includes the requirement to a) recognise assets and liabilities for all operating leases with a term of more than 12 months, unless the underlying asset is of low value, b) to measure right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities, c) Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

The Company applied the modified retrospective method of adoption, with the date of initial application of 1 January 2019, and therefore did not restate comparative amounts for the year prior to first adoption. The cumulative effect of initially applying the standard is recognized as an adjustment to the opening balance of retained earnings at the date of application.

ICE Clear Netherlands B.V.
Notes to the Financial Statements
for the year ended 31 December 2019

1 Accounting policies and notes to the financial statements

New/Amended standards (continued)

The Company elected the practical expedient to not reassess operating lease classifications, but alternatively to carry forward our historical classifications. The Company also elected the practical expedient not to record operating leases with a term of 12 months or less from the date of initial application of the standard on the Statement of financial position, and to recognise the operating lease expense for such leases on a straight-line basis over the term of the leases. In addition, the Company has elected the practical expedient to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The effect of adopting IFRS 16 is, as follows:

	31 December 2019 €'000	1 January 2019 €'000
Impact on the statement of financial position (increase/(decrease)):		
<i>Assets</i>		
Right-of-use assets	423	531
	<u>423</u>	<u>531</u>
<i>Liabilities</i>		
Lease liabilities	430	531
	<u>430</u>	<u>531</u>
Impact on the statement of comprehensive income (increase/(decrease)):		
Rental on operating lease	118	-
Depreciation	(108)	-
Interest payable	(17)	-
Net increase/(decrease) in profit & loss	<u>(7)</u>	<u>-</u>

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	€'000
Minimum operating lease commitments at 31 December 2018	578
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	<u>(47)</u>
Lease liabilities as at 1 January 2019	<u>531</u>

ICE Clear Netherlands B.V.
Notes to the Financial Statements
for the year ended 31 December 2019

1 Accounting policies for the financial statements (continued)

Standards issued but not yet effective

Standards and interpretations issued but not yet effective as at the date these financial statements were authorised are listed below. The Company will adopt these standards when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to IAS 1 and IAS 8 <i>Definition of Material</i>	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 <i>Interest Rate Benchmark Reform</i>	1 January 2020
IFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to IFRS 10 and IAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

The Company does not expect the adoption of these standards to have a material impact on the financial statements in the period of initial application.

Critical judgements in applying the Company's accounting policies

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Management is of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation and uncertainty

The most significant assumptions for the future and other key sources of estimation uncertainty at Statement of financial position date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are:

Trade Date and Settlement Date Accounting

All purchases and sales of financial assets requiring delivery within the time frame established by regulation or market convention are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the financial assets.

Significant accounting policies

The significant accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

ICE Clear Netherlands B.V.
Notes to the Financial Statements
for the year ended 31 December 2019

1 Accounting policies for the financial statements (continued)

Property, plant and equipment

Property, plant and equipment are stated at net accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on a straight-line basis over the estimated useful lives of each asset and is charged into the period it arises. The estimated useful lives are as follows:

Computer equipment	3 years
Right-of-use assets	Over the term of the lease

Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement

Subsequent measurement of financial assets depend on the Company's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of financial assets are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

(ii) Fair value through other comprehensive income ("FVOCI")

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI.

Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

ICE Clear Netherlands B.V.
Notes to the Financial Statements
for the year ended 31 December 2019

1 Accounting policies for the financial statements (continued)

Financial instruments (continued)

(iii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for financial assets is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

The Company's financial liabilities include accruals and other payables and amounts due to related companies.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

ICE Clear Netherlands B.V.
Notes to the Financial Statements
for the year ended 31 December 2019

1 Accounting policies for the financial statements (continued)

Impairment of financial assets

The Company recognises an allowance for expected credit losses ("ECLs") for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For cash at bank, ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and other receivables the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when the relevant counterparty has failed to settle the contractual payments by the contractual due date. The contractual due date varies depending on the nature of the financial asset. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses. Trade and other receivables are initially recognised at their fair value and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents consist of cash and balances with banks with less than three months original maturity.

ICE Clear Netherlands B.V.
Notes to the Financial Statements
for the year ended 31 December 2019

1 Accounting policies for the financial statements (continued)

Member balances: cash relating to margin and guaranty fund contributions

Cash collateral paid by clearing members to the Company to cover their margin and guaranty fund requirements is included on the Statement of financial position as part of "Member balances: cash relating to margin and guaranty fund contributions" as an asset with a corresponding liability.

Non-cash collateral provided by clearing members to cover their margin and guaranty fund requirements is not recorded on the Company's Statement of financial position unless the Company has sold the asset or repledged it or in the event of a member default where the member is no longer entitled to redeem the pledged asset. In the case of a sale or repledging, the Company records on its Statement of financial position the proceeds of the sale together with a liability representing the obligation to return the non-cash collateral. In the event of a member default, the Company recognises the collateral as its asset initially measured at fair value or, if it has already sold the collateral, derecognises its obligation to return the collateral.

The interest income and associated interest expense payable to clearing members is recognised on a time-apportioned basis.

Impairment

The carrying amounts of the Company's assets, other than deferred tax assets if recognised, are reviewed at each Statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

Calculation of recoverable amount

The recoverable amount of the Company's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a duration that is less than one year are not discounted.

Employee benefits

(i) Defined contribution plans

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income as incurred.

(ii) Share-based payment transactions

The cost of employees' services received in exchange for the grant of rights under ICE group equity-based employee compensation schemes is measured at the fair value of the equity instruments at the date of the grant and is expensed over the vesting period. This expense in the profit and loss account is offset by the recognition of a capital contribution in reserves. In the case of Employee Stock Purchase Plans ('ESPP') and options granted, fair value is measured using the Black-Scholes pricing model. Under ESPP, employees may purchase ICE shares at a price equal to 85% of the lesser of the fair market value of the shares on the first or the last trading day of each offering period. A share-based payment expense is recognised for the 15% discount given to participating employees.

ICE Clear Netherlands B.V.
Notes to the Financial Statements
for the year ended 31 December 2019

1 Accounting policies for the financial statements (continued)

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Clearing and delivery fees

Clearing fees are recognised, net of exchange incentives if appropriate, when services are rendered.

Finance income and costs

Finance income and costs relate to the costs of transactions and interest receivable and payable. Interest is calculated using the effective interest rate method.

Income Tax

The tax expense for the period comprises current and deferred income tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in Other Comprehensive Income, in which case it is recognised in equity. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the Statement of financial position date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Going Concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In reaching this determination they have considered the cash flows and capital resources of the Company, alongside events such as Brexit and Covid-19 which have been discussed in the Directors' Report and in note 21. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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Notes to the Financial Statements
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1 Accounting policies for the financial statements (continued)

Lease accounting as a lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined as leases with a value of \$5,000 or less). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Right-of-use assets are recognized at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. Right-of-use assets are recognised as a component of Property, plant and equipment relate to office space, depreciated over the remaining terms of the leases at the date of adoption, being 4 years.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses the Group's incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. Lease payments included in the measurement of the lease liability comprise fixed lease payments less any lease incentives, variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date, the amount expected to be payable by the Company under residual value guarantees, the exercise price of purchase options, if the Company is reasonably certain to exercise the options, and payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The Company re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments in the current or prior period.

Lease liabilities are recognised as separate line items on the face of the Statement of financial position.

ICE Clear Netherlands B.V.
Notes to the Financial Statements
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2 Revenue from contracts with customers

The Company derives its revenue from contracts with customers for the transfer of services over time and at a point in time in the following major product lines:

	2019	2018
	€'000	€'000
Clearing and delivery fees	4	-
Clearing and delivery expenses	(15)	(14)
Interest income on margin and guaranty fund contributions	16	15
Interest expense on margin and guaranty fund contributions	(13)	(12)
Revenue from contracts with customers	<u>(8)</u>	<u>(11)</u>

3 Operating expenses

	2019	2018
	€'000	€'000
Compensation and benefits (note 5)	2,423	2,136
Technology costs	11	8
Depreciation	169	26
Professional services	213	304
Dues and subscriptions	75	52
Intercompany charges	174	324
Selling, general and administrative costs	133	105
Foreign exchange losses/(gains)	5	4
	<u>3,203</u>	<u>2,959</u>

Professional service costs includes auditors remuneration for audit services of €40,000 (2018: €40,000), there were no non-audit services during the current or prior year.

4 Remuneration of key management personnel of the Company

	2019	2018
	€'000	€'000
Short-term benefits	523	514
Pension costs	45	44
Total compensation fees paid to key management personnel	<u>568</u>	<u>558</u>

Key management personnel consists of the directors of the Company.

ICE Clear Netherlands B.V.
Notes to the Financial Statements
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5 Compensation and benefits	2019	2018
	€'000	€'000
Wages and salaries	1,776	1,439
Share-based payments	151	180
Social security costs	110	112
Pension costs	172	168
Other personnel costs	214	237
	<u>2,423</u>	<u>2,136</u>

The average number of persons employed by the Company during the year was as follows:

	2019	2018
	Number	Number
Monthly average number of staff members	<u>11</u>	<u>11</u>

6 Finance costs	2019	2018
	€'000	€'000
Interest expense on lease liabilities	17	-
Other interest payable	63	58
	<u>80</u>	<u>58</u>

7 Income Tax

The major components of the income tax for the year ended 31 December are:

Recognised in the statement of profit or loss	2019	2018
	€'000	€'000
Income tax charge in the statement of profit or loss	<u>-</u>	<u>-</u>
Tax payable	2019	2018
	€'000	€'000
At beginning of year	-	-
Received during the year	-	-
	<u>-</u>	<u>-</u>

There is no tax payable in respect of the current year as the Company had tax losses for the period (2018: €nil).

ICE Clear Netherlands B.V.
Notes to the Financial Statements
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7 Income Tax (continued)

The actual tax charge differs from the expected tax charge as follows:

	2019	2018
	€'000	€'000
Loss before tax	(3,291)	(3,028)
Corporation income tax credit 25% (2018: 25%)	(823)	(757)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	39	45
Unutilised tax losses and other timing differences not recognised	784	712
Income tax charge in profit or loss	-	-

Deferred tax assets

The Company had an unrecognised deferred tax asset of €1,313,000 (2018: €730,000) in relation to tax losses. The Company would benefit from these in the event that it generates taxable profits in the future.

8 Property, plant and equipment

	Computer equipment €'000	Right-of- use assets €'000	Total -
Net book value as at 1 January 2018	176	-	176
Depreciation	(26)	-	(26)
Net book value as at 31 December 2018	150	-	150
Additions	-	531	531
Depreciation	(61)	(108)	(169)
Net book value as at 31 December 2019	89	423	512

9 Trade and other receivables

	2019	2018
	€'000	€'000
Other debtors	3	-
Prepayments	8	3
Amounts due from group undertakings	12	11
	23	14

ICE Clear Netherlands B.V.
Notes to the Financial Statements
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10 Member balances: cash relating to margin and guaranty fund contributions

	2019	2018
	€'000	€'000
Guaranty fund contributions	<u>3,000</u>	<u>3,000</u>

Clearing members are required to place initial and variation margin funds to cover their outstanding positions. The margin can take the form of either cash or non-cash collateral or a combination of the two. The contributions made to these margin accounts and to the guaranty fund are recorded in the Statement of financial positions as current assets with corresponding liabilities to the clearing members that contributed them. Margin amounts 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. As there is no open interest as at 31 December 2019 there are no margin contributions.

No non-cash collateral was held in respect of the Margin and Guaranty fund contributions as at 31 December 2019 (2018: €nil).

11 Guaranty fund: own contribution

	2019	2018*
	€'000	€'000
Guaranty fund: own contribution	<u>1,875</u>	<u>1,875</u>

The Company's own contributions to its guaranty fund 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.

*Prior period balances have been re-presented to separate the Company's own contributions to its guaranty fund from cash and cash equivalents.

12 Cash and cash equivalents

	2019	2018*
	€'000	€'000
Cash and cash equivalents	<u>12,975</u>	<u>11,153</u>

The Company, as a continental European derivatives clearing house, is regulated and supervised in the Netherlands by the AFM and the DNB and is required to maintain regulatory capital equal to various solvency and risk based calculations, subject to EMIR minimum regulations. As of 31 December 2019 the regulatory capital, including the Company's own resources contribution to the guaranty fund (note 11) was €10,125,000 (2018: €10,125,000) and forms part of the cash and cash equivalents balance.

*Prior period cash and cash equivalents have been re-presented and no longer include the Company's own contribution to the guaranty fund (see note 11). The impact is a decrease in cash and cash equivalents of €1,875,000 as at 31 December 2018.

On 11 February 2019 the Company entered into €10,000,000 in Committed FX Facilities.

ICE Clear Netherlands B.V.
Notes to the Financial Statements
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13 Trade and other payables	2019 €'000	2018 €'000
Trade creditors	22	-
Amounts due to group undertakings	63	90
Accruals	835	451
Other creditors	2	1
Other taxes	44	21
	<u>966</u>	<u>563</u>

The accruals mainly relate to legal fees, employee bonuses, holiday allowances and amounts payable for social security and taxes.

14 Lease liabilities	2019 €'000	2018 €'000
Non-current	328	-
Current	102	-
	<u>430</u>	<u>-</u>

Maturity analysis	2019 €'000	2018 €'000
Not later than 1 year	102	-
Later than 1 year and not later than 5 years	328	-
Later than 5 years	-	-
	<u>430</u>	<u>-</u>

The Company does not face a significant liquidity risk with regard to its lease liabilities.

15 Leases (Company as a lessee)

Carrying amounts of right-of-use assets as at 31 December 2019 and 31 December 2018, additions for the years then ended and respective depreciation expenses are disclosed in note 8.

The interest expense on lease liabilities for the years to 31 December 2019 and 31 December 2018 is disclosed in note 6.

No expense relating to short-term leases, low value assets or variable lease payments not included in the measurement of the lease liability has been recognised for the years to 31 December 2019 and 31 December 2018.

No income from subleasing right-of-use assets or gains or losses arising from sale and leaseback transactions has been recognised for the years to 31 December 2019 and 31 December 2018.

The total cash outflow for leases amount to €118,000 (2018: €118,000).

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Notes to the Financial Statements
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16 Employee benefits

Share-based transactions

Restricted shares have been reserved for potential issuance as performance-based or time-based restricted shares for certain Company employees. Performance-based shares vest over a three year period based on ICE's financial performance targets set by the ICE Compensation Committee. Time-based shares usually vest based on a three or four year vesting schedule. Granted but unvested shares are forfeited upon termination of employment. The grant date fair value of each award is based on the closing share price at the date of grant.

Restricted shares

A table of restricted shares outstanding as at 31 December is shown below:

	2019	2019	2018	2018
	Number	Weighted average fair value	Number	Weighted average fair value
Outstanding at 1 January	7,670	\$58.44	9,126	\$54.37
Granted	1,882	\$76.16	2,260	\$56.88
Transferred	(21)	\$57.31	-	-
Performance grant amendment	32	\$67.00	-	-
Vested	(4,444)	\$56.00	(3,716)	\$53.66
Outstanding at 31 December	<u>5,119</u>	<u>\$67.13</u>	<u>7,670</u>	<u>\$58.44</u>

The total charge for the year relating to restricted shares under the employee share-based payment plans was €151,000 (2018: €180,000) all of which related to equity-settled share-based payment transactions. The weighted average share price during the period for restricted shares vested over the year was US\$75.78 (2018: US\$75.00).

In the case of Employee Stock Purchase Plans ('ESPP') and options granted, fair value is measured using the Black-Scholes pricing model. Under ESPP, employees may purchase ICE shares at a price equal to 85% of the lesser of the fair market value of the shares on the first or the last trading day of each offering period. A share-based payment expense is recognised for the 15% discount given to participating employees.

Pension scheme

The Company operates defined contribution pension schemes for eligible employees. The assets of the schemes are held separately from those of the Company in independently administered funds. There were no unpaid contributions at 31 December 2019.

17 Share capital

	2019 Number	2018 Number	2019 €'000	2018 €'000
Authorised:				
Equity: Ordinary shares of €1,000 each	10,000	10,000	<u>10,000</u>	<u>10,000</u>
	2019 Number	2018 Number	2019 €'000	2018 €'000
Allotted, called up and fully paid:				
Equity: Ordinary shares of €1,000 each	7,000	7,000	<u>7,000</u>	<u>7,000</u>

ICE Clear Netherlands B.V.
Notes to the Financial Statements
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18 Share premium	2019 €'000	2018 €'000
At 1 January	12,811	12,811
Additions	4,500	-
At 31 December	<u>17,311</u>	<u>12,811</u>

On 16 April 2019 the Company's immediate parent company, IntercontinentalExchange Holdings, made a capital contribution to the Company, resulting in an increase in share premium of €4,500,000.

Should a Clearing Member become insolvent, the Company has financial resources which can be used. The Company will apply its dedicated own resources contribution into a guaranty fund, also known as "skin in the game", in the event of a member default, prior to the use of clearing fund contributions of non-defaulting clearing members. The Company must commit financial resources of at least 25% of the minimum required capital. Current skin in the game is €1,875,000 and forms part of share premium and the cash and cash equivalents balance.

19 Financial risk management objectives and policies

Financial risk management objectives

The Company follows the policies approved by the ultimate parent company's board of directors, which provide written principles on interest rate risk, credit risk, the use of non-derivative financial instruments and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed on a continuous basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Company has a one-tier board structure ('the Board').

The Board

The Board's responsibilities and activities are governed by Dutch company law. As of 31 December 2019, the composition is as follows:

- Paul Swann, non-executive; Chairman of the Board
- Scott Hill, non-executive ; ICE nominee
- Mark Post, Independent; non-executive
- Hans Brouwer, Independent; non-executive
- Joost Beckers, President/COO ICNL; executive; statutory director
- Edwin Bons, Chief Risk Officer ICNL; executive; statutory director

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Notes to the Financial Statements
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19 Financial risk management objectives and policies (continued)

The Board meets at least four times a year in its full composition. Board meetings are generally held at the Company's offices in Amsterdam. Board members are appointed at general shareholder meetings. The tasks, duties and appointment procedure for statutory directors are set out in the Articles of Association of the Company.

The Board is accountable to the Company's shareholders for the performance of its duties and is responsible for the general policy and the strategy, as well as the day-to-day management of the Company, including but not limited to:

- administering the Company's general affairs, operations and finance;
- representing the Company when entering into agreements on its behalf;
- monitoring the Company's compliance with all relevant legislation and regulations and managing risks associated with the Company's business;
- preparing operational and financial objectives and strategies;
- execution of operation plans and applying sound business practices; and
- approving annual budget and financing, operational- and investment plans;

Director Qualifications

All Statutory Directors and Board members have skills, qualifications, experience and expertise that are essential to meet their responsibilities and obligations. All Board members have been screened and approved by the Dutch Central Bank. Board members must be able to devote a sufficient amount of time to prepare, attend and participate in the Board meetings.

Independence

Some members of the Board have an indirect relationship with the Company as a result of their position with companies that hold shares in the ICE Group:

- Scott Hill, Chief Financial Officer of ICE Inc. (shareholder)

Audit Committee

The Company has an Audit Committee in place. In 2019 the Committee met 4 times. The composition is as follows:

- Mark Post (Independent; non-executive; Chair)
- Paul Swann (ICE nominee; non- executive; Member)
- Hans Brouwer (Independent; non-executive; Member)

The Committee is allowed to invite certain individuals (Invitees) in a non-voting capacity. In practice these are employees of ICE Internal Audit, External Auditors and/or the Company.

Rules have been set for the way the Committee operates. The Audit Committee assists and advises the Board in decision making and reports its findings to the Board. The Audit Committee convenes at least once a year. The Audit Committee is charged with monitoring the adequacy and effectiveness of the Company's financial reporting, its financial reporting policy and procedures, its internal control framework, risk management, the independent external audit of the financial statements and the performance and evaluation of the external auditor. Given the specific tasks of the Audit Committee, its members have sufficient business, industry and financial expertise to act effectively.

ICE Clear Netherlands B.V.
Notes to the Financial Statements
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19 Financial risk management objectives and policies (continued)

Internal Control Framework

The Board is responsible for developing the Company's strategy and achieving business objectives, operating within relevant rules and regulations, managing the business risks, and is accountable to the General Meeting of Shareholders.

The Company has set a framework for policies regarding internal control processes. The Board is responsible for managing processes within this framework for the Company. The Company is required to prepare annual plans including operating budgets, investment plans and financing requirements. The consolidated business plan is subsequently approved by the Board and the General Meeting of Shareholders, as laid out in the Articles of Association.

New business activities and investments that are outside the scope of the approved business plan require specific approval by the Board and the Shareholders. The Audit Committee monitors the quality of the financial reporting and internal controls. The Audit Committee together with the Board discusses the annual report and the underlying accounting principles on an annual basis.

During 2019 the Company finished the process of harmonising its internal control framework and alignment with the ICE framework. Features of the framework include periodic analysis of risks to the business objectives of the Company and an integrated system of risk and control monitoring and reporting. This will continue to be developed and improved in the future.

Having assessed its internal risk management and control systems, the Board is of the opinion that the Company's risk management and control systems provide reasonable assurance that this annual report does not contain material inaccuracies.

Externally imposed capital requirements

See note 12 for information on capital requirements imposed on the Company.

Categories of financial instruments

	2019	2018
	€'000	€'000
Financial assets:		
Trade and other receivables	23	14
Member balances: cash relating to margin and guaranty fund contributions	3,000	3,000
Cash and cash equivalents	12,975	11,153
	<u>15,998</u>	<u>14,167</u>
Financial liabilities:		
Trade and other payables	966	563
Member balances: cash relating to margin and guaranty fund contributions	3,000	3,000
	<u>3,966</u>	<u>3,563</u>

The fair value approximates the book value of these assets and liabilities, therefore fair value disclosures have not been included. The maximum credit risk amounts to the sum of the financial assets.

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Notes to the Financial Statements
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19 Financial risk management objectives and policies (continued)

Clearing house specific risk

Although the types of risk to which the Company is exposed are similar to those faced by many companies, its core business as a clearing house centres on the explicit assumption of the risks of financial failure and default in the various derivatives markets in which it acts as central counterparty. In order to ensure that defaults of clearing members can be effectively managed, and the integrity of the markets preserved, the Company has adopted specific risk management policies and practices to limit the counterparty credit risk represented by clearing members and to cover the market risk relating to price movements in any contracts that it would have to manage should any of the clearing members default.

The collection of initial margin, in the form of cash and non-cash collateral, the collection of marked-to-market losses and the payment of corresponding gains, and the maintenance of the guaranty fund, expose the Company to a different set of counterparty credit risk, market risks, as well as liquidity and concentration risks.

Counterparty credit risk

The Company seeks to reduce its exposure through a risk management program that includes initial and ongoing financial standards for clearing member admission and continued membership, original and variation margin requirements, and mandatory contributions to the guaranty fund. The amounts that the clearing members are required to maintain in the original margin and guaranty fund accounts are determined by standardised parameters. The Company also has powers of assessment that provide the ability to collect additional funds from the clearing members to cover a defaulting member's remaining obligations up to the limits established under the rules of the Company.

Should a particular clearing member fail to deliver original margin, or to make a variation margin payment, when and as required, the Company may liquidate or hedge the clearing member's open positions and use the clearing member's margin and guaranty fund contributions to make up the amount owed. In the event that those amounts are not sufficient to pay the amount owed in full, the Company may utilise its own guaranty fund contribution followed by the respective guaranty fund contributions of all clearing members on a prorata basis for that purpose.

Market risk

The Company requires all clearing members to maintain cash on deposit or pledge certain assets, which may include government obligations or certificates of deposit, to guarantee performance on the clearing members' open positions. Such amounts in total are known as "original margin." The Company may make intraday original margin calls in circumstances where market conditions require additional protection. The daily profits and losses from and to the Company in respect of marking to market open contracts are known as "variation margin". The Company marks all outstanding contracts to market, and therefore pays and collects variation margin, at least once daily, and in some cases multiple times throughout the day. Marking-to-market allows the Company to identify any clearing members that may be unable to satisfy the financial obligations resulting from changes in the prices of their open contracts before those financial obligations become exceptionally large and jeopardize the ability of the Company to ensure financial performance of clearing members' open positions.

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19 Financial risk management objectives and policies (continued)

Market risk (continued)

Should a Clearing Participant become insolvent, the Company has financial resources which can be used. The Company will apply its own dedicated financial resources into a guaranty fund, also known as "skin in the game", in the event of a member default, prior to the use of clearing fund contributions of non-defaulting clearing members. In January of each calendar year, the Company must commit financial resources which represent 25% of the minimum required capital. Current skin in the game is €1,875,000 and forms part of share premium and the guaranty fund: own contribution balance.

The Company requires that each clearing member make contributions into a fund known as the guaranty fund, which is maintained by the Company. These amounts serve to secure the obligations of a clearing member to the Company to which it has made the guaranty fund contribution and may be used to cover losses sustained by the Company in the event of a default of a clearing member.

The Company has equal and offsetting claims to and from its clearing members on opposite sides of each cleared contract; this allows the Company to serve as the central financial counterparty on every cleared contract. Accordingly, the Company accounts for this central counterparty guarantee as a performance guarantee. The Company performs calculations to determine the fair value of its counterparty performance guarantee taking into consideration factors such as daily settlement of contracts, margining requirements, other elements of the Company's risk management program, historical evidence of default payments, and estimated probability of potential default payouts. Based on this analysis, the estimated counterparty performance guaranty liability was determined to be nominal and no liability has been recorded.

Non-clearing house specific risk

Market risk - foreign exchange

There are no material assets or liabilities held by the Company that are not denominated in Euro, therefore there is currently no material exposure to foreign exchange risk.

Market 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 on a short to medium-term basis, according to the Company's operating cash requirements.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The carrying amount of financial assets recorded in the financial statements, which is net of any impairment losses, represents the Company's maximum exposure to credit risk. The Company does not hold collateral over these balances.

For cash and cash equivalents, the Company only transacts with entities that are rated the equivalent to investment grade and above. Other financial assets consist of amounts receivable from related parties. The Company's exposure to significant concentration of credit risk on receivables from related parties is detailed in Note 20. For clearing member counterparty credit risk see 'Counterparty credit risk' section.

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Notes to the Financial Statements
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19 Financial risk management objectives and policies (continued)

Liquidity risk management

The Company has an appropriate risk management framework for the management of short, medium and long-term funding and liquidity management requirements. The Company's primary investment policy objective is to provide sufficient liquidity to meet all operational requirements.

Liquidity tables

The following tables detail the Company's remaining contractual maturities for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

2019

	Less than 1 month €'000	1 - 3 months €'000	3 months to 1 year €'000	1 - 5 years €'000	5 + years €'000	Total €'000
Non-interest bearing	966	-	-	-	-	966
Variable interest rate	3,000	-	-	-	-	3,000
	<u>3,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,966</u>

2018*

	Less than 1 month €'000	1 - 3 months €'000	3 months to 1 year €'000	1 - 5 years €'000	5 + years €'000	Total €'000
Non-interest bearing	563	-	-	-	-	563
Variable interest rate	3,000	-	-	-	-	3,000
	<u>3,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,563</u>

Capital risk management

The primary objective of the Company's own capital management is to maximise shareholder value. The Company manages its capital structure and makes adjustments in light of changes in economic conditions and its minimum EMIR regulatory capital requirements. To maintain or adjust the capital structure, the Company may adjust any dividend payments to shareholders, return capital to shareholders or issue new shares if required.

Concentration risk

The Company determines concentration risk by determining the exposure to an individual counterparty and by country for received securities.

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Notes to the Financial Statements
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20 Related party transactions

Transactions with parent and subsidiary companies

Some of the Company's transactions and arrangements are with related parties, the effect of these on the basis determined between the parties at arm's length is reflected in these financial statements. The intercompany balances are interest-free, unsecured and repayable on demand, unless otherwise stated.

The nature of transactions with related parties is as follows:

	Nature of relationship	Nature of transaction
Intercontinental Exchange, Inc.	Ultimate parent company	Guarantee provider and share-based payment charges
ICE Futures Europe, ICE Trade Vault Europe Limited	Fellow group subsidiaries	Service charges
ICE Endex Holding B.V.	Fellow subsidiary company	Lease of office space

Service charges to related parties during the year were:

	2019 €'000	2018 €'000
ICE Futures Europe	174	221
ICE Endex Holding B.V.	-	103
	<u>174</u>	<u>324</u>

The Company adopted IFRS 16 on 1 January 2019 and as such the lease rental expense payable to ICE Endex Holding B.V. is no longer disclosed as a service charge. Payments totalling €118,000 were made to ICE Endex Holding B.V. in 2019 in relation to the lease agreement for office space.

Amounts due to group undertakings at year end were:

	2019 €'000	2018 €'000
ICE Clear Europe Limited	9	-
ICE Futures Europe	30	68
ICE Endex Holding B.V.	24	22
	<u>63</u>	<u>90</u>

ICE Clear Netherlands B.V.
Notes to the Financial Statements
for the year ended 31 December 2019

20 Related party transactions (continued)

Amounts due from group undertakings at year end were:

	2019 €'000	2018 €'000
Intercontinental Exchange, Inc.	12	11
	<u>12</u>	<u>11</u>

21 Subsequent events

After the Statement of financial position reporting date of 31 December 2019, on 11 March 2020, Coronavirus (Covid-19) was recognised as a pandemic by the World Health Organization (WHO). The ICE Group has a Pandemic Plan and its Pandemic Steering Committee (PSC) meets regularly to assess new information relating to Covid-19. The PSC leads for the ICE Group in determining the response level, recommending strategy and disseminating information to staff.

To date, the ICE Group's extensive business continuity plans that have been developed and tested for crises such as Covid-19 are operating as planned and have ensured operations, including those of the Company, continue to function effectively. The Company's employees and ICE Group employees who perform work related to the Company, continue to utilise a remote work framework when required, complying as necessary with local government mandates and social distancing directives as appropriate. It is considered that these arrangements will continue for as long as is required with no detrimental impact to the operations of the Company. The Company has not experienced any detrimental impact on its cash flows, liquidity, performance or revenue collections to date.

22 Ultimate holding company

The Company is 100% owned by IntercontinentalExchange Holdings, a company incorporated and registered in England and Wales.

The ultimate parent company and controlling party is Intercontinental Exchange, Inc., a corporation registered in Delaware, United States.

Intercontinental Exchange, Inc. is the largest group in which the results of the Company are consolidated. Consolidated accounts are available at www.theice.com.

23 Profit distribution

No dividend is recommended in relation to the financial year 2019. It is proposed that the current year result will be added to the Company's retained earnings.

ICE Clear Netherlands B.V.

Other information

for the year ended 31 December 2019

Company's Articles of Association

Profits shall be at the disposal of the General Meeting of Shareholders for the distribution of a dividend or in order to be added to the reserves or for such other purposes within the Company's objectives as the meeting will decide. In calculating the amount of profit to be distributed in respect of each share, only the amount of the mandatory payments on the nominal shares shall be taken into account.

ICE Clear Netherlands B.V.**Independent auditors' report****To : the shareholders and the board of ICE Clear Netherlands B.V.****Report on the financial statements**

We have audited the accompanying financial statements 2019 of ICE Clear Netherlands B.V., Amsterdam, which comprise the statement of financial position as at 31 December 2019, the statements of profit and or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of ICE Clear Netherlands B.V. as at 31 December 31 2018 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Amsterdam, 05 August 2020

Ernst & Young Accountants LLP

Signed by C.G.J de Lange

Independent auditor's report

To: the shareholders and management of ICE Clear Netherlands B.V.

Report on the audit of the financial statements 2019 included in the annual report

Our opinion

We have audited the financial statements 2019 of ICE Clear Netherlands B.V., based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of ICE Clear Netherlands B.V. as at 31 December 2019, and of its result and its cash flows for 2019 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- ▶ The statement of financial position as at 31 December 2019
- ▶ The following statements for 2019: the statements of comprehensive income, statement of changes in equity and cash flows statement
- ▶ The notes of the financial statement comprising a summary of the significant accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of ICE Clear Netherlands B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter relating to Corona developments

The developments around the Corona (Covid-19) pandemic have a profound impact on people, society and on the economy. This impacts operational and financial performance of organizations and the assessment of the ability to continue as a going concern. The financial statements and our auditor's report thereon reflect the conditions at the time of preparation. The impact may continue to evolve. The impact of these developments on ICE Clear Netherlands B.V. is disclosed in the directors' report, see page 4, and the disclosure about events after the reporting period, see page 32. We draw attention to these disclosures. Our opinion is not modified in respect of this matter.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- ▶ The directors' report
- ▶ Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- ▶ Is consistent with the financial statements and does not contain material misstatements
- ▶ Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- ▶ Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Amsterdam, 6 August 2020

Ernst & Young Accountants LLP

signed by P. Sira

