FINANCIAL STATEMENTS

ICE Clear Europe Limited
Years Ended December 31, 2021 and 2020
With Report of Independent Registered Public Accounting Firm

ICE Clear Europe Limited

Financial Statements

Years Ended December 31, 2021 and 2020

Contents

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying balance sheets of ICE Clear Europe Limited (the Company) as of December 31, 2021 and 2020, the related statements of comprehensive income, shareholders' equity and cash flows for the years then ended, and the related notes (collectively referred to as "the financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

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

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

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

Ernst & Young LLP

We have served as the Company's auditor since 2007.

London, United Kingdom

February 23, 2022

ICE Clear Europe Limited

Balance Sheets

(Dollars, In Thousands, except share data)

	December 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 136,999	$ 101,191
Short-term restricted cash and cash equivalents	550,000	495,000
Customer accounts receivable	154,410	137,226
Income tax receivable	1,167	2,230
Due from affiliates	5,237	5,370
Cash and cash equivalent margin deposits and guaranty funds	95,021,563	36,325,461
Invested margin deposits	3,163,931	1,774,796
Prepaid expenses and other current assets	31,971	12,033
Total current assets	99,065,278	38,853,307
Property and equipment, net	430	438
Non-current assets:		
Long-term restricted cash and cash equivalents	247,000	237,000
Deferred tax asset	488	586
Other non-current assets	20,601	9,138
Total non-current assets	268,089	246,724
Total assets	$ 99,333,797	$ 39,100,469
Liabilities and shareholder equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 44,580	$ 25,993
Accrued salaries and benefits	5,217	8,495
Deferred revenue	14,670	12,839
Income tax payable	—	—
Due to affiliates	40,784	40,463
Margin deposits and guaranty funds	95,021,563	36,325,461
Invested margin deposits	3,163,931	1,774,796
Total current liabilities	98,290,745	38,188,047
Non-current liabilities:		
Other non-current liabilities	—	432
Total non-current liabilities	—	432
Total liabilities	98,290,745	38,188,479

Balance Sheets

(Dollars, In Thousands, except share data)

Shareholders' equity:		
Share capital, \$1 nominal value; 257,000,100 and 247,000,100 shares allotted at December 31, 2021 and 2020 respectively	257,000	247,000
Contributed capital	9,072	—
Additional paid-in capital	(23,034)	(20,429)
Retained earnings	800,014	685,419
Total shareholders' equity	1,043,052	911,990
Total liabilities and shareholders' equity	99,333,797	39,100,469

ICE Clear Europe Limited

Statements of Comprehensive Income

(Dollars, In Thousands)

	Year ended December 31, 2021	Year ended December 31, 2020
Revenues		
Clearing fees, net	$ 1,362,329	$ 1,204,550
Affiliate revenues	567	302
Other revenues	104,593	82,677
Total revenues	1,467,489	1,287,529
Operating expenses		
Compensation and benefits	29,543	28,759
Professional services	9,343	5,483
Selling, general and administrative	40,688	41,632
Service and license fees to affiliates	249,530	242,844
Depreciation and amortisation	304	343
Total operating expenses	329,408	319,061
Operating income	1,138,081	968,468
Other income/(expense):		
Interest income	165	4,094
Interest expense	(2,637)	(2,150)
Other income/(expense), net	(12,826)	(562)
Total Other income, net	(15,298)	1,382
Income before income taxes	1,122,783	969,850
Income tax (expense)	(213,188)	(183,390)
Net income	$ 909,595	$ 786,460
Total Comprehensive Income	$ 909,595	$ 786,460

Changes in Shareholder's Equity

(Dollars, In Thousands)

	Share Capital	Contributed capital	Additional paid-in capital	Retained Earnings	Total Shareholder Equity
Balance at January 1, 2020	243,000	—	(16,657)	706,959	933,302
Dividends paid	—	—	—	(808,000)	(808,000)
Stock-based compensation	—	—	(3,772)	—	(3,772)
Net income	—	—	—	786,460	786,460
Issuance of common stock	4,000	—	—	—	4,000
Capital contributed during the year	—	—	—	—	—
Balance at December 31, 2020	247,000	—	(20,429)	685,419	911,990
Dividends paid	—	—	—	(795,000)	(795,000)
Stock-based compensation	—	—	(2,605)	—	(2,605)
Net income	—	—	—	909,595	909,595
Issuance of common stock	10,000	—	—	—	10,000
Capital contributed during the year	—	9,072	—	—	9,072
Balance at December 31, 2021	257,000	9,072	(23,034)	800,014	1,043,052

On 26 March 2021 the Company allotted 10,000,000 further Ordinary shares respectively of nominal value $1.

In October 2021 the Company’s ultimate parent company, Intercontinental Exchange, Inc., settled an amount with a third party in respect of a legal claim. The portion of the settlement relating to the Company and settled on the Company’s behalf was $9,072,000, which has been accounted for as a capital contribution. There is no obligation for repayment, the gift does not attract dividends, no new shares have been issued in connection with the gift and there is no investment return.

ICE Clear Europe Limited

Statements of Cash Flows

(Dollars, In Thousands)

	Year ended December 31, 2021	Year ended December 31, 2020
Operating activities		
Net income	$ 909,595	$ 786,460
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortisation	304	343
Foreign currency remeasurement, net	3,754	562
Deferred taxes	98	(38)
Stock-based compensation	2,317	2,420
Changes in assets and liabilities:		
Customer accounts receivable	(17,184)	(16,909)
Prepaid expenses and other assets	(19,938)	2,345
Income tax	1,063	(81,530)
Due to affiliates, net	(4,468)	1,510
Accounts payable and accrued liabilities	18,587	(8,075)
Other current and non-current liabilities	(1,879)	2,589
Other non-current assets	(11,463)	(1,304)
Total adjustments	(28,809)	(98,087)
Net cash provided by operating activities	880,786	688,373
Investing activities		
Capital expenditures	(296)	(278)
Purchases of invested margin deposits	(5,074,996)	(3,346,534)
Proceeds from sales of invested margin deposits	3,685,861	2,815,252
Net cash used in investing activities	(1,389,431)	(531,560)
Financing activities		
Issuance of common stock	10,000	4,000
Capital contributed during the year	9,072	—
Dividend paid	(795,000)	(808,000)
Change in cash and cash equivalent margin deposits and guaranty funds	60,085,237	5,637,609
Net cash provided by financing activities	59,309,309	4,833,609
Effect of exchange rate changes on cash, cash equivalents, restricted cash and cash equivalents, and cash and cash equivalent margin deposits and guaranty funds	(3,754)	(562)
Net increase in cash, cash equivalents, and restricted cash and cash equivalents, and cash and cash equivalent margin deposits and guaranty funds	58,800,664	4,990,422
Cash, cash equivalents, restricted cash and cash equivalents, and cash and cash equivalent margin deposits and guaranty funds at beginning of year	37,158,652	32,168,792
Cash, cash equivalents, restricted cash and cash equivalents, and cash and cash equivalent margin deposits and guaranty funds at end of year	$ 95,955,562	$ 37,158,652

Supplemental cash flow disclosure

Cash paid for income taxes	$ 213,304	$ 261,218
Interest paid	$ 332	$ 150

We have adjusted our historical presentation of opening and ending amounts of cash, cash equivalents, and restricted cash and cash equivalents in the statements of cash flows to include cash and cash equivalent margin deposits and guaranty funds. Changes in these balances are reflected as cash provided by/(used in) financing activities. Please refer to note 2 for further details.

1. Formation, Organisation and Description of the Business

Incorporated in 2007, ICE Clear Europe Limited ('the Company' or 'Clearing House') 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 recognised by the European Securities and Markets Authority ('ESMA') as a third-country central counterparty ('TCCCP') under the European Market Infrastructure Regulation ('EMIR'); by the Swiss Financial Market Supervisory Authority ('FINMA') as a foreign central counterparty; and by the Abu Dhabi Global Market (ADGM) Financial Services Regulation Authority (FSRA) as a Remote Clearing House.

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, ICE Futures Abu Dhabi and in some cases outside these venues. Between these four exchanges it clears Energy, agricultural, interest rates and equity index futures and options contracts and OTC (predominantly) European CDS instruments.

2. Summary of Significant Accounting Policies

Basis of Presentation

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

Use of Estimates

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

Cash and Cash Equivalents

We consider all short-term, highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents.

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

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

Cash and Cash Equivalent Margin Deposits and Guaranty Fund (Cash and Cash Equivalent Margin)

Initial margin, variation margin and guaranty funds received by the Company may be in the form of cash, government obligations or on rare occasions, gold.

We hold the cash deposits at central banks, highly-rated financial institutions or at times secure the cash through reverse repurchase agreements or direct investments, certain of which are not cash equivalents. See "Credit Risk and Significant Customers", below. Although not included in short term restricted cash and cash equivalents, cash and cash equivalent margin represent a form of restricted cash. The amount of cash and cash equivalent margin deposits on hand will fluctuate over time as a result of, among other things, the extent of open positions held at any point in time by market participants in contracts and the margin rates for such contract, as well as the extent to which we invest in non-cash and cash equivalents.

Statements of Cash Flows Presentation

As of December 31, 2021 we revised our statements of cash flows to include changes in cash and cash equivalent margin amounts in cash flows from financing activities and changes in invested margin deposits within cash flows from investing activities. This revision did not have an effect on our previously reported balance sheets, statements of comprehensive income, statements of changes in equity, or the related disclosures. Cash and cash equivalent margin amounts cannot be used to satisfy the Company's operating or other liabilities, as further discussed in Note 6. The following table summarises the revisions to our historical statements of cash flows for the comparative period:

$ in thousands	As of December 31, 2020 As previously presented	Adjustment	As adjusted
Purchases of invested margin deposits (within investing activities)	—	(3,346,534)	(3,346,534)
Proceeds from sales of invested margin deposits (within investing activities)	—	2,815,252	2,815,252
Net cash used in investing activities	(278)	(531,282)	(531,560)
Change in cash and cash equivalent margin deposits and guaranty funds (within financing activities)	—	5,637,609	5,637,609
Net cash (used in)/provided by financing activities	(804,000)	5,637,609	4,833,609
Net (decrease)/increase in cash, cash equivalents, restricted cash and cash equivalents, and cash and cash equivalent margin deposits and guaranty funds, including effects of exchange rate changes	(116,467)	5,106,327	4,989,860
Cash, cash equivalents, restricted cash and cash equivalents, and cash and cash equivalent margin deposits and guaranty funds at beginning of year	949,658	31,219,134	32,168,792
Cash, cash equivalents, restricted cash and cash equivalents, and cash and cash equivalent margin deposits and guaranty funds at end of year	833,191	36,325,461	37,158,652

A reconciliation of the components of cash, cash equivalents, restricted cash and cash equivalents, and cash and cash equivalent margin and guaranty funds as presented in the statements of cash flows to the balance sheet is as follows:

$ in thousands	As of December 31, 2021	As of December 31, 2020
Cash and cash equivalents	136,999	101,191
Short term restricted cash and cash equivalents	550,000	495,000
Long term restricted cash and cash equivalents	247,000	237,000
Margin deposits and guaranty funds	95,021,563	36,325,461
Total	95,955,562	37,158,652

Property and Equipment

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

Allowance for Doubtful Accounts

On January 1, 2020, we adopted ASU 2016-13, Financial Instruments - Measurement of Credit Losses on Financial Instruments, or ASU 2016-13. Under ASU 2016-13, we estimate our allowance for doubtful accounts using an aging method, maintained at a level that we believe to be sufficient to absorb probable losses over the expected life in our accounts receivable portfolio. The allowance is based on several factors, including continuous assessments of risk characteristics, specific customer events that may impact its ability to meet its financial obligations, and other reasonable and supportable economic characteristics. Accounts receivable are written-off against the allowance for doubtful accounts if and when collection efforts cease. See "Adoption of ASU 2016-13, Financial Instruments - Measurement of Credit Losses on Financial Instruments", below, for other disclosures related to our adoption of ASU 2016-13.

Software Development Costs

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

Derivatives and Hedging Activity

Periodically, we may use derivative financial instruments to manage exposure to changes in currency exchange rates. All derivatives are recorded at fair value. We generally do not designate these derivatives as hedges for accounting purposes. Accordingly, changes in fair value are recognised in income. We entered into foreign currency hedging transactions during 2021 and 2020 as economic hedges to help mitigate a portion of our foreign exchange risk exposure. The gains and losses on these transactions were not material during these years.

Income Taxes

We recognise income taxes under the liability method. We recognise a current tax liability or tax asset for the estimated taxes payable or refundable on tax returns for the current year. We recognise deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. We establish valuation allowances if we believe that it is more likely than not that some or all of our deferred tax assets will not be realised. Deferred tax assets and liabilities are measured using current enacted tax rates in effect. We do not recognise a tax benefit unless we conclude that it is more likely than not that the benefit will be sustained on audit by the taxing authority based solely on the technical merits of the associated tax position. If the recognition threshold is met, we recognise a tax benefit measured at the largest amount of the tax benefit that, in our judgment, is greater than 50 percent likely to be realised. We recognise accrued interest and penalties related to uncertain tax positions as a component of income tax expense.

Revenue Recognition

Our revenues primarily consist of revenues for transactions cleared through our clearing platform. We recognise revenue when we transfer promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. We enter into contracts that can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. We also evaluate all contracts in order to determine appropriate gross versus net revenue reporting.

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

Clearing fees contain two performance obligations: (1) clearing novation and (2) risk management of open interest. While the Company allocates the transaction price between these two performance obligations, since they generally are satisfied almost simultaneously, there is no significant deferral of revenue. Deferred revenue that is recognised represents our contract liabilities related to our clearing services. Deferred revenue is our only significant contract asset or liability.

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

Clearing fees are recorded net of certain incentives and revenue share agreements of $452.1 million for the year ended December 31, 2021 and $421.3 million for the year ended December 31, 2020. We offer incentive schemes in certain markets primarily to support market liquidity and trading volume by providing qualified participants in those markets a discount to the applicable commission rate. Such amounts are calculated based on volumes traded. Clearing fees can be variable based on trade volume discounts used in the determination of incentives, however virtually all volume discounts are calculated and recorded on a monthly basis. Clearing fees, as well as any volume discounts available to our customers, are calculated and billed monthly in accordance with our published fee schedules.

We also have revenue share agreements and incentive programs in place with certain ICE group affiliate execution venues. These are at varying rates and are determined based on revenue or volumes, subject to certain minimum requirements being met. Revenue is also stated exclusive of value added tax. Other revenues represent interest income and expense on member margin and guaranty funds. In certain revenue share arrangements with third parties the Company controls the delivered contract; in these arrangements the Company is acting as a principle and the revenue is recorded gross.

Affiliate Revenues and Expenses

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

Stock-based Compensation

We currently sponsor stock option plans, restricted stock plans and ICE's Employee Stock Purchase Plan, or ESPP, to provide additional and incentive-based compensation to our employees and directors (Note 11). Stock options and restricted stock are granted at the discretion of ICE's Compensation Committee of the Board of Directors. We measure and recognise compensation expense for share-based payment awards, including employee stock options, restricted stock and shares purchased under the ESPP based on estimated fair values on the date of grant. The value of the portion of the award that is ultimately expected to vest is recognised as stock-based compensation expense over the requisite service period.

We use the Black-Scholes pricing model to value stock option awards as well as shares purchased as part of our ESPP. The values estimated by the model are affected by the price of our stock as well as subjective variables that include assumed interest rates, our expected dividend yield, our expected share price volatility over the term of the awards and actual and projected employee stock option exercise behavior. Under our ESPP, employees may purchase shares of our common stock at a price equal to 85% of the lesser of the fair market value of the stock on the first or the last trading day of each offering period. We record compensation expenses related to the discount given to our 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 or exercise. Any amounts paid under these agreements have been recorded as additional paid-in capital.

Credit Risk and Significant Customers

We are exposed to credit risk as a result of maintaining clearing member cash deposits at various financial institutions (Note 13). Cash deposit accounts are established at large, highly-rated financial institutions and entered into so that they restrict the rights of offset or imposition of liens by the banks. We also limit our risk of loss by holding the majority of the cash deposits in cash accounts high quality short-term sovereign debt reverse repurchase agreements with several different counterparty banks or direct investments in short-term high quality sovereign and supranational debt issues primarily with original maturities of less than three months. While we seek to achieve a reasonable rate of return which may generate interest income for our clearing members, we are primarily concerned with preservation of capital and managing the risks associated with these deposits. As the clearing houses may pass on interest revenues, minus costs, to the members, this could include negative or reduced yield due to market conditions.

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

We maintain a euro-denominated account at the European Central Bank, or ECB, as well as pounds sterling, euro and US dollar-denominated accounts at the Bank of England, or BOE, the central bank of the U.K. These accounts provide us the flexibility to place euro, pounds sterling and US dollar-denominated cash margin securely at national banks, in particular during periods when liquidity in repo markets may temporarily become contracted. Such accounts are intended to decrease our custodial, liquidity and operational risk as compared to alternative custodial and investment arrangements.

Revenue from the top two clearing members accounted for 15% and 10%, respectively, of our futures and options contracts revenue for the year ended December 31, 2021 and 17% and 11%, respectively, of the Company's futures and options contracts revenue for the year ended December 31, 2020.

Foreign Currency Exchange Rate Risk

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

Interest Rate Risk

We have exposure to market risk for changes in interest rates relating to cash and cash equivalents, short-term and long-term restricted cash and cash equivalents, invested deposits, and investment balances we hold. Our cash is subject to interest rate volatility and is invested according to our operating cash requirements; it is not used for trading or other speculative purposes.

Fair Value of Financial Instruments

Fair value is the price that would be received from selling an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Our financial instruments consist primarily of certain short-term and long-term assets and liabilities, customer accounts receivable, margin deposits and guaranty funds, and short-term and long-term debt (Note 13).

The fair value of our financial instruments is measured based on a three-level hierarchy:

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

The Company uses Level 1 inputs to determine fair value. The Level 1 assets consist of U.S. Treasury and other foreign government securities, equity and other securities listed in active markets. All other financial instruments are determined to approximate carrying value due to the short period of time to their maturities. The Company did not use Level 2 or 3 inputs to determine the fair value of assets or liabilities measured at fair value on a recurring or non-recurring basis during 2021 or 2020.

Foreign Currency Transaction Gains and Losses

Our functional and reporting currency is the U.S. dollar. We have foreign currency transaction gains and losses related to the settlement of foreign currency denominated assets and liabilities that occur through our operations. The transaction gains and losses are due to the increase or decrease in the foreign currency exchange rates between periods. Forward contracts on foreign currencies can be entered into to manage the foreign currency exchange rate risk. Gains and losses from the remeasurement of the transactions denominated in foreign currency are included in other income/(expense), net in the accompanying Statements of Comprehensive Income and resulted in net losses of $3,754 thousand, and $562 thousand for the years ended December 31, 2021 and 2020, respectively.

Recently Adopted Accounting Pronouncements

Standard/Description	Effective Date and Adoption Considerations	Effect on Financial Statements
ASU No. 2016-13, *Financial Instruments - Measurement of Credit Losses on Financial Instruments*, applies to all financial instruments carried at amortised cost including held-to-maturity debt securities and accounts receivable. It requires financial assets carried at amortised cost to be presented at the net amount expected to be collected and requires entities to record credit losses through an allowance for credit losses on available-for-sale debt securities.	Adopted on January 1, 2020 on a modified retrospective basis.	Adoption did not result in any material effect on the financial statements.

Standard/Description	Effective Date and Adoption Considerations	Effect on Financial Statements
ASU No. 2019-12, Simplifying the Accounting for Income Taxes, eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. It clarifies that single-member limited liability companies, and other similar disregarded entities that are not subject to income tax, are not required to recognise an allocation of consolidated income tax expense in their separate financial statements. Further, it simplifies the accounting for franchise taxes, enacted changes in tax laws or rates and transactions that result in a step-up in the tax basis of goodwill.	Effective for fiscal years beginning after December 15, 2020 with early adoption permitted. We elected early adoption and adopted on January 1, 2020.	Adoption did not result in any material effect on the financial statements.
ASU 2018-14, Compensation-Retirement Benefits-Defined Benefit Plans — General (Subtopic 715-20): Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans, or ASU 2018-14 was issued in August 2018 and removes certain disclosures that are not considered cost beneficial, clarifies certain required disclosures and adds additional disclosures.	Elected early adoption on December 31, 2019 and applied retrospectively.	Adoption did not result in any material effect on the financial statements.

Adoption of ASU 2016-13, *Financial Instruments - Measurement of Credit Losses on Financial Instruments*

On January 1, 2020, we adopted ASU 2016-13. This standard requires the application of a current expected credit loss, or CECL, impairment model to financial assets measured at amortised cost. The standard also amends the impairment model for available-for-sale debt securities requiring entities to record credit losses through an allowance account. The CECL model requires an entity to estimate its lifetime expected credit loss and record an allowance that, when deducted from the amortised cost basis of the financial asset, presents the net amount expected to be collected on the financial asset.

We adopted ASU 2016-13 using the modified retrospective approach through a cumulative-effect adjustment to retained earnings on January 1, 2020. The impact of adoption of the standard was not material. ASU 2016-13 primarily impacted the calculation of our allowance for doubtful accounts on accounts receivable utilising the expected credit losses model. We do not currently hold available-for-sale debt securities, off-balance-sheet credit exposures, or other material financial assets impacted by the standard, besides those mentioned below.

We considered our material financial assets within scope, including our cash equivalents, short-term and long-term restricted cash equivalents as well as our clearing members' cash equivalent and reverse repurchase receivables, and determined that such assets have a de minimis risk of credit loss. We invest our cash and clearing members' cash by placing it in highly-rated government securities, primarily U.S. Treasury securities and other sovereign debt with original maturities of less than three months which we consider to be cash equivalents, or into reverse repurchase agreements, referred to as reverse repos, with primarily overnight maturities. Reverse repos are valued daily and are subject to collateral maintenance provisions whereby the counterparty must provide additional collateral if the value of the underlying securities lose value, in an amount sufficient to maintain collateralisation of at least 102%. Therefore, as of and for the years ended December 31, 2021 and December 31, 2020, we have not recorded a credit loss for these financial assets.

Based on the high turnover and collectability of our accounts receivable, the mitigated default and concentration risks due to the high quality and large number of entities comprising our customer base, and the monthly billing process for the majority of our revenue, we did not experience a significant increase in the loss provision recognised upon adoption of the CECL model.

We estimated our allowance for doubtful accounts using an aging method, applying estimated reserve percentages derived from historical write-off factors. At each measurement date we reassess whether accounts receivable continue to exhibit similar risk characteristics. We then determine if assets need to be isolated further as part of their own specific line item reserve due to specific events, such as a customer's inability to meet its financial obligations (i.e. customer disputes, highly unresponsive customers, delinquency of the receivable, or other indicators of credit deterioration of customers). Lastly, the CECL standard is forward-looking and requires us to factor reasonable and supportable economic expectations into our allowance estimate for the asset's entire expected life, which is generally less than one year.

The impact of adoption of ASU 2016-13 on the Company was immaterial. We have included in our allowance assessment the impact of and our responses to the coronavirus, or COVID-19, pandemic, which was not material for the years ended December 31, 2021 and December 31, 2020. We will continue to review our accounts receivable and may incur future charge-offs as better estimates become available in future periods.

3. Restricted Cash and Cash equivalents

Short-term restricted cash

The Company operates as a U.K. Recognised Clearing House and as such is required by the BOE and the European Market Infrastructure Regulation, or EMIR, to restrict as cash, cash equivalents or investments in an amount to reflect an estimate of the capital required to wind down or restructure the activities of the clearing house, cover operational, legal and business risks and to reserve capital to meet credit, counterparty and market risks not covered by the members' margin and guaranty funds. As of December 31, 2021 and 2020, $550 million and $495 million, respectively, are included in short-term restricted cash and cash equivalents held for these purposes. The increase in the regulatory capital restricted cash as of December 31, 2021 was due to the growth of the businesses, a related increase in costs and the consequential additional regulatory capital buffers required by the BOE. In addition to being regulated by the BOE, the Company is also regulated by the CFTC, as a U.S. Derivatives Clearing Organization, or DCO and by ESMA as a TCCCP. The regulatory capital available, as described above, exceeds the CFTC requirements.

Long-term restricted cash

We have contributed our own capital to the guaranty fund that could be used if a defaulting member's initial margin and guaranty fund deposits are insufficient. Such amounts are recorded as long-term restricted cash and cash equivalents in our balance sheets. In March 2021, we increased our contribution to the guaranty fund by $10 million in connection with the launch of ICE Futures Abu Dhabi. The Company has contributed cash of $197 million and $50 million as part of its futures and options guaranty fund and CDS guaranty fund respectively. See Note 6 for additional information on the guaranty funds.

4. Property and Equipment

Property and equipment consisted of the following as of December 31, 2021 and December 31, 2020:

	December 31, 2021	Depreciation Period
	(In Thousands)	*(In Years)*
Software and internally developed software	$ 2,043	3
Computer and network equipment	105	3
	2,148	
Less accumulated depreciation	(1,718)	
Property and equipment, net	$ 430	

For the year ended December 31, 2021, accumulated depreciation of software and internally developed software was $1.6 million, and accumulated depreciation of all other property and equipment was $0.1 million.

	December 31, 2020	Depreciation Period
	(In Thousands)	*(In Years)*
Software and internally developed software	$ 1,921	3
Computer and network equipment	105	3
	2,026	
Less accumulated depreciation	(1,588)	
Property and equipment, net	$ 438	

For the year ended December 31, 2020, accumulated depreciation of software and internally developed software was $1.5 million, and accumulated depreciation of all other property and equipment was $0.1 million.

5. Related-Party Transactions

We have entered into agreements with ICE and other affiliates which are wholly owned subsidiaries of ICE to support the operations of the Company. These subsidiaries of ICE may make payments to vendors on behalf of us and we may also make payments to vendors on behalf of these subsidiaries.

ICE and the other subsidiaries of ICE make various charges to the Company. These include, but are not limited to charges for clearing and settlement services, ancillary technology licenses, trade repository fees and various management and other administrative service charges. During the years ended December 31, 2021 and 2020, the Company has recorded $249.5 million and $242.8 million, respectively, for these affiliate charges. These affiliates include, but are not limited to: Intercontinental Exchange Holdings, Inc., ICE Futures Europe and ICE Futures U.S., Inc.

At December 31, 2021 and 2020, the Company owed its affiliates $40.8 million and $40.5 million, respectively, in relation to these agreements and other intergroup transactions arising in the normal course of business. The Company settles these balances on a regular basis, which is normally monthly.

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

The Company paid dividends to its immediate parent company, IntercontinentalExchange Holdings, for the years ended December 31, 2021 and 2020 of $795 million and $808 million respectively. For details regarding the Company share-based award schemes see Notes 2 & 11.

The Company also makes certain payments, including incentives payments, to its affiliate exchanges and trading venues for contracts executed thereon and submitted for clearing by the Company. The payments totaled $384.0 million and $355.9 million for the years ended December 31, 2021 and December 31, 2020, respectively, and such expense is recorded net in Clearing fee revenue in the accompanying Statements of Comprehensive Income.

6. Clearing House Operations

As a clearing house the Company acts as a central counterparty that becomes the buyer to every seller and the seller to every buyer for its clearing members. Through this central counterparty function the Company provides financial security for each transaction for the duration of the position by limiting counterparty credit risk. The Company clears for ICE group exchanges ICE Futures Europe, ICE Futures U.S., ICE Endex, ICE Futures Abu Dhabi and in some cases outside these venues. Between these four exchanges it clears Energy, agricultural, interest rates and equity index futures and options contracts and European CDS instruments that are predominantly OTC.

The credit and performance assurance provided by the Company to clearing members is designed to substantially reduce counterparty risk and is a critical component of the Company's identity as a reliable and secure marketplace for global transactions. The clearing house is designed to protect the financial integrity of its markets by maintaining strong governance and rules, managing collateral, facilitating payments and collections, enhancing capital efficiency and limiting counterparty credit risk. The Company has a risk management program with both initial and ongoing membership standards.

Initial & Variation Margin

The Clearing House requires members to deposit cash or non-cash collateral via certain pledged assets. The collateral deposits are known as “initial margin”. In addition, the Clearing House may make intraday initial margin calls in circumstances where market conditions require additional protection. The daily profits and losses due to the marking-to-market of open contracts is known as “variation margin.” The Clearing House marks all outstanding contracts to market, and therefore pays and collects variation margin, at least once daily.

The amounts that members are required to maintain are determined by proprietary risk models established by the Clearing House and reviewed by the relevant regulators, independent model validators, risk committees and the boards of directors. The amounts required may fluctuate over time. The Company is a separate legal entity within the ICE Group and is not subject to the liabilities of the other clearing houses within the Group, or the obligations of their members.

Should a particular member fail to deposit its initial margin or fail to make a variation margin payment, when and as required, the Clearing House may liquidate or hedge the defaulting member's open positions and use their initial margin and guaranty fund deposits to pay any amount owed. In the event that the defaulting member's deposits are not sufficient to pay the amount owed in full, the Clearing House will first use its contribution to the guaranty fund, often referred to as Skin In The Game, or SITG, to pay any remaining amount owed. In the event that the SITG is not sufficient, the Clearing House may utilise the respective guaranty fund deposits or collect limited additional funds from their respective non-defaulting members on a pro-rata basis, to pay any remaining amount owed.

Guaranty Funds & ICE Contribution

As described above, mechanisms have been created, called guaranty funds, to provide partial protection in the event of a member default. We require that each clearing member make contributions to the guaranty fund. The amounts in the guaranty fund will serve to secure the obligations of a clearing member to the Company and may be used to cover losses in excess of the margin and clearing firm accounts sustained by the Company in the event of a default of a clearing member. In addition, we have contributed our own capital that could be used if a defaulting member's initial margin and guaranty fund deposits are insufficient. Such amounts are recorded as long-term restricted cash and cash equivalents in our balance sheets.

The Company has contributed $247 million (2020: $237 million) to its guaranty fund including exchange contributions of $72 million (2020: $62 million) in total arising from clearing services agreements with Group exchanges ICE Futures Europe, ICE Futures U.S., ICE Endex and ICE Futures Abu Dhabi. 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 initial margin and guaranty fund contributions are insufficient. In March 2021, the Company increased our contribution to its guaranty fund by $10 million in connection with the launch of ICE Futures Abu Dhabi Limited.The contributions include $197 million for futures and options and $50 million 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 of $10 million and based on average clearing member futures and options guaranty fund contributions and are re-assessed at least annually.

We also maintain default insurance as an additional layer of clearing member default protection. The default insurance was added in September 2019 and has a three-year term for $75 million. The default insurance layer resides after and in addition to the Company's SITG contributions and before the guaranty fund contributions of the non-defaulting members.

Similar to SITG, 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 members' guaranty fund contribution requirement. Instead, it serves as an additional, distinct, and separate default resource that should serve to further protect the non-defaulting members' guaranty fund contributions from being mutualised in the event of a default.

Cash and Invested deposits

The Company has recorded cash and invested margin deposits and amounts due as current assets with corresponding current liabilities to the clearing members.

At December 31, 2021, the total amount of cash and invested deposits held in respect of margin was $94.0 billion (2020: $33.7 billion) and in respect of the guaranty funds was $4.2 billion (2020: $4.4 billion).

Our cash and invested margin and guaranty fund deposits are maintained in accounts with central banks and highly-rated financial institutions or secured through direct investments, primarily in U.S. Treasury and other highly-rated government securities or reverse repurchase agreements with primarily overnight maturities. We primarily use Level 1 inputs when evaluating the fair value of the non-cash equivalent direct investments, as highly-rated government securities are quoted in active markets. The carrying value of these deposits are deemed to approximate fair value. Cash held of $25.5 billion and $23.7 billion at December 31, 2021 and 2020, respectively is secured in reverse repurchase agreements with primarily overnight maturities or direct investment in government bonds. Cash held of $12.5 billion and $3.5 billion at December 31, 2021 and 2020, respectively is secured through direct investments in sovereign debt. Cash held of $231.2 million and $16.0 million at December 31, 2021 and 2020, respectively is held in demand deposits.

The Company has entered into Committed Repurchase Agreement Facilities, or Committed Repos, to provide a tool to address the liquidity needs of the Company and manage the liquidation of margin and guaranty fund contributions held in the form of cash and high quality sovereign debt. As of December 31, 2021 the Company had $1.0 billion in Committed Repos to finance U.S. dollar, euro and pound Sterling sovereign debt deposits (2020: $1.0 billion).

The Company maintains a euro-denominated account at the European Central Bank, or ECB, and pounds sterling, euro and US dollar-denominated accounts at the BOE, the central bank of the U.K. Previously, in 2020, the Company maintained a euro-denominated account at the De Nederlandsche Bank, or DNB, the central bank of the Netherlands. All amounts were transferred from this account to the ECB during the year. These accounts provide the flexibility for the Company to place euro, pounds sterling and US dollar-denominated cash margin securely at national banks, in particular during periods when liquidity in repo markets may temporarily become contracted. The Company held the equivalent of $53.7 billion at the ECB at December 31, 2021 and $7.7 billion at the DNB at December 31, 2020, and $6.3 billion and $3.1 billion at the BOE at December 31, 2021 and 2020, respectively. Such accounts are intended to decrease the Company's custodial, liquidity and operational risk as compared to alternative custodial and investment arrangements.

The Company's risk management framework for its CDS markets is separate from its non-CDS clearing operations. The clearing house is open-access, consistent with regulatory requirements, and the Company accepts qualifying trades for clearing that are executed on other venues. Of the cash contributions of $98.2 billion and $38.1 billion as of December 31, 2021 and 2020, respectively, which are primarily held in U.S. dollars, Euros and Pounds sterling, $92.0 billion and $31.8 billion relates to futures and options products and $6.2 billion and $6.3 billion relates to cleared OTC European CDS instruments for those years ended December 31, 2021 and 2020.

Other Deposits

Non-cash initial margin and guaranty fund deposits are not reflected in the accompanying consolidated balance sheets as the risks and rewards of these assets remain with the clearing members unless the clearing houses have sold or re-pledged the assets or in the event of a clearing member default, where the clearing member is no longer entitled to redeem the assets. Any income, gain or loss accrues to the clearing members.

In addition to the cash deposits above, we have also received other assets from members, which include government obligations, and may include other non-cash collateral such as on rare occasions gold, to mitigate credit risk. For certain deposits, we 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 members. Any gain or loss accrues to the member. The Clearing House does not, in the ordinary course, rehypothecate or re-pledge these assets. These assets are not reflected in our balance sheets.

The total net amount of non-cash collateral at face value held in respect of initial margin was $58.2 billion and $36.3 billion at December 31, 2021 and 2020, respectively and in respect of the guaranty funds was $740.2 million and $508.2 million at December 31, 2021 and 2020, respectively.

7. Clearing House Exposure

The Company bears financial counterparty credit risk and provides a central counterparty guarantee, or performance guarantee, to its clearing members or participants. To reduce our disclosure, we have a risk management program with both initial and ongoing membership standards.

Calculations were performed to determine the fair value of the company’s counterparty performance guarantee taking into consideration factors such as daily settlement of contracts, margining and collateral requirements, other elements of the Company’s risk management program, historical evidence of default payments, and estimated probability of potential default payouts. Based on these analyses, the estimated counterparty performance guaranty liability was determined to be nominal and no liability was recorded as of December 31, 2021 or 2020. The Company has not experienced an incident of a clearing member default which has required the use of the guaranty funds of non-defaulting clearing members or the assets of the Company.

8. Commitments and Contingencies

In the ordinary course of our business, from time to time we are subject to legal proceedings, lawsuits, government investigations and other claims with respect to a variety of matters. In addition, we are subject to periodic reviews, inspections, examinations and investigations by regulators, any of which may result in claims, legal proceedings, assessments, fines, penalties, restrictions on our business or other sanctions. We record estimated expenses and reserves for legal or regulatory matters or other claims when these matters present loss contingencies that are probable and the related amount is reasonably estimable. Any such accruals may be adjusted as circumstances change. Assessments of losses are inherently subjective and involve unpredictable factors. While the outcome of legal and regulatory matters is inherently difficult to predict and/or the range of loss often cannot be reasonably estimable, we do not believe that the liabilities, if any, which may ultimately result from the resolution of the various legal and regulatory matters that arise in the ordinary course of our business, including the matters described below, are likely to have a material adverse effect on our financial condition, results of operations, or liquidity. It is possible, however, that future results of operations for any particular period could be materially and adversely affected by any developments relating to these legal and regulatory matters. The Company does not have any ongoing material lease commitments.

9. Income Taxes

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

For the years ended December 31, 2021 and 2020, the current tax expense recognised in the Statements of Comprehensive Income was $213.1 million and $183.4 million, respectively.

For the years ended December 31, 2021 and 2020, the deferred tax expense/(credit) recognised in the Statements of Comprehensive Income was $98 thousand and $(39) thousand, respectively.

The tax effects of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases which give rise to deferred tax liabilities or assets as of December 31, 2021 and 2020 are as follows (in thousands):

	December 31, 2021	**December 31, 2020**
Deferred Tax Assets:		
Other deferred assets including Stock-based Compensation	$565	$629
Property and Equipment	($77)	($43)
Total Deferred Tax Assets	$488	$586
Valuation Allowances	—	—
Total Deferred Tax Assets, net of Valuation Allowances	$488	$586
Deferred Tax Liabilities:		
Total Deferred Tax Liabilities	—	—
Net Deferred Tax Asset	$488	$586
Reported as:		
Net Noncurrent Deferred Tax asset	$488	$586
Net Deferred Tax Asset	$488	$586

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

For the year ended December 31, 2021, the Company had no unrecognised tax benefits. Based on an evaluation of these requirements, no provisions for uncertain tax positions have been made. The Company's effective tax rate for the year ended December 31, 2021 is 19%, no change from 19% for the year ended December 31, 2020.

10. Investments

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

11. Share-Based Compensation

ICE sponsors employee and director stock option and restricted stock plans for the Company. The non-cash compensation expense for options and restricted stock was $2,317 thousand in 2021 (2020: $2,420 thousand) and was recognised in the accompanying Statements of Comprehensive Income.

Stock Option Plans

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

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

The following is a summary of the stock option activity:

	2021 Number of options	2021 Weighted average exercise price	2020 Number of options	2020 Weighted average exercise price
Outstanding at 1 January	—	$—	32,074	$69.70
Granted	—	$—	—	$—
Forfeited	—	$—	(15,557)	$73.35
Exercised	—	$—	(16,517)	$66.26
Outstanding at 31 December	—	$—	—	$—
Exercisable at 31 December	—	$—	—	$—

The weighted average share price for options exercised 2020 was $66.26. The total charge for the year relating to share options under employee share-based payment plans was $nil (2020: $25 thousand) all of which related to equity-settled share-based payment transactions. The intrinsic value of exercised options during the year ended December 31, 2020 was $541 thousand. We use the Black-Scholes option pricing model to value our stock option awards. During 2020 we used the assumptions in the table below to compute the value:

Assumptions	**Year ended December 31 2020**
Expected volatility	20%
Expected life (years)	5.8
Risk-free interest rate	1.46%
Expected dividend yield	1.30%
Estimated weighted-average fair value of options granted per share	$16.65

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

Restricted stock plans

Restricted shares are used as an incentive to attract and retain qualified employees and to align our and our stockholders' interests by linking actual performance to both short and long-term stockholder return as well as retention objectives. The grant date fair value of each award is based on the closing stock price of ICE stock at the date of grant.

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

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

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

For awards with a market condition, fair value is estimated based on a simulation of various outcomes and includes inputs such as ICE stock price on the grant date, the valuation of historical awards with market conditions, the probability that the market condition will affect the number of shares granted (as the market condition only affects shares granted in excess of certain financial performance targets), and our expectation of achieving the financial performance targets.

A reconciliation of restricted share movements over the year to December 31, 2021 and 2020 is shown below:

	2021 Number of shares	2021 Weighted average fair value	2020 Number of shares	2020 Weighted average fair value
Outstanding at 1 January	74,813	$86.15	113,142	$71.55
Granted	33,695	$115.59	47,513	$92.90
Transfers	6,330	$97.28	(3,659)	$55.34
Performance grant adjustments	2,226	$92.63	(929)	$76.16
Forfeited	(19,012)	$94.87	(24,515)	$75.68
Vested	(40,830)	$84.47	(56,739)	$68.84
Outstanding at 31 December	57,222	$103.27	74,813	$86.15

Restricted stock shares granted in the table above include both time-based and performance-based grants. Performance-based stock awarded in prior years has been adjusted to reflect the actual stock to be issued based on the achievement of past performance targets, also considering the impact of any market conditions. The fair value per restricted share granted is the market value of the share on the date of grant. The weighted average share price during the period for restricted stock vested over the year was $114.09 (2020: $95.18). The total charge for the year relating to restricted stock under the employee share-based payment plans was $2,203 thousand (2020: $2,292 thousand).

Employee Stock Purchase Plan

The Company's employees are offered participation in the Group ESPP, under which ICE has reserved and may sell up to 25 million shares of its common stock to employees. The ESPP grants participating employees the right to acquire ICE stock in increments of 1% of eligible pay, with a maximum contribution of 25% of eligible pay, subject to applicable annual Internal Revenue Service, or IRS, limitations. Under the ESPP, participating employees are limited to $25,000 of common stock annually, and a maximum of 1,250 shares of common stock each offering period. There are two offering periods each year, from January 1st (or the first trading day thereafter) through June 30th (or the last trading day prior to such date) and from July 1st (or the first trading day thereafter) through December 31st (or the last trading day prior to such date). The purchase price per share of common stock is 85% of the lesser of the fair market value of the stock on the first or the last trading day of each offering period. We recorded compensation expenses of $114 thousand and $100 thousand during 2021 and 2020, respectively, related to the 15% discount given to our participating employees.

12. Pension commitments

The Company operates money purchase pension schemes (defined contribution schemes) for eligible employees. The assets of the schemes are held separately from those of the Company in independently administered funds. There were no contributions outstanding at December 31, 2021 or 2020. Defined pension contributions was $1.2 million the year ended December 31, 2021 (2020: $1.0 million).

13. Fair Value Measurements

Financial assets and liabilities recorded or disclosed at fair value in the accompanying balance sheets as of December 31, 2021 and 2020 are classified in their entirety based on the lowest level of input that is significant to the asset or liability's fair value measurement.

Our financial instruments consist primarily of cash and cash equivalents, short-term and long-term restricted cash and investments, customer accounts receivable, margin and guaranty fund contributions, invested deposits and certain other short-term assets and liabilities. See Note 6 for the fair value considerations related to our margin deposits and guaranty funds.

Financial instruments measured at fair value on a recurring basis as of December 31, 2021 are as follows (in millions):

	Level 1	Level 2	Level 3	Total
Assets at fair value:				
U.S. Treasury and Other Foreign Government Securities	797	—	—	797
Total assets at fair value	797	—	—	797

Financial instruments measured at fair value on a recurring basis as of December 31, 2020 are as follows (in millions):

	Level 1	Level 2	Level 3	Total
Assets at fair value:				
U.S. Treasury and Other Foreign Government Securities	736	—	—	736
Total assets at fair value	736	—	—	736

As of December 31, 2021, the Company held $797 million in U.S. Treasury and other foreign government securities which are considered cash equivalents. Of these securities, $550 million were recorded as cash and cash equivalents and short-term restricted cash and cash equivalents and $247 million were recorded as cash and cash equivalents and long-term restricted cash and cash equivalents in the accompanying balance sheets as of December 31, 2021.

As of December 31, 2020, the Company held $736 million in U.S. Treasury and other foreign government securities which are considered cash equivalents. Of these securities, $495 million were recorded as cash and cash equivalents and short-term restricted cash and cash equivalents and $241 million were recorded as cash and cash equivalents and long-term restricted cash and cash equivalents in the accompanying balance sheets as of December 31, 2020.

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

14. Subsequent Events

The Company has evaluated subsequent events through February 21, 2022, the date of issuance of the financial statements and determined that no events or transactions met the definition of a subsequent event for purposes of recognition or disclosure in the accompanying financial statements.