

FINANCIAL STATEMENTS

ICE Clear Europe Limited
Years Ended December 31, 2022 and 2021
With Report of Independent Registered Public Accounting Firm

ICE Clear Europe Limited

Financial Statements

Years Ended December 31, 2022 and 2021

Contents

Report of Independent Registered Public Accounting Firm	1
Financial Statements	
Balance Sheets	2
Statements of Comprehensive Income	3
Statements of Changes in Shareholder's Equity	4
Statements of Cash Flows	5
Notes to Financial Statements	7-24

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, 2022 and 2021, 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, 2022 and 2021, 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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

Ernst & Young LLP

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

London, United Kingdom

27 February 2023

ICE Clear Europe Limited

Balance Sheets

(Dollars, In Thousands, except share data)

	December 31, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 216,524	\$ 136,999
Short-term restricted cash and cash equivalents	730,000	550,000
Customer accounts receivable	136,588	154,410
Income tax receivable	1,126	1,167
Due from affiliates	5,297	5,237
Cash and cash equivalent margin deposits and guaranty funds	102,788,805	95,021,563
Invested margin deposits	2,615,854	3,163,931
Prepaid expenses and other current assets	143,824	31,971
Total current assets	<u>106,638,018</u>	<u>99,065,278</u>
Property and equipment, net	<u>931</u>	<u>430</u>
Non-current assets:		
Long-term restricted cash and cash equivalents	247,000	247,000
Deferred tax asset	898	488
Other non-current assets	32,596	20,601
Total non-current assets	<u>280,494</u>	<u>268,089</u>
Total assets	<u><u>\$ 106,919,443</u></u>	<u><u>\$ 99,333,797</u></u>
Liabilities and shareholder equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 260,400	\$ 44,580
Accrued salaries and benefits	4,422	5,217
Deferred revenue	12,196	14,670
Due to affiliates	38,946	40,784
Margin deposits and guaranty funds	102,788,805	95,021,563
Invested margin deposits	2,615,854	3,163,931
Total current liabilities	<u>105,720,623</u>	<u>98,290,745</u>
Total liabilities	<u>105,720,623</u>	<u>98,290,745</u>
Shareholders' equity:		
Share capital, \$1 nominal value; 257,000,100 and 257,000,100 shares allotted at December 31, 2022 and 2021 respectively	257,000	257,000
Contributed capital	9,072	9,072
Additional paid-in capital	(24,156)	(23,034)
Retained earnings	956,904	800,014
Total shareholders' equity	<u>1,198,820</u>	<u>1,043,052</u>
Total liabilities and shareholders' equity	<u><u>106,919,443</u></u>	<u><u>99,333,797</u></u>

ICE Clear Europe Limited

Statements of Comprehensive Income

(Dollars, In Thousands)

	Year ended December 31, 2022	Year ended December 31, 2021
Revenues		
Clearing fees, net	\$ 1,237,705	\$ 1,362,329
Affiliate revenues	512	567
Other revenues	220,150	104,593
Total revenues	<u>1,458,367</u>	<u>1,467,489</u>
Operating expenses		
Compensation and benefits	29,226	29,543
Professional services	4,462	9,343
Selling, general and administrative	43,714	40,688
Service and license fees to affiliates	235,136	249,530
Depreciation and amortisation	384	304
Total operating expenses	<u>312,922</u>	<u>329,408</u>
Operating income	<u>1,145,445</u>	<u>1,138,081</u>
Other income/(expense):		
Interest income	13,527	165
Interest expense	(2,344)	(2,637)
Other income/(expense), net	<u>(5,498)</u>	<u>(12,826)</u>
Total Other income, net	<u>5,685</u>	<u>(15,298)</u>
Income before income taxes	1,151,130	1,122,783
Income tax (expense)	<u>(218,240)</u>	<u>(213,188)</u>
Net income	<u>\$ 932,890</u>	<u>\$ 909,595</u>
Total Comprehensive Income	<u><u>\$ 932,890</u></u>	<u><u>\$ 909,595</u></u>

ICE Clear Europe Limited

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, 2021	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
Dividends paid	—	—	—	(776,000)	(776,000)
Stock-based compensation	—	—	(1,122)	—	(1,122)
Net income	—	—	—	932,890	932,890
Balance at December 31, 2022	257,000	9,072	(24,156)	956,904	1,198,820

ICE Clear Europe Limited

Statements of Cash Flows

(Dollars, In Thousands)

	Year ended December 31, 2022	Year ended December 31, 2021
Operating activities		
Net income	\$ 932,890	\$ 909,595
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortisation	384	304
Foreign currency remeasurement, net	5,498	3,754
Deferred taxes	(410)	98
Stock-based compensation	2,659	2,317
Changes in assets and liabilities:		
Customer accounts receivable	17,822	(17,184)
Prepaid expenses and other assets	(111,853)	(19,938)
Income tax	41	1,063
Due to affiliates, net	(5,679)	(4,468)
Accounts payable and accrued liabilities	215,820	18,587
Other current and non-current liabilities	(3,269)	(1,879)
Other non-current assets	(11,995)	(11,463)
Total adjustments	<u>109,018</u>	<u>(28,809)</u>
Net cash provided by operating activities	<u>1,041,908</u>	<u>880,786</u>
Investing activities		
Capital expenditures	(885)	(296)
Purchases of invested margin deposits	(6,934,834)	(5,074,996)
Proceeds from sales of invested margin deposits	7,482,911	3,685,861
Net cash provided by/(used in) investing activities	<u>547,192</u>	<u>(1,389,431)</u>
Financing activities		
Issuance of common stock	—	10,000
Capital contributed during the year	—	9,072
Dividend paid	(776,000)	(795,000)
Change in cash and cash equivalent margin deposits and guaranty funds	<u>7,219,165</u>	<u>60,085,237</u>
Net cash provided by financing activities	<u>6,443,165</u>	<u>59,309,309</u>

ICE Clear Europe Limited

Statements of Cash Flows

(Dollars, In Thousands)

	Year ended December 31, 2022	Year ended December 31, 2021
Effect of exchange rate changes on cash, cash equivalents, restricted cash and cash equivalents, and cash and cash equivalent margin deposits and guaranty funds	(5,498)	(3,754)
Net increase in cash, cash equivalents, and restricted cash and cash equivalents, and cash and cash equivalent margin deposits and guaranty funds	8,032,265	58,800,664
Cash, cash equivalents, restricted cash and cash equivalents, and cash and cash equivalent margin deposits and guaranty funds at beginning of year	95,955,562	37,158,652
Cash, cash equivalents, restricted cash and cash equivalents, and cash and cash equivalent margin deposits and guaranty funds at end of year	<u>\$ 103,982,329</u>	<u>\$ 95,955,562</u>
Supplemental cash flow disclosure		
Cash paid for income taxes	<u>\$ 218,553</u>	<u>\$ 213,304</u>
Interest paid	<u>\$ 344</u>	<u>\$ 332</u>

ICE Clear Europe Limited

Notes to Financial Statements

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 Organization ('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 to third-party execution venues. Between these exchanges it clears energy, agricultural, interest rates and equity index futures and options contracts and OTC (predominantly) European CDS instruments.

The Company has announced its intention to cease to act as a clearing house in relation to all classes of CDS contracts it currently clears. The proposed withdrawal date is 27 October 2023.

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.

ICE Clear Europe Limited

Notes to Financial Statements

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.

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

Initial margin, variation margin and guaranty funds received 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, and exclude invested margin deposits, delivery contracts receivable and unsettled variation margin since those amounts represent invested cash and not a form of restricted cash.

Invested Margin Deposits

We classify all margin deposits and guaranty fund investments that are not cash and cash equivalents with original maturity dates of less than one year as short-term investments, included as invested margin deposits in current assets in the balance sheets.

Statements of Cash Flows Presentation

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:

<i>\$ in thousands</i>	As of December 31, 2022	As of December 31, 2021
Cash and cash equivalents	216,524	136,999
Short term restricted cash and cash equivalents	730,000	550,000
Long term restricted cash and cash equivalents	247,000	247,000
Margin deposits and guaranty funds	102,788,805	95,021,563
Total	<u>103,982,329</u>	<u>95,955,562</u>

Notes to Financial Statements

Property and Equipment

Property and equipment is recorded at cost, reduced by accumulated depreciation (see 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

Under ASU 2016-13, Financial Instruments - Measurement of Credit Losses on Financial Instruments, or 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 when collection efforts cease.

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 2022 and 2021 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.

ICE Clear Europe Limited

Notes to Financial Statements

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.

ICE Clear Europe Limited

Notes to Financial Statements

Clearing fees are recorded net of certain incentives and revenue share agreements of \$443.9 million for the year ended December 31, 2022 and \$452.1 million for the year ended December 31, 2021. 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 (see 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 (see 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.

ICE Clear Europe Limited

Notes to Financial Statements

Credit Risk and Significant Customers

We are exposed to credit risk as a result of maintaining clearing member cash deposits at various financial institutions (see 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 house passes 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- and euro -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- and pounds sterling-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 18% and 11%, respectively, of our futures and options contracts revenue for the year ended December 31, 2022 and 15% and 10%, respectively, of the Company's futures and options contracts revenue for the year ended December 31, 2021.

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.

Notes to Financial Statements

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 (see 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. 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 2022 or 2021.

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 \$5,498 thousand, and \$3,754 thousand for the years ended December 31, 2022 and 2021, respectively.

Notes to Financial Statements

Recently Adopted Accounting Pronouncements

Standard/Description	Effective Date and Adoption Considerations	Effect on Financial Statements
ASU No. 2016-13, <i>Financial Instruments - Measurement of Credit Losses on Financial Instruments</i> , 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.
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.

We do not currently expect that any pending accounting pronouncements will have a material impact on our financial statements.

ICE Clear Europe Limited

Notes to Financial Statements

3. Restricted Cash and Cash equivalents

Short-term restricted cash

The Company operates as a U.K. Recognised Clearing House and as such is required by the BOE and the European Market Infrastructure Regulation, or EMIR, to restrict as cash, cash equivalents or investments 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, 2022 and 2021, \$730 million and \$550 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, 2022 was due to a combination of the growth of the business, a related increase in costs, increased resilience in respect of current market based risks and 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. 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, 2022 and December 31, 2021:

	December 31, 2022	Depreciation Period
	<i>(In Thousands)</i>	<i>(In Years)</i>
Software and internally developed software	\$ 2,753	3
Computer and network equipment	105	3
	<u>2,858</u>	
Less accumulated depreciation	(1,927)	
Property and equipment, net	<u>\$ 931</u>	

For the year ended December 31, 2022, accumulated depreciation of software and internally developed software was \$1.8 million, and accumulated depreciation of all other property and equipment was \$0.1 million.

ICE Clear Europe Limited

Notes to Financial Statements

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

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.

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, 2022 and 2021, the Company has recorded \$235.1 million and \$249.5 million, respectively, for these affiliate charges. These affiliates include, but are not limited to: Intercontinental Exchange Holdings, Inc., ICE Futures Europe and ICE Futures U.S., Inc.

At December 31, 2022 and 2021, the Company owed its affiliates \$38.9 million and \$40.8 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, 2022 and 2021 of \$776 million and \$795 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 \$357.5 million and \$384.0 million for the years ended December 31, 2022 and December 31, 2021, respectively, and such expense is recorded net in Clearing fee revenue in the accompanying Statements of Comprehensive Income.

Notes to Financial Statements

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 to third-party execution venues. Between these 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 contribution to providing 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 are reviewed by the relevant regulators, independent model validators, risk committees and the board 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 and default insurance, 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

ICE Clear Europe Limited

Notes to Financial Statements

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 (2021: \$247 million) to its guaranty fund including exchange contributions of \$72 million (2021: \$72 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. 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 renewed in September 2022 and has a three-year term for \$100 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 Margin 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, 2022, the total amount of cash and invested deposits held in respect of margin was \$101.2 billion (2021: \$94.0 billion) and in respect of the guaranty funds was \$4.2 billion (2021: \$4.2 billion).

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 then in effect for such contracts, as well as the extent to which we invest in non-cash and cash equivalents. 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 \$19.9 billion and \$9.3 billion and invested deposits of \$2.6 billion and \$3.2 billion at December 31, 2022 and 2021, respectively is secured through direct investments in sovereign debt. Cash held of \$65.4 billion and \$25.5 billion at December 31, 2022 and 2021, respectively is secured in reverse repurchase agreements with primarily overnight maturities. Cash held of \$152.9 million and \$231.2 million at December 31, 2022 and 2021, respectively is held in demand deposits.

ICE Clear Europe Limited

Notes to Financial Statements

The Company maintains a euro-denominated account at the European Central Bank, or ECB, as well as pounds sterling- and euro-denominated accounts 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 repo markets may temporarily become contracted. The Company held the equivalent of \$12.5 billion and \$53.7 billion at the ECB at December 31, 2022 and 2021, respectively, and \$4.9 billion and \$6.3 billion at the BOE at December 31, 2022 and 2021, 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 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, 2022 the Company had \$1.0 billion in Committed Repos to finance U.S. dollar, euro and pound Sterling sovereign debt deposits (2021: \$1.0 billion).

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 \$105.4 billion and \$98.2 billion as of December 31, 2022 and 2021, respectively, which are primarily held in U.S. dollars, Euros and Pounds sterling, \$97.6 billion and \$92.0 billion relates to futures and options products and \$7.8 billion and \$6.2 billion relates to cleared OTC European CDS instruments for those years ended December 31, 2022 and 2021.

Other Deposits

Non-cash initial margin and guaranty fund deposits are not reflected in the accompanying balance sheets as the risks and rewards of these assets remain with the clearing members unless the Clearing House has 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 \$75.0 billion and \$58.2 billion at December 31, 2022 and 2021, respectively and in respect of the guaranty funds was \$640.8 million and \$740.2 million at December 31, 2022 and 2021, respectively.

Notes to Financial Statements

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 exposure, the Company has 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, 2022 or 2021. 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, 2022 and 2021, the current tax expense recognised in the Statements of Comprehensive Income was \$218.7 million and \$213.1 million, respectively.

For the years ended December 31, 2022 and 2021, the deferred tax (credit)/expense recognised in the Statements of Comprehensive Income was \$(410) thousand and \$98 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, 2022 and 2021 are as follows (in thousands):

ICE Clear Europe Limited

Notes to Financial Statements

	December 31, 2022	December 31, 2021
Deferred Tax Assets:		
Other deferred assets including Stock-based Compensation	\$848	\$565
Property and Equipment	\$50	(\$77)
Total Deferred Tax Assets	<u>\$898</u>	<u>\$488</u>
Valuation Allowances	—	—
Total Deferred Tax Assets, net of Valuation Allowances	<u>\$898</u>	<u>\$488</u>
Deferred Tax Liabilities:		
Total Deferred Tax Liabilities	<u>—</u>	<u>—</u>
Net Deferred Tax Asset	<u>\$898</u>	<u>\$488</u>
Reported as:		
Net Noncurrent Deferred Tax asset	<u>\$898</u>	<u>\$488</u>
Net Deferred Tax Asset	<u>\$898</u>	<u>\$488</u>

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, 2022, 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, 2022 is 19%, no change from 19% for the year ended December 31, 2021.

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 restricted stock plans and an employee stock purchase plan for the Company. The non-cash compensation expense for restricted stock and the employee stock purchase plan was \$2,659 thousand in 2022 (2021: \$2,317 thousand) and was recognised in the accompanying Statements of Comprehensive Income.

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.

ICE Clear Europe Limited

Notes to Financial Statements

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, 2022 and 2021 is shown below:

	2022	2022	2021	2021
	Number of	Weighted	Number of	Weighted
	shares	average	shares	average
		fair value		fair value
Outstanding at 1 January	57,222	\$103.27	74,813	\$86.15
Granted	31,685	\$121.97	33,695	\$115.59
Transfers	1,653	\$84.79	6,330	\$97.28
Performance grant adjustments	1,072	\$114.19	2,226	\$92.63
Forfeited	(8,569)	\$108.65	(19,012)	\$94.87
Vested	(32,820)	\$100.04	(40,830)	\$84.47
Outstanding at 31 December	<u>50,243</u>	\$115.88	<u>57,222</u>	\$103.27

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 \$118.85 (2021: \$114.09). The total charge for the year relating to restricted stock under the employee share-based payment plans was \$2,513 thousand (2021: \$2,203 thousand).

ICE Clear Europe Limited

Notes to Financial Statements

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. 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 \$146 thousand and \$114 thousand during 2022 and 2021, 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, 2022 or 2021. Defined pension contributions were \$1.2 million for the year ended December 31, 2022 (2021: \$1.2 million).

13. Fair Value Measurements

Financial assets and liabilities recorded or disclosed at fair value in the accompanying balance sheets as of December 31, 2022 and 2021 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 margin 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, 2022 are as follows (in millions):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets at fair value:				
U.S. Treasury and Other Foreign Government Securities	980	—	—	980
Total assets at fair value	<u>980</u>	<u>—</u>	<u>—</u>	<u>980</u>

ICE Clear Europe Limited

Notes to Financial Statements

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

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

As of December 31, 2022, the Company held \$980 million in U.S. Treasury and other foreign government securities which are considered cash equivalents. Of these securities, \$730 million were recorded as short-term restricted cash and cash equivalents, \$3 million were recorded as cash and cash equivalents and \$247 million were recorded as long-term restricted cash and cash equivalents in the accompanying balance sheets as of December 31, 2022.

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 short-term restricted cash and cash equivalents and \$247 million were recorded as long-term restricted cash and cash equivalents in the accompanying balance sheets as of December 31, 2021.

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 24, 2023, 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.