

Registered number: 6219884

ICE Clear Europe Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2019

ICE Clear Europe Limited

Contents

	Page
Strategic Report	1 - 16
Directors' Report	17 - 23
Independent Auditors' Report	24 - 26
Statement of Comprehensive Income	27
Balance Sheet	28
Statement of Changes in Equity	29
Notes to the Financial Statements	30 - 44

ICE Clear Europe Limited

Strategic Report For the Year Ended 31 December 2019

Introduction

The directors present their Strategic Report for ICE Clear Europe Limited ('the Company') for the year ended 31 December 2019.

Principal activities and review of the business

The Company is primarily regulated in the UK by the Bank of England ('BOE') as a Recognised Clearing House. It is also subject to regulation by the US Commodity Futures Trading Commission ('CFTC') as a U.S. Derivatives Clearing Organisation ('DCO') and with the Securities and Exchange Commission ('SEC') as a Securities Clearing Agency in the United States because the Company clears security-based swaps. The Company is authorised by the BOE as a central counterparty clearing house, or CCP, in accordance with European Market Infrastructure Regulation ('EMIR'). The Company is also recognised by the Swiss Financial Market Supervisory Authority ('FINMA') as a 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., ICE Endex and third-party venues. Between these three exchanges it clears options and futures contracts for interest rates, equity index futures, single name equities, energy products and agricultural products. Additionally the Company clears OTC (predominantly) European Credit Default Swaps ('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 Company 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.

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. During the year the Company also added a layer of insurance to further protect from clearing member default, see note 12.

Should a particular clearing member or participant fail to pay 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 the original margin and guaranty fund contributions to make up any amount owed. In the event that defaulting clearing member contributions are not sufficient to pay the amount owed in full, the Company may utilise the respective guaranty fund contributions. In the event that the defaulting clearing member's guaranty fund is not sufficient, the Company may utilise the respective guaranty fund deposits, or collect additional funds from non-defaulting clearing members on a pro-rata basis to pay any remaining amount owed. The Company has contributed its own capital, or 'skin-in-the-game/SITG' on a voluntary basis which could be used if a defaulting clearing member's margin and guaranty fund contributions are insufficient.

The Company continues to expand its product range and has launched a total of 3,351 (2018: 3,115) new products since the launch of clearing in December 2008 (November 2013 for Liffe products). The Company also clears 133 CDS indices (2018: 141) and 206 single name OTC CDS instruments (2018: 202). As a performance measure, the Company tracks and reports on cleared contract volumes for its interest rate, equity index futures, agricultural and energy derivatives. The table on the following page presents cleared contract volumes for the years ended 31 December 2019 and 2018.

ICE Clear Europe Limited

Strategic Report (continued) For the Year Ended 31 December 2019

Contracts

	Total Volume 2019 '000	Total Volume 2018 '000	Change %
ICE Brent Crude Futures and Options	246,922	259,945	(5)%
ICE Gas Oil Futures and Options	80,210	82,796	(3)%
ICE WTI Crude Futures and Options	57,292	61,877	(7)%
Emissions Futures and Options	10,562	10,982	(4)%
Financial Gas	161,003	183,870	(12)%
Financial Power	10,781	11,914	(10)%
Financial Oil	39,970	37,593	6%
Agricultural commodity products	18,790	17,562	7%
Financial products (interest rates and equities)	622,449	772,065	(19)%
Other contracts*	57,367	38,208	50%
Total	1,305,346	1,476,812	(12)%

* Other contracts include ICE Heating Oil futures and options, ICE Unleaded Gasoline Blendstock (RBOB) futures, ICE UK Natural Gas futures and options, ICE UK Electricity futures, ICE Coal futures and options, ICE Dutch TTF Gas futures and options, ICE GASPOOL Natural gas futures, ICE German NCG Gas futures, Financial LNG, Financial NGL, Physical Environmental, Freight, Belgian Power futures, Dutch Power futures, German Power futures and options, Financial Environmental, Italian PSV Natural Gas futures, Italian Power futures, French Power futures, Belgian ZTP Natural Gas futures and Dubai 1st Line futures.

The Company also tracks and reports on the gross notional volume cleared as a performance measure for its OTC CDS instruments. The following table presents the gross notional volume cleared for the years ended 31 December 2019 and 2018 (dollars in billions, except for percentages):

Notional Volumes

	Total Volume 2019	Total Volume 2018	Change %
CDS indices	1,691	1,768	(4)%
CDS single names	141	149	(5)%
Total	1,832	1,917	(4)%

ICE Clear Europe Limited

Strategic Report (continued)
For the Year Ended 31 December 2019

Summary of the Company's financial results

	Year ended 31 December		Change
	2019 \$000	2018 \$000	
Clearing and other fees	1,118,078	1,088,903	3%
Interest income on margin and guaranty fund	301,763	206,587	46%
Interest expense on margin and guaranty fund	(277,827)	(185,354)	(50)%
Turnover	1,142,014	1,110,136	3%
Administrative expenses	(278,177)	(256,824)	(8)%
Operating profit	863,837	853,312	1%
Operating profit %	76%	77%	(2)%
Interest receivable	15,428	11,649	32%
Interest payable	(1,951)	(2,256)	14%
Taxation	(167,085)	(159,018)	(5)%
Profit after tax (before dividends)	710,229	703,687	1%
Profit after tax %	62%	63%	
<i>Margin deposits and guaranty funds - Cash</i>			
Initial margin	28,318,194	27,596,662	3%
Guaranty fund	4,144,454	3,267,183	27%
	32,462,648	30,863,845	
<i>Margin deposits and guaranty funds - Non cash</i>			
Initial margin	30,635,323	29,886,594	3%
Guaranty fund	475,486	653,850	(27)%
	31,110,809	30,540,444	
Cash and short term deposits and investments	716,658	495,105	45%
Net assets	925,454	694,224	33%

Turnover increased by \$31,878,000 or 3%, for the year ended 31 December 2019, from the comparable period in 2018 as the net result of lower volumes cleared and increased net clearing fees per contract. Administrative expenses increased by \$21,353,000 or 8%, for the year ended 31 December 2019, from the comparable period in 2018, primarily due to relative increases in certain intercompany charges, license fees and staff costs partially offset by net foreign exchange gains. As a result, operating profit increased by \$10,525,000, or 1%, for the year ended 31 December 2019, from the comparable period in 2018.

Dividends of \$504,000,000 were declared by the directors and paid during the year (2018: \$679,000,000).

ICE Clear Europe Limited

**Strategic Report (continued)
For the Year Ended 31 December 2019**

Stakeholder engagement

The following disclosures describe how the directors have had regard to the matters set out in section 172(1)(a) to (f) and forms the directors' statement required under section 414CZA of The Companies Act 2006.

The Board oversees, counsels and directs management in the long-term interests of the Company, its customers, shareholders and other stakeholders. It is the duty of the Board to serve as a prudent fiduciary for shareholders, to oversee the management of the Company and to promote the success of the Company. Board decisions are undertaken with regard to the success and long-term stability of the Company for the benefits of its stakeholders and the Board is regularly engaged in business strategy, risk oversight, financial reporting and corporate responsibility matters.

The tables that follow on pages 4 to 7, describe how the directors have performed their duty to promote the success of the Company as required by 172(1)(a) to (f) of The Companies Act 2006.

Stakeholder group	Form of Engagement	Key topics and impact of engagement
<p>Shareholder Intercontinental Exchange, Inc., as ultimate shareholder, and its affiliates ("ICE Group" or "ICE"). ICE serve customers by operating the exchanges, clearing houses and information services businesses they rely upon to invest, trade and manage risk across global financial and commodity markets.</p> <p>The Company is an integral part of this service offering as a provider of clearing services.</p>	<p>The Company's and ICE's directors and employees collaborate frequently on projects and expertise is shared in both directions in various ways including through directorships with affiliated companies and cross functional management meetings.</p> <p>Directors; Messrs. Sprecher and Hill have executive responsibilities elsewhere at ICE. Mr. Sprecher is the Chairman and CEO of ICE and Mr. Hill is the CFO of ICE, both attend the Company's Board meetings.</p> <p>Director; The President is a member of the ICE Group Operational Oversight Committee, or OOC, (as is the Company COO) and participates in a weekly senior management call for all ICE global heads of business.</p>	<p>Development and prioritisation of clearing services technology across all ICE clearing houses; design and build of a proposed new margining methodology (subject to regulatory approval before implementation); harmonisation of risk management methodologies; and, strategic planning in respect of the UK's withdrawal from the EU.</p> <p>The Company also engages with ICE on global best practices for enterprise risk management, treasury, operations and other key functions.</p> <p>Outcomes of this engagement included; technology releases enhancing clearing services and default management capabilities; completion of independent validation, clearing member due diligence and internal governance of the proposed new margining methodology; globally aligned counterparty credit rating system; and strategic alignment on preparations for the UK's withdrawal from the EU.</p>

**Strategic Report (continued)
For the Year Ended 31 December 2019**

Stakeholder group	Form of Engagement	Key topics and impact of engagement
<p>People Our people include colleagues directly employed by the Company, consultants and others who work throughout the Group.</p> <p>The Company's long-term success is predicated on the skills, commitment, engagement and success of our people and, in many functions, their specific expertise required in the provision of clearing services.</p>	<p>Engagement with our people includes interactive 'town halls', Executive lunches, 'lunch & learns' and quarterly staff update meetings, often delivered by members of the Board.</p> <p>Feedback is gathered across a mix of "always on feedback", employee surveys and individual employee-focused assessments. The President regularly communicates the outcome of this engagement with our people to the Board and provides feedback on various employee matters.</p> <p>In addition, functional heads present on various topics to the Board at meetings. There is also an established whistleblowing policy and procedure.</p>	<p>A global employee survey focused on culture was completed recently by ICE and the results were presented to the Board.</p> <p>Feedback from the survey has resulted in enhanced internal communications, more employee development opportunities and a remote working policy.</p>
<p>Customers The Company's customers are clearing members, clients, exchanges the Company provides clearing services to (see principal activities and review of the business section) and the financial markets supported by the Company's clearing services. The exchanges that the Company currently provides clearing services for are affiliated ICE Group exchanges.</p> <p>By delivering a clearing service that drives operational and capital efficiency with strong governance, proven risk frameworks and capital base, the Company, as a clearing house, brings transparency, discipline and security to financial markets.</p>	<p>Regular customer meetings (e.g. a monthly Technology and Operations call), and bilateral meetings at senior management and operational level.</p> <p>Clearing member, client and exchange representation, where appropriate, on the Company's Client Risk Committee ('CRC') and Product Risk Committees ('PRC') (see our Corporate Governance Arrangements on page 18 onwards).</p> <p>Clearing members are required to participate in default drills run periodically by the Company to ensure familiarity with and preparedness for a live default event. Clients may also participate in order to test porting of positions between clearing members.</p> <p>Collaboration by senior management with, and Company membership of, various industry organisations to help further engage and understand multiple perspectives from a variety of clients and other stakeholders.</p>	<p>Continuous dialogue with clearing members, clients and exchanges on Brexit and changing regulatory landscape with a focus of discussion on contingency plans with clearing members domiciled within the EU27 countries.</p> <p>Comprehensive review and feedback by clearing members of a proposed new margining methodology. Permitted cover updates; technology changes and default management procedure updates.</p> <p>Results and feedback by clearing members from default drills, where appropriate, may result in changes to the Company's policies and procedures.</p> <p>Key topics for our exchange customers were strategic planning around Brexit and the exchanges' contributions to the Company's Guaranty fund. The outcomes of these topics were strategic alignment on Brexit preparations and additional contributions to the Guaranty fund (see note 13 for details).</p>

Strategic Report (continued)
For the Year Ended 31 December 2019

Stakeholder group	Form of Engagement	Key topics and impact of engagement
<p>Suppliers To support operations, ICE provides various services to the Company including those critical to the clearing and settlement of contracts. The Company uses technology owned and developed by ICE, and related services, to provide its clearing services.</p> <p>The Company also has a wide range of other suppliers and service providers which provide the Company with the goods and services relied upon for operations, ranging from large multinational companies to smaller-scale local service providers.</p>	<p>Management and the Board utilise the mechanisms discussed in the Shareholder section, on page 4, to engage effectively with suppliers of services from the ICE Group. In addition, the Company has an outsourcing policy which governs its relationships with both internal and external outsourced service providers.</p> <p>The Company performs thorough due diligence regarding its non-ICE Group suppliers both during on-boarding and on a recurring basis.</p> <p>Management periodically hosts a discussion forum for certain service providers who provide financial services to the Company and routinely visit their places of business to discuss service levels.</p> <p>We expect all our customers to be compliant with the Modern Slavery Act and we work closely with our suppliers to build on our knowledge and promote best practice.</p>	<p>Key topics of engagement in relation to the ICE Group suppliers included clearing technology development and a new margining methodology. See the Shareholder section on page 4 for more detail.</p> <p>In general any changes to services and development initiatives are worked on concurrently between the Company and its service providers.</p> <p>The Board receives updates on the duty to report on prompt payment, practices and performance. The most recently published payment practices report showed the average time to pay an invoice was 32 days. The Company continues to engage with suppliers to improve workflow and refine payment practices.</p> <p>The Board approves the ICEU Modern Slavery statement on an annual basis.</p>
<p>Regulators and Policy Makers The Company's regulators are listed in the 'Principal activities' section of this report on page 1 .</p> <p>Effective engagement with the Company's regulators and policy makers is fundamental to the business which requires various regulatory permissions to operate a clearing house.</p>	<p>The Company is subject to ongoing examination and inspection by its regulators. Members of the Board and senior management meet with the Company's regulators on various topics and frequencies on an ongoing basis.</p> <p>Routine reports on a broad range of data including any significant changes to the risk profiles of clearing members are provided to our Regulators. Further, the Company shares knowledge and expertise with regulators, legislators and industry organisations to contribute to the development of policy initiatives.</p> <p>Regulatory oversight and input extend to the Company's financial resources, participant and product eligibility, risk management, settlement procedures, treatment of funds, default rules and procedures, rule enforcement and system safeguards.</p>	<p>The Board agenda has been strongly focused on regulatory issues this year including those stemming from Brexit such as European third country equivalence as a central counterparty.</p> <p>During the year discussions with regulators enabled the implementation of changes to existing risk models and the development of the proposed new margining methodology and stress testing scenarios.</p> <p>Other key topics included: review of membership criteria; changes in default management procedures; and expanded energy contract clearing.</p> <p>The ongoing discussions with regulators regarding equivalence contributed to the Company's chosen approach to Brexit.</p>

Strategic Report (continued)
For the Year Ended 31 December 2019

Stakeholder group	Form of Engagement	Key topics and impact of engagement
<p>Regulators and Policy Makers (continued)</p>	<p>Information provided by management at Board meetings is available to the Company's principal regulators including regulatory compliance reporting produced on a regular basis.</p>	<p>Maintaining good relationships with our regulators and ensuring compliance with applicable legal and regulatory obligations helps to contribute towards maintaining high standards of business conduct.</p>
<p>Community and society The global financial market community and wider society including the environment are stakeholders impacted by the actions and continued success of the Company.</p> <p>As a global systemically important clearing house, the Company's business and success or failure impacts the community in which it operates and the wider society.</p>	<p>The Company engages in consultation and advisory activities with governments, regulators and policy makers on matters such as Brexit and clearing house recovery and resolution.</p> <p>Staff Members and occasionally Directors, present at industry conferences, e.g. Eurofi, FIA and Institutional Investors.</p> <p>The global markets operated by the ICE Group and supported by the Company provide transparent, market based pricing to help companies make better decisions when allocating resources and investing in more sustainable technologies and innovative solutions. ICE is a global leader in emissions and renewable energy markets that are cleared by the Company aiding businesses in meeting government-mandated emissions reduction targets and other regulations.</p> <p>We assess the impacts of our suppliers' products and services, and engage with them whenever possible to limit environmental impacts.</p> <p>We believe that it's important to create opportunities for ICE and its employees to make a difference by helping others in our communities. We pursue that goal through financial support and volunteering both our time and talents using several channels, including: an employee matching program, ICE NYSE Foundation, corporate sponsorships and community investments.</p>	<p>Key topics of engagement included regulatory developments, e.g. third country equivalence, Brexit and clearing house recovery and resolution.</p> <p>The Company clears futures and options contracts for EU allowances, EU aviation allowances, and Certified Emissions Reductions under the EU Emissions Trading System as well as US emissions contracts.</p> <p>The Company operates a certified environmental management system to ensure that we meet and, wherever possible, exceed compliance obligations such as legal and regulatory requirements, industry standards and other voluntary commitments related to our environmental aspects.</p> <p>ICE's energy management program is heavily focused on its data centres; the Company's UK data centre electricity supply is 100% from renewable energy sources.</p> <p>The ICE Group's Modern Slavery Statement and GDPR Statements have been published on the ICE website and these statements apply to the Company.</p>

Strategic Report (continued)
For the Year Ended 31 December 2019

Principal decisions

The Company defines principal decisions as those made during the year that are material and significant to any key stakeholder groups as defined in the Stakeholder engagement section of the Strategic Report. In making the following principal decisions the Board considered the outcome from its stakeholder engagement as well as the need to maintain a reputation for high standards of business conduct.

Decision	Impact	Stakeholder considerations
<p>Risk management</p> <p>The Company continues to develop and improve its technology and risk management systems.</p> <p>During the year the Company approved a proposed new margining methodology which, subject to all regulatory approvals, will replace the existing initial margin model for interest rate contracts under the Futures and Options ('F&O') clearing service.</p>	<p>Draft updates to the F&O Risk policy have been prepared to reflect changes relating to the proposed new margining methodology. The relevant filings for regulatory permissions have been prepared and are pending submission.</p> <p>The implementation of the proposed new margining methodology will be a significant step forward in the Company's risk management capabilities for the F&O Clearing Service which currently uses a parameterised model originally designed in the late 1980s. The introduction of the proposed new margining methodology will deliver several important enhancements to the margin methodology through capital efficiency, increased responsiveness to changing market conditions and stability by mitigating step changes in market. It will also enhance simplicity of model acceptance, increased transparency to customers and is more easily maintained by the Risk Department.</p>	<p>Following the initial design and build of the proposed new margining methodology, the Company completed a number of governance steps including: (i) independent validations; (ii) a period of clearing member due diligence; (iii) a series of workshops for the Board and certain other committees; (iv) review by senior management through various committees; (v) creation of a detailed operational risk self-assessment; (vi) review and recommendation for approval by the Board, Client Risk Committee and Board Risk Committee; (vii) approval by the Board; (viii) review by internal audit and; (viii) review and discussion with our regulators.</p>

Strategic Report (continued)
For the Year Ended 31 December 2019

Decision	Impact	Stakeholder considerations
<p>Regulatory capital requirements The Board reviewed and approved the annual regulatory capital requirements and the amount of capital and financial resources allocated to meet these requirements (see note 14 for amounts).</p>	<p>Holding sufficient capital to safeguard against risk and meet ongoing regulatory requirements is necessary for the immediate and long-term sustainability and success of the Company and underpins the business model. The Company believes the regulatory capital requirements to which it is subject are expansive and comprehensive and compliance with these regulatory capital standards to adequately protect against risk is of the highest priority for the Board.</p> <p>The Board has established a risk appetite in respect of the minimum capital and financial resources it is acceptable for the Company to hold. Capital held by the Company includes, at all times, an additional amount estimated to cover daily risks faced by the Company that cannot be reasonably quantified or forecast but which may impact the capital held to meet the capital requirements.</p>	<p>Restricting and safeguarding appropriate amounts of capital is a fundamental consideration for all of the Company's stakeholders. The Company seeks to ensure it has adequate levels of capital to protect against the risk of disruption to the provision of clearing services to customers or to be able to wind down or restructure following a stress event.</p> <p>The Company's approach to ensuring (i) capital held has sufficient headroom to cover reasonable uncertain events and (ii) that it is robustly managed, contributes to overall market stability.</p>
<p>Dividends The Board reviewed and approved a total of \$504 million in dividend distributions which were paid during the year, see note 20.</p>	<p>During determination of the dividend distributions the Board duly considered the Company's ongoing operational, capital, regulatory and legal requirements and incorporated adequate contingency for reasonable foreseeable future events. No alternative use of capital was identified as having been foregone in favour of the dividends paid as all financial resources and capital required for other principal decisions made had been provided for.</p>	<p>The Board considered the dividends to be in the best interests of the Company having carefully considered the impact to all of its stakeholders based on the information provided by senior management at the time of each dividend.</p> <p>No single or combined stakeholder groups were left disadvantaged or lacking resources otherwise needed following the dividend declarations.</p>
<p>Board appointments In June 2019 Mr. Bainbridge was appointed to the Board and as Chair of the Audit Committee.</p>	<p>Mr. Bainbridge brings extensive experience distinct from other Board directors across audit and financial reporting with the related skills serving the needs of the Company and its stakeholders. For details on the Company's nomination procedure refer to the corporate governance section within Directors' Report.</p>	<p>The appointment of a Director is subject to a rigorous procedure performed by the nominations and compensation committee of the Company, where appropriate in consultation with ICE Group. This procedure includes interviews with various members of management, Board members and regulators.</p>

Strategic Report (continued)
For the Year Ended 31 December 2019

Decision	Impact	Stakeholder considerations
<p>Brexit The Company decided not to migrate any of its services to a European location. The Board instructed senior management to work to ensure that the Company obtains all necessary regulatory permissions or equivalence decisions that ensure the continuation of clearing services to EU27 clearing members and EU27 exchanges, without interruption, in the event of a hard or no-deal Brexit until at least March 2020.</p>	<p>The Company has secured a temporary equivalence decision from the European Commission and ESMA which ensures that it can continue to provide clearing services into the EU until the end of January 2021 in the event of a hard or no-deal Brexit. Discussions are ongoing with key decision-makers including regulators in relation to what would happen at the end of the transition period in 31 December 2020. If there is no extension of the current equivalence determination or there is no grand-fathering of UK clearing houses into the new EMIR 2.2 regime for supervision of clearing houses in the EU, the Company would need to consider issuing termination notices to all of its EU27 clearing members and exchanges as it would be unlawful for the Company to continue to offer clearing services into the EU27 in the absence of recognition. This would impact the revenues of the Company.</p>	<p>The Company conducted scenario planning and impact assessments covering continuity of service, and the options for potential mitigating actions in respect of negative outcomes and consequential impacts to stakeholders. The potential effect on the Company's international customers and partners were considered, in particular.</p>
<p>ICE Futures Abu Dhabi The Board approved the provision of clearing and settlement services by the Company to a new exchange, ICE Futures Abu Dhabi ("IFAD").</p> <p>IFAD is a new derivatives Exchange based in Abu Dhabi Global Markets (ADGM), in the United Arab Emirates. IFAD go live is subject to regulatory approval.</p>	<p>Products listed on IFAD will be cleared exclusively at ICE Clear Europe and a new physically-delivered oil contract will be the first product launched.</p> <p>A crude oil contract based on production in Abu Dhabi has the key strengths and attributes to become a global benchmark in the long term. The oil contract will be cleared by the Company alongside ICE Brent, ICE WTI, ICE (Platts) Dubai and ICE Low Sulphur Gasoil benefitting from associated margin offsets, reducing costs and delivering meaningful capital efficiencies.</p>	<p>The Company has conducted a detailed review of the impact of providing clearing services to IFAD and the physically-delivered product. This review highlighted a number of legal, operational, regulatory and risk matters which have been assessed in detail and, where relevant, discussed with the appropriate stakeholders.</p>

ICE Clear Europe Limited

Strategic Report (continued) For the Year Ended 31 December 2019

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks:

1. Global economic, political and financial market events or conditions may negatively impact the Company.
2. The Company's business and the business of many of the Company's clients has been and continues to be subject to increased legislation and regulatory scrutiny. The Company's compliance and risk management methods, as well as its fulfilment of regulatory obligations, might not be effective, which could lead to enforcement actions by the Company's regulators.
3. The Company's business is subject to the impact of financial markets volatility, including the prices and interest rates of the underlying derivative products cleared, due to conditions that are beyond the Company's control.
4. As a clearing house, the Company is exposed to risks, including risks related to defaults by clearing members, risks related to investing clearing member margin and guaranty funds (including the Company's contribution) and risks relating to the cost of operating the clearing house.
5. A decline in the value of securities held as margin or guaranty fund contributions or default by a sovereign government issuer could pose additional risks of default by clearing members.
6. The Company faces intense competition. If the Company is unable to keep up with rapid changes in technology and client preferences, it may not be able to compete effectively. The Company may not be successful in offering new products or technologies or in identifying opportunities and damage to the Company's reputation could be incurred.
7. The Company's systems and those of its third-party service providers may be vulnerable to cyber-attacks, hacking and other cyber security risks, especially in light of the Company's role in the global financial marketplace, which could result in wrongful manipulation, disclosure, or use of our information or that of a third party, or which could make the Company's members unable or reluctant to use its clearing services.
8. The Company relies on intercompany and third party service providers and other suppliers for a number of services that are important to the business. An interruption or cessation of an important service, data or content supplied by any party, or the loss of an exclusive license, could have a material adverse effect on the business.
9. The Company's success largely depends on key personnel, including senior management. Because competition for the Company's key employees is intense, it may not be able to attract, retain and develop the highly skilled employees needed to support the business. The loss of senior management or other key personnel could harm the business.

The directors believe the following to be key risks:

Regulation

The non-discriminatory access provisions of MiFID II would require European CCPs and exchanges to offer access to third parties on commercially reasonable terms. In addition, MiFID II could require European CCPs and exchanges to allow participants to clear and/or trade at other venues, which may encourage competing venues to offer lookalike products. In June 2016, the EU approved a twelve-month postponement of implementation and compliance with this provision of MiFID II to January 3, 2018. On January 3, 2018, ICE Clear Europe and ICE Futures Europe received a deferral from the BOE and the FCA, respectively, which delays the non-discriminatory access provision of MiFID II until 3 July 2020.

The implementation of capital charges in Basel III, particularly, the Supplemental Leverage Ratio with respect to certain clearing members of central counterparties, may impose burdensome capital requirements on clearing members and customers that may disincentivise clearing. In June 2019, the Basel Committee on Banking Supervision revised its treatment of the leverage ratio capital requirement for derivatives that a bank centrally clears on behalf of its clients. The revised treatment will permit both cash and non-cash forms of initial margin and variation margin received from a client to offset the replacement cost and potential future exposure for client cleared derivatives only. The revision will apply to the version of the leverage ratio standard that will serve as the

ICE Clear Europe Limited

Strategic Report (continued) For the Year Ended 31 December 2019

Pillar 1 minimum capital requirement as of January 2022.

EU policy makers are developing a framework for prudential requirements for European investment firms. The proposed rules risk imposing disproportionate capital requirements on European investment firms acting as market makers. European investment firms may be discouraged from acting as market makers on certain markets due to the increased capital requirements. The adoption and implementation of position limit rules in the U.S. and the EU could have an impact on commodity volumes if comparable trading venues in foreign jurisdictions are not subject to equivalent rules.

Brexit

In March 2017, the U.K. officially triggered Article 50 of the Treaty of Rome and, in doing so, notified its intention of leaving the EU in line with outcome of the U.K.'s June 2016 "Brexit" referendum. The triggering of Article 50 began the process of withdrawal from the EU. In November 2018, the U.K. and the other 27 countries of the EU, agreed upon the terms of a withdrawal agreement that set out the terms of the U.K.'s withdrawal from the EU and includes a transition period until 31 December 2020. During the transition period, the U.K. agreed to apply EU law. Following the U.K. General Election held on 12 December 2019 which returned a Conservative majority government, the European Union (Withdrawal Agreement) Bill was passed by both Houses of Parliament, receiving Royal Assent on 23 January 2020. Prime Minister Boris Johnson signed the Withdrawal Agreement on the following day, completing the U.K.'s ratification process. This was followed by ratification by the European Parliament and the European Council on 29 January and 30 January 2020 respectively.

The U.K. left the EU at 11.00 pm GMT on 31 January 2020 on the basis of the Withdrawal Agreement and the associated Political Declaration.

The Political Declaration sets out a framework for agreeing the future relationship between the U.K. and the EU and covers areas including economic partnership (e.g. trade in goods, services and investment, and fishing opportunities), security partnership (e.g. law enforcement and judicial cooperation, security and defence), institutional and other arrangements (e.g. governance arrangements and dispute settlement) and the forward process (e.g. ground rules for the negotiation process). The Political Declaration also explains that the U.K. and the EU will seek to conclude equivalence assessments of each other's financial services frameworks by the end of June 2020. It goes on to state that the parties intend to reach agreement on the future relationship by the end of 2020.

However, the 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 of the future relationship. 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 Company. Separately, 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 the Company to continue to provide clearing services to EU27 Clearing Members and regulated markets, including ICE Endex. In this situation, the Company may need to consider issuing termination notices to all EU27 Clearing Members and ICE Endex.

Additionally, following Brexit, ICE Futures Europe and ICE Endex will continue to be able to permit access by persons in the EU and the U.K., respectively, to trading on their platforms, even in the absence of a transition agreement. The impact to the Company and corresponding regulatory changes remains uncertain at this time. The impact to the business as a result of these discussions is being monitored and the Company is pursuing avenues to facilitate continued access for EU customers and provision of clearing services to ICE Endex.

An overview of risk exposures and risk management

The Company's Board is actively involved in overseeing the Company's performance against its objectives as part of standard governance processes. The Chairman keeps the performance of the Company's Directors under review and an annual self-assessment coordinated by the Company Secretarial Department is undertaken by the Board.

**Strategic Report (continued)
For the Year Ended 31 December 2019**

The Board, the Board advisory committees and the Executive Risk Committee receive regular reports on the Company's risk profile and assess the Company's performance by reviewing risk reporting, operational risk reports, financial statements and compliance reports on a periodic basis. Risk reporting includes emerging risks, the status of the risk indicators and residual risk levels.

The risks that the Company is exposed to are similar to those faced by other financial market institutions. The Company's risk taxonomy provides a categorisation and terminology for certain risks that the Company is considered to have the greatest exposure to and breaks these down into subsequent categories. The Board has set the following high-level objectives expressing the level of risk the Company is prepared to incur or be exposed to:

Business Risk:

Maintain a commercially viable and financially sustainable business.

Financial Risk:

Provide sufficient protections to ensure the ongoing viability of the clearing house by mitigating the impact of clearing member defaults and adopting a conservative approach to minimise risks from investment activity.

Operational Risk:

Minimise operational risks to avoid disruption of clearing services, maintain a best-in-class customer service and reduce the probability and severity of unexpected losses.

Legal & Regulatory Risk:

Fulfil all relevant legal and regulatory requirements to maintain the Company's licenses to operate.

The Company aims to identify and mitigate its risks through robust risk management and risk governance frameworks. These frameworks are designed to promote safety and efficiency and support the stability of the broader financial system, other relevant public interest considerations and the objectives of relevant stakeholders. Overall, they aim to ensure that the effects of potential default losses and non-default losses are identified and evaluated based on extreme but plausible stress scenarios. The risk management framework comprises, inter alia, risk management policies and procedures, operational policies and procedures (for example membership, finance, treasury, operations etc.), and Rules and Procedures which seek to ensure that clearing members properly manage and contain the risks they pose.

The Company assesses the impact of default losses incurred due to clearing member default. In the event of a clearing member default, the Company's primary objective is to maintain an uninterrupted and orderly clearing service in order to minimise effects upon non-defaulting clearing members. It does so by transferring, closing out or porting positions and by limiting liabilities or losses. By doing so, this protects the stability of the markets. The Company has extensive powers under its Rules, supported by legislation, that allow it to achieve this objective. This includes defining what would constitute an Event of Default. The Rules provide the Company with the power to promptly close out or manage the positions of a defaulting clearing member (including transferring positions, collateral and assets to another clearing member) and to apply the defaulting clearing member's collateral or other resources. The Rules also permit the Company to liquidate positions and margin of customers of the defaulting clearing member, and empower the Company to draw promptly on these Financial Resources to the extent permitted by the Rules and applicable law. The Company anticipates liquidity and contagion risks.

The risk of non-default losses incurred due to business and/or operational risk events arising is assessed as well as macroeconomic events such as a worldwide financial crisis or collapse of the Euro. In the circumstances of a non-default loss, the Company will assess the cause of the loss and any implications on the Company being able to continue to satisfy its obligations as they fall due. The Company has certain rights to mutualise certain non-default losses under its Rules and the Company will determine whether and on what basis fresh capital would be provided.

In the event that attempts to recover from losses that exceed the Company's pre-funded resources fail, the Company's wind down plan may be invoked, following consultation with regulators and clearing members.

Financial Resources

The Company requires all clearing members to deliver cash or certain assets by way of pledge or title transfer as margin and guaranty fund contributions. Assets other than cash may include government obligations, non-government obligations or gold, to guarantee performance on the clearing members' open positions. The Company may make intraday margin calls in circumstances where market conditions require additional protection. The daily profits and losses from and to the Company in respect of marked-to-market open contracts are known as 'variation margin'. The Company marks-to-market all outstanding contracts, 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 jeopardise the ability of the Company to ensure the financial performance of clearing members' open positions.

The Company requires that each clearing member contributes to pre-funded funds known as the 'Guaranty Funds'. The Guaranty Funds are used in the event that margin cover of a defaulted clearing member is insufficient to fully cover default losses.

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 guaranty as a performance guaranty. The Company performs calculations to determine the fair value of its counterparty performance guaranty, taking into consideration factors such as daily settlement of contracts, margin 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.

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 high quality sovereign debt, the Company has entered into Committed Repurchase Agreement Facilities, or Committed Repos. As of 31 December 2019 the Company had \$1.0 billion in Committed Repos (2018: \$1.2 billion) available. The Committed Repos are available in U.S. dollars, Euro and Pound Sterling. The Committed Repo arrangements provide the Company with an additional liquidity tool that may be utilised in the event that there is a need to convert high quality sovereign debt into cash on a same-day basis during a market disruption that makes it difficult to sell and settle such sovereign debt on a same-day basis.

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

Risk related to cash and collateral balances and payment flows

Counterparty credit risk

The Company acts as principal in relation to the cash and non-cash collateral transferred to it by clearing members to meet their requirements in respect of initial margin and the guaranty funds. It employs well capitalised banks as agents to invest the cash and safeguard the non-cash collateral. The placements of cash are made in accordance with specific criteria included in the Company's investment policy, including minimum credit-rating standards for counterparties, concentration limits for individual counterparties, certain investment maturity levels, types of investment instruments permitted, and a minimum level of investments in secured reverse repurchase agreements.

ICE Clear Europe Limited

Strategic Report (continued) For the Year Ended 31 December 2019

Market risk

Market risk arises from adverse movements in foreign currency exchange rates, interest rates, equity shares and other securities prices, and commodity and energy prices. Those risks are managed by the Company on the basis of agreed limits which are kept under continuous review. Compliance is monitored through management reporting and the audit process.

1. 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. The Company reviews its foreign currency risk policies and processes from time to time.

2. 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.

3. Investment risk

Investment risk is the risk that invested cash reduces in value upon maturity, leaving the Company unable to fulfil its payment obligations. This risk is mitigated through the application of a strict investment policy which sets guidelines for the quality of permitted investments. The Company limits its exposure by rigorously selecting the counterparties with which investments are made and agreements executed. The Company's investment objective is to invest in securities that preserve principal while maximising yields, without significantly increasing risk. An ongoing review is performed to evaluate changes in the status of counterparties. In addition to the intrinsic creditworthiness of counterparties, the Company's policies require diversification of counterparties, including different banks, financial institutions and sovereign obligations, so as to avoid a concentration of risk.

Liquidity risk

Liquidity risk is the risk that the Company is unable to fully or promptly meet payment obligations and potential payment obligations as and when they fall due. This is particularly relevant in the cases where the Company cannot meet its obligations to pay margin or physical settlement monies (for applicable physical delivery contracts) due to clearing members.

The Company's primary investment policy objective is to provide sufficient liquidity to meet all operational requirements and this is met by imposing strict maturity limits on its investments. These limits are kept under review by the Board and the treasury team ensures that the Company can meet its financing needs at all times. A liquidity risk management framework is maintained and the Company executes liquidity stress tests on a daily basis, assessing the usage of its liquidity resources under extreme but plausible stress scenarios.

The Company also has access to additional financial resources for short-term liquidity needs to ensure the continuity of business operations.

Concentration risk

Concentration risk arises from the Company investing its cash with a small number of counterparties thereby exposing it to the greater risk of loss should one of them fail. The Company manages this by including strict concentration guidelines in its investment policy to ensure investments are made across a large number of counterparties.

ICE Clear Europe Limited

**Strategic Report (continued)
For the Year Ended 31 December 2019**

This report was approved by the board on 25 February 2020 and signed on its behalf.



S. Hill
Director

ICE Clear Europe Limited

Directors' Report For the Year Ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results

The profit for the year, after taxation, amounted to \$710,229,000 (2018: \$703,687,000).

Dividends of \$504,000,000 were declared by the directors and paid during the year (2018: \$679,000,000).

Directors

The directors who served during the year and up to the date of accounts approval were:

J. Sprecher
S. Hill
P. Nicholls (resigned 31 July 2019)
R. Tanemura (resigned 3 April 2019)
J. Repard
R. Barton
L. Johansen
A. Mack
A. Cairns
F. Hutcheson (resigned 13 February 2020)
G. Bainbridge (appointed 25 June 2019)

H. Serafini was appointed interim President of the Company on 14 February 2020.

Information on how the directors have discharged their duties under s. 172 of the Companies Act 2006 is available in the Company's Strategic Report.

ICE Clear Europe Limited

Directors' Report (continued) For the Year Ended 31 December 2019

Corporate Governance Arrangements

Corporate Governance Statement

The Company is a private company, whose primary regulator is the Bank of England, therefore the Company must comply with the Bank of England's standards when it comes to corporate governance. Due to the heavily regulated nature of the Company and its business, ICEU does not align itself to a single governance code, rather it adopts corporate governance arrangements which are based on the requirements of the Committee on Payments and Market Infrastructures ('CPMI') and the International Organization of Securities Commissions ('IOSCO') Principles for Financial Market Infrastructures ('PFMIs'). In particular, it has been articulated in regulation such as the European Market Infrastructure Regulation and applicable requirements of the Company's US regulators; the Commodities and Futures Trading Commission and the US Securities Exchange Commission that the Company is obliged to adhere to the PFMIs.

These principles are part of a set of standards that the international community considers essential to strengthening and preserving financial stability and are developed specifically for central counterparties and are therefore considered by the Board to be appropriate for the Company. The PFMIs cover a broad range of matters including detailed corporate governance arrangements and risk management processes. On an annual basis the Company is required, by its primary regulatory, the Bank of England, to conduct a self-assessment of its performance against the PFMIs and the results of which are published on the Company's website.

In addition, the Company also takes into account other legislation, codes and guidance in relation to corporate governance, including:

- UK Corporate Governance Code
- The Wates Corporate Governance Principles for Large Private Companies
- Financial Reporting Council Guidance on Board Effectiveness and Audit Committees
- Prudential Regulation Authority - Corporate Governance: Board Responsibilities

The s172 statement in the Strategic Report gives information on the Company's main stakeholders.

A) Board composition, leadership and director responsibilities

Directors

The Directors are responsible for overseeing the business of the Company and, subject to the Articles of Association and the Companies Act, may exercise all the power of the Company, regulate and decide on all matters concerning the Company as are not otherwise provided for under regulation or within the Articles of Association. Directors who served during the year and up to the date of approval of the financial statements are listed in this report. Directors are appointed by the Board, following recommendation by the Nominations & Compensation Committee and at least one Director must be classed as a CDS Director, who is a Director nominated by the CDS Product Risk Committee.

When assessing new Directors, the Nominations & Compensation Committee consider a range of factors such as skills, experience, knowledge and diversity.

Under the Articles of Association, independent directors only become eligible for retirement if they have served at least three consecutive years, and can subsequently be reappointed for two further three-year terms (i.e. up to nine years in total), unless the Company passes an ordinary resolution to extend their appointment further. A written resolution signed by the sole shareholder of the Company will be effective as if an ordinary resolution were passed at a general meeting of the Company for this purpose. CDS Directors retire and may offer themselves for reappointment on an annual basis. There are no restrictions to the number of terms a CDS Director may serve.

ICE Clear Europe Limited

Directors' Report (continued) For the Year Ended 31 December 2019

Board

Composition

In accordance with the Company's Articles of Association, there must be at least six and no more than twelve Directors.

EMIR requires the members of the Company's board ('the Board') to be constituted of at least one third independent directors of which the Company is to have no less than two, and no more than four (excluding the Chair and any CDS Director).

The Board is currently comprised of eight Directors of which two have executive roles within the Company or the Group, five non-CDS Directors and one CDS Director, one of which is appointed as the Senior Independent Director ('SID'), currently Mr. Mack. Messrs. Sprecher and Hill both have executive responsibilities within ICE Group.

Individuals are selected as Directors based on their skills and prior experience and are reviewed and recommended for appointment by the Nominations & Compensation Committee prior to approval by the Board. The Nominations & Compensation Committee considers a wide range of factors ensuring the Board is comprised of Directors with diverse backgrounds as well as appropriate skills and experience in financial services, risk management and clearing services to enable the Board to meet the ongoing needs of the Company.

Accountability

The Board is accountable through the Companies Act 2006, Articles of Association and the requirements of the ICEU regulators. In addition, the Board has identified certain matters which cannot be delegated and these are set out within the Board's Terms of Reference / Matters Reserved.

Each year the Board completes an evaluation of its performance, the performance of its committees and individual directors' contribution.

Integrity of information

It is the duty of the Company secretary to ensure that Directors receive reliable information to enable them to monitor and challenge the performance of the Company and make informed decisions and also to oversee the systems that ensure that good quality information flows within the Board and its committees and between senior management and Non-Executive Directors.

Tone at the top and organisational culture

The Board and management team set the cultural tone from the top and hold all colleagues accountable for operating ethically and in compliance with law, financial regulations and other standards that apply. Colleagues are provided with the relevant tools, resources and training to aid success and to recognise ethical decision-making; highly capable and engaged teams are of critical importance. The Company is an equal opportunity employer and all qualified applicants will receive consideration without regard to race, colour, religion, gender, sexual orientation, gender identity, national origin or ancestry, age, disability status, or other protected status.

The Group's core competencies are an important part of the strong culture of compliance and trust. The core competencies are: Collaboration, Problem Solving, Communication, Integrity & Professionalism and Leadership.

Audit Committee

The Audit Committee is a committee of the Board, responsible for providing oversight and assurance to the Board in relation to annual financial statements and financial reporting, legal, compliance, whistleblowing and financial crime, internal audit and external audit. The Audit Committee is comprised of entirely independent directors and meets five times per annum and ad hoc as necessary.

ICE Clear Europe Limited

Directors' Report (continued) For the Year Ended 31 December 2019

Client Risk Committee

As required under Article 28 of EMIR, the Company has established an advisory Board level risk committee; the Client Risk Committee ('CRC'). The CRC is responsible for providing advice to the Board to enable it to ensure that the Company maintains and implements appropriate risk management policies, processes and controls in line with regulatory requirements. The CRC is comprised of three independent director four Clearing Member Representatives and four Client Representatives and meets five times per annum and ad hoc as necessary.

Board Risk Committee

The Board Risk Committee (BRC) is a committee of the Board, responsible for providing oversight and assurance to the Board in relation to risk policies, risk appetite and risk profile, internal controls and risk control framework, liquidity, technology operations, technology governance, cyber risk and business continuity planning, and the Risk Oversight Department and Chief Risk Officer ('CRO'). The BRC is comprised entirely of independent directors and meets five times per annum and ad hoc as necessary. Information on the Company's principal risks and risk management is provided in the Strategic Report.

Nominations & Compensation Committee

The Nominations & Compensation Committee is a committee of the Board and is responsible for providing oversight to the Board in relation to the statutory, regulatory and corporate governance requirements regarding composition of the Board and its committees, succession planning for both Board and senior management, appointments and/or re-appointments to the Board and compensation matters, including; the putting in place, review and application of the Compensation Policy as per the requirements of EMIR (which is available on the Company's website).

The principles of the Compensation Policy are to promote sound and effective risk management and not create incentives to relax risk standards. Staff engaged in the Risk Oversight Department; compliance; and internal audit are compensated in a manner that is independent of the business performance.

The Nominations & Compensation Committee is chaired by the Board Chair and comprised of four independent directors and a Non-Executive Director. It meets three times per annum and ad hoc as necessary.

Product Risk Committees

As well as the Board level risk committees, the Company has established two advisory Product Risk Committees ('PRCs') which service the CDS and F&O sides of the business, both of which are constituted under the President's authority.

The CDS PRC is comprised of appointees nominated by CDS Clearing Members, independent directors and representatives of the Company. The CDS PRC Chair is an independent director of the Company. The CDS PRC's responsibilities are limited to the clearing of CDS contracts, and the criteria for CDS clearing membership and is, on behalf of the CDS clearing membership as a whole, to ensure the Company maintains and implements agreed procedures, processes and controls which are designed to protect the integrity of the CDS Guaranty Fund and to ensure that the Company can successfully handle the default of a CDS Clearing Member. The CDS PRC is also responsible for advising on the continued adequacy of the key policies and controls designed to manage counterparty risk and to cover market risk for CDS contracts, and reviewing the clearing of new CDS contracts.

The F&O PRC is comprised of appointees nominated by F&O Clearing Members and appointees from representatives of the exchanges to which the Company provides clearing services. The F&O PRC Chair is an independent director of the Company. The F&O PRC's responsibilities are limited to the clearing of F&O contracts, and the criteria for F&O clearing membership and, on behalf of the F&O Clearing Membership as a whole, to ensure that the Company maintains and implements agreed procedures, processes and controls designed to protect the integrity of the F&O Guaranty Fund and to ensure that the Company can successfully handle the insolvency of an F&O Clearing Member. The F&O PRC is responsible for advising on the continued adequacy of the key policies and controls designed to manage counterparty risk and to cover market risk, and reviewing the clearing of new F&O products.

**Directors' Report (continued)
For the Year Ended 31 December 2019**

Executive responsibilities

The executive responsibility for the day-to-day management and operations rests with the President. The President delegates responsibilities to the senior management team in accordance with the relevant individual's roles and accountability. There are three Executive level committees; the Executive Risk Committee ('ERC'), the Model Oversight Committee ('MOC') and the Business Conduct Committee ('BCC').

Executive Risk Committee

The ERC is a committee constituted under the President's authority. The members of the ERC are senior management from across the business. The role of the ERC is to consider and review key aspects of risk management and to assist the CRO in ensuring all risks are captured and appropriately managed. Where appropriate, the ERC makes recommendations to the Board or other committees within the Company.

Model Oversight Committee

The MOC is a committee constituted under the President's authority. The members of the MOC are senior management from across relevant areas of the business. The MOC considers and reviews key aspects of model risk management, in accordance with the Model Risk Governance Framework, assisting the CRO to ensure all model-related risks across the Company are captured and properly managed. Where appropriate, the MOC makes recommendations to the Board or other committees within the Company.

Business Conduct Committee

The BCC is a committee constituted under the President's authority. The members of the BCC are senior management from across relevant areas of the business and also includes independent representation from an affiliated exchange. The BCC is responsible for matters relating to investigations and disciplinary action regarding breaches or alleged breaches of the Clearing Rules by a Clearing Member. Where appropriate, the BCC will make recommendations to the President, Board or other committee within the Company.

The operation of the Board and Executive level committees (including advisory committees) is governed by Terms of Reference which are discussed and supported by each committee and, for the Board level committees, approved by the Board. These documents are reviewed annually in connection with scope of committee, best practice, regulatory requirements and corporate governance guidance. Executive committee's also have in place Terms of Reference, which are reviewed annually. The ultimate approval for these documents rests with the President.

B) Risk Management and Oversight

The Company's overarching approach to risk-management is designed to ensure that it is safe and sound in all market conditions. The Board assumes final responsibility and accountability for managing the Company's risks, which are administered according to its enterprise risk management framework, which is overseen by the Board Risk Committee. This framework provides a structured and disciplined approach towards identifying and managing risk inherent in core business processes and decision-making activities. In particular, the enterprise risk management framework establishes the three lines of defense model, where the appropriate roles, responsibilities, and governance incentives are defined.

The President assists the Board in establishing an appropriate risk appetite which is consistent with the Company's short and long term strategy, business and capital plans and risk capacity. The articulation of the risk appetite into the business areas is achieved through the Risk Appetite Framework, Risk Appetite Statements and Risk Appetite Metrics. The Board and senior management ensure that the Company's policies and procedures are consistent with the defined Risk Appetite Statements and Risk Appetite Metrics and that they address how the Company identifies, reports, monitors and manages risks. Each risk appetite metric is calculated on a predetermined frequency and routinely reported to the Board and its committees along with regular reports on the Company's risk exposure, emerging risks and compliance throughout the year.

The Company's core risk management policies, procedures and control systems that form part of the risk management framework are reviewed at least annually, although there are several components of the risk assessment and testing program that are undertaken more frequently, for example quarterly. In addition, risk management practices and methodologies are tested for effectiveness on a regular basis as part of the routine

**Directors' Report (continued)
For the Year Ended 31 December 2019**

daily and monthly risk reporting processes. Updates to these typically happen either as a result of the reviews or on an ad-hoc basis initiated by owners. Ad hoc changes are typically prompted by new initiatives and business activities, regulatory changes, changes in market practices or changes in the risk environment and there are several processes to ensure that reviews of the policies, procedures and control systems are triggered.

Regulatory changes are also reviewed through business review and periodic testing through the Company's Compliance Monitoring and Testing Program. Changes in the risk environment are monitored on a continuous basis and through routine daily and monthly reporting and any changes required are assessed in order to determine their significance in relation to the risk profile and risk appetite of the Company.

C) Financial Reporting Process

Management is responsible for the preparation and integrity of the financial statements and for establishing and maintaining adequate internal control over financial reporting. The financial statements are prepared in accordance with Financial Reporting Standard ('FRS') 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and, accordingly, include certain amounts based on best judgments and estimates.

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements. Internal control over financial reporting is supported by a risk management program of internal audit and appropriate reviews by management, written policies and guidelines, careful selection and training of qualified personnel and a written Global Code of Business Conduct adopted by the Board, which is applicable to all directors and employees. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and even when determined to be effective, can only provide reasonable assurance with respect to financial statement preparation and presentation.

Share Capital

For details on the share capital and ownership of the Company see notes 19 and 23 respectively. The Ordinary Shares are not redeemable and carry full voting rights and rights to dividends. All Ordinary shares shall rank pari passu on a winding up of the Company.

In relation to voting rights, a shareholder has one vote at a general meeting of the Company on a show of hands unless and where a poll is duly demanded in accordance with the Articles of Association a shareholder will have one vote per share. In relation to dividends, any dividend will be paid by reference to a shareholder's holding of shares or otherwise in accordance with the Articles of Association.

Future developments

The Company will continue to seek to improve the service it provides to its members and will clear any new products developed and launched by the execution venues it serves, together with additional CDS contracts.

The Company plans to provide clearing services to ICE Futures Abu Dhabi. ICE Futures Abu Dhabi has been formed and is a regulated exchange with operations expected to launch in 2020 subject to regulatory approval.

Qualifying third party indemnity provisions

The Company has granted an indemnity to directors against liabilities in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provisions were in place during the relevant financial year and remain in force as at the date of approving the Directors' Report.

ICE Clear Europe Limited

**Directors' Report (continued)
For the Year Ended 31 December 2019**

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 25 February 2020 and signed on its behalf.



S. Hill
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ICE CLEAR EUROPE LIMITED

Opinion

We have audited the financial statements of ICE Clear Europe Limited for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ICE CLEAR EUROPE LIMITED (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ICE CLEAR EUROPE LIMITED
(continued)**

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Ernst & Young LLP

Andrew Bates (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
27 February 2020

Notes:

1. The maintenance and integrity of the ICE Clear Europe Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

ICE Clear Europe Limited

**Statement of Comprehensive Income
For the Year Ended 31 December 2019**

	Note	2019 \$000	2018 \$000
Turnover	2	1,142,014	1,110,136
Gross profit		1,142,014	1,110,136
Administrative expenses		(278,177)	(256,824)
Operating profit	3	863,837	853,312
Interest receivable	6	15,428	11,649
Interest payable	7	(1,951)	(2,256)
Profit before tax		877,314	862,705
Tax on profit	8	(167,085)	(159,018)
Profit for the financial year		710,229	703,687
Other comprehensive income for the year		-	-
Total comprehensive income for the year		710,229	703,687

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

The notes on pages 30 to 44 form part of these financial statements.

ICE Clear Europe Limited
Registered number: 6219884

Balance Sheet
As at 31 December 2019

	Note	2019 \$000	2019 \$000	2018 \$000	2018 \$000
Current assets					
Debtors: amounts falling due after more than one year	11	7,834		7,897	
Debtors: amounts falling due within one year	11	141,914		150,711	
Member balances: cash relating to margin and guaranty fund contributions	12	32,462,648		30,863,845	
Guaranty fund: own contribution	13	233,000		206,000	
Cash at bank and in hand	14	716,658		495,105	
		<u>33,562,054</u>		<u>31,723,558</u>	
Member balances: cash relating to margin and guaranty fund contributions	12	(32,462,648)		(30,863,845)	
Creditors and other payables: amounts falling due within one year	15	(169,120)		(161,570)	
Net current assets			<u>930,286</u>		<u>698,143</u>
Total assets less current liabilities			<u>930,286</u>		<u>698,143</u>
Creditors: amounts falling due after more than one year	16		(4,832)		(3,919)
Net assets			<u>925,454</u>		<u>694,224</u>
Capital and reserves					
Called up share capital	19		243,000		216,000
Profit and loss account			682,454		478,224
			<u>925,454</u>		<u>694,224</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25 February 2020.

S. Hill
 Director

The notes on pages 30 to 44 form part of these financial statements.

ICE Clear Europe Limited

**Statement of Changes in Equity
For the Year Ended 31 December 2019**

	Called up share capital	Profit and loss account	Total equity
	\$000	\$000	\$000
At 1 January 2018	160,000	454,603	614,603
Comprehensive income for the year			
Profit for the year	-	703,687	703,687
Total comprehensive income for the year	-	703,687	703,687
Dividends: Equity capital	-	(679,000)	(679,000)
Shares issued during the year	56,000	-	56,000
Payments under share-based payment agreements	-	(10,679)	(10,679)
Effect of capital contributions relating to share-based payment agreements	-	4,217	4,217
Decrease in amounts due under share-based payments recharge agreements	-	5,396	5,396
Total transactions with owners	56,000	(680,066)	(624,066)
At 1 January 2019	216,000	478,224	694,224
Comprehensive income for the year			
Profit for the year	-	710,229	710,229
Total comprehensive income for the year	-	710,229	710,229
Dividends: Equity capital	-	(504,000)	(504,000)
Shares issued during the year	27,000	-	27,000
Payments under share-based payment agreements	-	(5,544)	(5,544)
Effect of capital contributions relating to share-based payment agreements	-	4,490	4,490
Increase in amounts due under share-based payments recharge agreements	-	(945)	(945)
Total transactions with owners	27,000	(505,999)	(478,999)
At 31 December 2019	243,000	682,454	925,454

The notes on pages 30 to 44 form part of these financial statements.

On 29 January 2019 the Company allotted 27,000,000 further Ordinary shares respectively of nominal value \$1.

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard ('FRS') 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

The following principal accounting policies have been applied:

1.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102:

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Intercontinental Exchange, Inc., as at 31 December 2019 and these financial statements may be obtained from www.theice.com.

1.3 Going concern

The Company has substantial financial resources with strong cash flows from operating activities generated primarily through transaction revenues from a broad range of futures and options contracts across a diverse set of customers. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully in spite of the current uncertain economic and regulatory outlook.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.4 Turnover

Turnover comprises revenue recognised by the Company in respect of services supplied during the year, exclusive of value added tax and trade discounts. Clearing and delivery fees and associated rebates and other incentives are recognised as incurred.

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

1. Accounting policies (continued)

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following basis:

IT equipment - 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

1.6 Investments

Fixed asset investments are shown at cost, less provision when it is considered that an impairment in value has occurred.

1.7 Cash at bank and in hand

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash that are subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of three months or less from the date of acquisition.

1.8 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into dollars at the rate ruling on the date of the transaction. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Exchange gains and losses are recognised in the Statement of Comprehensive Income.

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

1. Accounting policies (continued)

1.9 Derivatives

The Company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency receivables or payables.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles. The Company does not undertake any hedge accounting transactions.

1.10 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid.

1.11 Pensions

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid, the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

1.12 Interest receivable

Interest receivable is recognised as earned.

1.13 Interest Payable

Interest payable is recognised as incurred.

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

1. Accounting policies (continued)

1.14 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

1.15 Guaranty Funds and Initial Margin

Cash collateral paid by clearing members to the Company to cover their margin and guaranty funds requirements is included on the balance sheet 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 funds requirements is not recorded on the Company's balance sheet unless the Company has sold or otherwise used the asset in the event of a member default where the member is no longer entitled to redeem the asset. In the case of a sale, the Company records on its balance sheet 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.

Notes to the Financial Statements
For the Year Ended 31 December 2019

1. Accounting policies (continued)

1.16 Share-based 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.

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, pro-rated over the period that the employees were in the service of the Company. Any amounts paid under these agreements have been recorded as a distribution of reserves.

Any liability under the recharge agreements with respect to outstanding share-based compensation, calculated at the share price at the balance sheet date and pro-rated over the life of the equity instrument, is also recorded as a distribution of reserves.

2. Turnover

Revenue is derived from the provision of services to clearing members, including interest received and paid on initial margin and guaranty funds.

An analysis of turnover by class of business is as follows:

	2019 \$000	2018 \$000
Clearing and other fees	1,118,078	1,088,903
Interest income on initial margin	238,497	164,822
Interest income on guaranty funds	63,266	41,765
Interest expense on initial margin	(217,175)	(145,444)
Interest expense on guaranty funds	(60,652)	(39,910)
	<u>1,142,014</u>	<u>1,110,136</u>

All turnover arose within the United Kingdom.

Revenue, which is stated net of value added tax, clearing fee discounts and customer incentives amounting to \$370,261,000 in 2019 (2018: \$406,631,000), is derived from the continuing business of the Company, and is comprised as above.

ICE Clear Europe Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

3. Operating profit

The operating profit is stated after charging:

	2019 \$000	2018 \$000
Exchange differences	42	793

Auditors' remuneration

	2019 \$000	2018 \$000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	437	364
Auditors' remuneration - non-audit	172	191
	<u>609</u>	<u>555</u>

4. Employees

Staff costs, including directors' remuneration, were as follows:

	2019 \$000	2018 \$000
Wages and salaries	22,747	21,684
Social security costs	2,228	2,134
Cost of defined contribution scheme	1,013	922
	<u>25,988</u>	<u>24,740</u>

Included in the wages and salaries costs disclosed above was a charge of \$4,490,000 (2018: \$4,217,000) in respect of share-based payment transactions.

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	2018 No.
	91	85

ICE Clear Europe Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

5. Directors' remuneration

	2019 \$000	2018 \$000
Directors' emoluments	2,513	2,402
Company contributions to defined contribution pension schemes	13	13
Compensation for loss of office	474	-
	<u>3,000</u>	<u>2,415</u>

During the year retirement benefits were accruing to 1 director (2018: 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of \$1,679,000 (2018: \$1,572,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to \$13,000 (2018: \$13,000).

Nine directors (2018: 10) received shares in respect of qualifying services during the year. One director exercised share options during the year (2018: 1).

Additional directors' remuneration in respect of qualifying services borne by the ultimate parent company, ICE, for the year is currently estimated at \$1,961,000 (2018: \$1,893,000).

6. Interest receivable

	2019 \$000	2018 \$000
Other interest receivable	15,428	11,649
	<u>15,428</u>	<u>11,649</u>

7. Interest payable

	2019 \$000	2018 \$000
Bank interest payable	1,951	2,256
	<u>1,951</u>	<u>2,256</u>

ICE Clear Europe Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

8. Income tax

	2019 \$000	2018 \$000
Corporation tax		
Current tax on profits for the year	167,149	158,735
Adjustments in respect of previous periods	(1)	(132)
	<u>167,148</u>	<u>158,603</u>
Total current tax	<u>167,148</u>	<u>158,603</u>
Deferred tax		
Origination and reversal of timing differences	(75)	366
Changes to tax rates	12	49
	<u>(63)</u>	<u>415</u>
Total deferred tax	<u>(63)</u>	<u>415</u>
Taxation on profit on ordinary activities	<u>167,085</u>	<u>159,018</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018: lower than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 \$000	2018 \$000
Profit on ordinary activities before tax	<u>877,314</u>	<u>862,705</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	166,690	163,914
Effects of:		
Adjustments to tax charge in respect of prior periods	(1)	(132)
Expenses/income not deductible/(taxable) for tax purposes	473	(420)
Statutory deduction on share schemes in excess of accounting charges	(89)	(857)
Change in rates	12	49
Group relief	-	(3,536)
Total tax charge for the year	<u>167,085</u>	<u>159,018</u>

ICE Clear Europe Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

8. Income tax (continued)

Factors that may affect future tax charges

The headline rate of UK corporation tax reduced from 20% to 19% on 1 April 2017 and, following the enactment of Finance Act 2016 on 15 September 2016 it will reduce further to 17% from 1 April 2020. Given that this rate was enacted at the time of the balance sheet date, the closing deferred tax balances have been calculated with reference to this rate.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. The maximum effect on deferred tax of the reduction in the UK corporation tax rate to 17% is expected to be \$30,000. The deferred tax asset is expected to decrease by \$70,000 before 31 December 2020.

9. Tangible fixed assets

	IT equipment \$000
Cost	
At 1 January 2019	120
Disposals	(15)
At 31 December 2019	<u>105</u>
Depreciation	
At 1 January 2019	120
Disposals	(15)
At 31 December 2019	<u>105</u>
Net book value	
At 31 December 2019	<u><u>-</u></u>
At 31 December 2018	<u><u>-</u></u>

The tangible fixed assets that are fully depreciated remain in use.

ICE Clear Europe Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

10. Fixed asset investments

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

11. Debtors

	2019	2018
	\$000	\$000
Due after more than one year		
Prepayments and accrued income	7,834	7,897
	<u>7,834</u>	<u>7,897</u>
Due within one year		
Trade debtors	94	229
Amounts owed by group undertakings	6,414	4,828
Other debtors	46	87
Prepayments and accrued income	134,557	144,827
Deferred taxation	803	740
	<u>141,914</u>	<u>150,711</u>

12. Member balances: cash relating to margin and guaranty fund

	2019	2018
	\$000	\$000
Assets		
Margin balances	28,318,194	27,596,662
Guaranty balances	4,144,454	3,267,183
	<u>32,462,648</u>	<u>30,863,845</u>
Liabilities		
Margin balances	(28,318,194)	(27,596,662)
Guaranty balances	(4,144,454)	(3,267,183)
	<u>(32,462,648)</u>	<u>(30,863,845)</u>

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

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". The Company marks all outstanding contracts to market, and therefore pays and collects variation margin, at least once daily. 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.

The amounts that the clearing members and participants are required to maintain are determined by proprietary risk models and reviewed by the relevant regulators, independent model validators, 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 pay original margin, provide their collateral, or make a variation margin payment, when and as required, the Company may liquidate or hedge its open positions and use the original margin and guaranty fund contributions to make up any amount owed. In the event that defaulting clearing member contributions are not sufficient to pay the amount owed in full, the Company may utilise the respective guaranty fund contributions. In the event that the defaulting clearing member's guaranty fund is not sufficient, the Company may utilise the respective guaranty fund deposits, or collect additional funds from non-defaulting clearing members on a pro-rata basis to pay any remaining amount owed.

In September 2019, the Company added a layer of insurance to clearing member default protection. The default insurance has a three-year term, that commenced from 17 September 2019 and resides after and in addition to Company SITG contributions and before the guaranty fund contributions of the non-defaulting clearing members. At 31 December 2019 the amount was \$75,000,000. The default insurance layer is not intended to replace or reduce the position risk-based amount of the guaranty fund. As a result, the default insurance layer is not a factor that is included in the calculation of the clearing members' guaranty fund contribution requirement. Instead, it serves as a new, additional, distinct, and separate default resource that should serve to further protect the non-defaulting clearing members' guaranty fund contributions from being mutualised in the event of a default.

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 deposits 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 at 31 December 2019 of \$19,187,402,000 (2018: \$18,097,297,000) is secured in reverse repurchase agreements with primarily overnight maturities and cash held at 31 December 2019 of \$3,590,513,000 (2018: \$4,034,873,000) is held in direct investments of 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 pounds sterling- and euro-denominated accounts at the Bank of England, or 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. Such accounts are intended to decrease the Company's custodial, liquidity and operational risk as compared to alternative custodial and investment arrangements. The Company held the total equivalent of \$9,666,576,000 (2018: \$8,646,452,000) in these accounts at 31 December 2019.

ICE Clear Europe Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

In addition to the cash and cash equivalent 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 value-related risks and rewards of these assets remain with the clearing members. Any gain or loss accrues to the clearing member. The Company does not, in the ordinary course of business, rehypothecate or repledge these assets. These pledged assets are not reflected in the Company's balance sheet. At 31 December 2019, the total net amount of non-cash collateral held in respect of initial margin was \$30,635,323,000 (2018: \$29,886,594,000) and in respect of the guaranty funds was \$475,486,000 (2018: \$653,850,000).

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 \$32,462,648,000 (2018: \$30,863,845,000) cash contributions as of 31 December 2019, which are primarily held in U.S. dollars, Euros and Pounds sterling, \$27,346,149,000 (2018: \$25,757,656,000) relates to futures and options products and \$5,116,499,000 (2018: \$5,106,189,000) relates to cleared OTC European CDS instruments.

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, the Company has entered into Committed Repurchase Agreement Facilities, or Committed Repos. As of 31 December 2019 the Company had \$1.0 billion in Committed Repos to finance U.S. dollar, Euro and Pound Sterling sovereign debt deposits (2018: \$1.2 billion).

13. Guaranty fund: own contribution

	2019	2018
	\$000	\$000
At 31 December	233,000	206,000
	<u>233,000</u>	<u>206,000</u>

The Company has contributed \$233,000,000 (2018: \$206,000,000) to its guaranty fund including exchange contributions of \$58,000,000 (2018: \$56,000,000) in total arising from clearing services agreements with ICE Futures Europe, ICE Futures U.S. and ICE Endex entities. 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 \$183,000,000 for futures and options and \$50,000,000 to CDS.

The exchange contributions would be utilised pro rata along with the other contributions in the event of default and are subject to a minimum \$10,000,000 and based on average clearing member futures and options guaranty fund contributions and are re-assessed at least annually.

14. Cash at bank and in hand

	2019	2018
	\$000	\$000
Cash at bank and in hand	716,658	495,105
	<u>716,658</u>	<u>495,105</u>

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

14. Cash at bank and in hand (continued)

As a UK Recognised Clearing House, the Company is required by the BOE and EMIR to restrict as cash at bank and in hand 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 such, it is calculated taking into account the operating expenditures, revenues and credit exposures associated with the assets and investments.

As of 31 December 2019 the regulatory capital restricted cash for the Company was \$465,000,000 (2018: \$435,000,000) and these amounts form part of the cash at bank and in hand balance. The increase in the regulatory capital restricted cash was due to the growth of the businesses, a related increase in costs and the consequential additional regulatory capital buffers required by the BOE.

The Company, in addition to being regulated by the BOE, is also regulated by the Commodity Futures Trading Commission, or CFTC, as a U.S. Derivatives Clearing Organization, or DCO. The regulatory capital available to the Company, as described above, exceeds the CFTC requirements.

15. Creditors and other payables: Amounts falling due within one year

	2019	2018
	\$000	\$000
Trade creditors	167	137
Amounts owed to group companies	33,752	33,300
Corporation tax	79,532	74,073
Taxation and social security	7,808	5,827
Accruals and deferred income	47,861	48,233
	<u>169,120</u>	<u>161,570</u>

All creditors are unsecured. Accruals and deferred income includes \$2,469,000 (2018: \$2,437,000) due under shared-based payments recharge agreements.

16. Creditors and other payables: Amounts falling due after more than one year

	2019	2018
	\$000	\$000
Accruals and deferred income	4,832	3,919
	<u>4,832</u>	<u>3,919</u>

Accruals and deferred income consists of \$4,832,000 (2018: \$3,919,000) due under shared-based payments recharge agreements.

ICE Clear Europe Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

17. Deferred taxation

	2019	2018
	\$000	\$000
At beginning of year	740	1,155
Credit/(debit) to the profit and loss	63	(415)
At end of year	803	740

The deferred tax asset is made up as follows:

	2019	2018
	\$000	\$000
Decelerated capital allowances	32	40
Other timing differences	771	700
	803	740

18. Derivatives

The Company recognised a liability of \$1,000 at 31 December 2019 (2018: \$65,000 asset) for its forward foreign currency contracts held at fair value. During the year the Company recognised total gains in the fair value of forward foreign currency contracts of \$3,018,000 (2018: \$3,958,000), these are included in administrative expenses in the statement of other comprehensive income.

19. Share capital

	2019	2018
	\$000	\$000
Allotted, called up and fully paid		
243,000,100 (2018: 216,000,100) Ordinary shares of \$1.00 each	243,000	216,000

The Company is a private company limited by shares and incorporated under the laws of England and Wales.

On 29 January 2019 the Company allotted 27,000,000 further Ordinary shares respectively of nominal value \$1.

20. Dividends

	2019	2018
	\$000	\$000
Dividends paid on equity capital	504,000	679,000
	504,000	679,000

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

21. Pension commitments

The Company operates money purchase 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 contributions outstanding at 31 December 2019 (2018: nil).

22. Other financial commitments

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, the Company has entered into Committed Repurchase Agreement Facilities, or Committed Repos. As of 31 December 2019 the Company had \$1.0 billion in Committed Repos to finance U.S. dollar, Euro and Pound Sterling sovereign debt deposits (2018: \$1.2 billion).

23. Controlling party

The Company is a wholly-owned subsidiary of IntercontinentalExchange Holdings, a company incorporated and registered in England and Wales. The ultimate parent company and controlling entity is Intercontinental Exchange, Inc., a corporation registered in Delaware, United States.

The Company's financial statements have been included in the group financial statements of the ultimate parent company, Intercontinental Exchange, Inc.

The group financial statements of Intercontinental Exchange, Inc., may be obtained from the website www.theice.com.

24. Registered office

The registered office of the Company is:

Milton Gate
60 Chiswell Street
London
EC1Y 4SA
United Kingdom