FINANCIAL STATEMENTS

ICE Clear Europe Limited
Years Ended December 31, 2019 and 2018
With Report of Independent Registered Public Accounting Firm

ICE Clear Europe Limited

Financial Statements

Years Ended December 31, 2019 and 2018

Contents

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, 2019 and 2018, the related statements of comprehensive income, shareholders' equity and cash flows for the years then ended, and the related notes and schedules (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, 2019 and 2018, 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.

Andy Bates

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

London, United Kingdom

27 February 2020

Balance Sheets

(Dollars, In Thousands, except share data)

	December 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 251,658	$ 60,105
Short-term restricted cash and cash equivalents	465,000	435,000
Customer accounts receivable	120,317	111,037
Due from affiliates	6,361	4,774
Margin and guaranty fund contributions	32,462,648	30,863,845
Prepaid expenses and other current assets	14,378	34,157
Total current assets	33,320,362	31,508,918
Property and equipment, net	503	571
Non-current assets:		
Long-term restricted cash and cash equivalents	233,000	206,000
Deferred tax asset	548	795
Other noncurrent assets	7,834	7,897
Total noncurrent assets	241,382	214,692
Total assets	$ 33,562,247	$ 31,724,181
Liabilities and shareholder equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 34,068	$ 38,369
Accrued salaries and benefits	5,881	4,872
Deferred revenue	12,103	8,520
Income tax payable	79,300	74,731
Due to affiliates	33,752	33,297
Margin and guaranty fund contributions	32,462,648	30,863,845
Total current liabilities	32,627,752	31,023,634
Noncurrent liabilities:		
Other noncurrent liabilities	1,193	–
Total noncurrent liabilities	1,193	–
Total liabilities	32,628,945	31,023,634
Shareholders' equity:		
Share capital, $1 nominal value; 243,000,100 and 216,000,100 shares alloted at December 31, 2019 and 2018 respectively	243,000	216,000
Additional paid-in capital	(16,657)	(14,723)
Retained earnings	706,959	499,270
Total shareholders' equity	933,302	700,547
Total liabilities and shareholders' equity	$ 33,562,247	$ 31,724,181

ICE Clear Europe Limited

Statements of Comprehensive Income
(Dollars, In Thousands)

	Year ended December 31, 2019	Year ended December 31, 2018
Revenues		
Clearing fees, net	$ 1,091,273	$ 1,071,712
Affiliate revenues	296	219
Other revenues	50,445	42,688
Total revenues	1,142,014	1,114,619
Operating expenses		
Compensation and benefits	25,944	24,510
Professional services	4,579	6,126
Selling, general and administrative	40,357	19,809
Service and licence fees to affiliates	206,013	204,278
Depreciation and amortisation	362	280
Total operating expenses	277,255	255,003
Operating income	864,759	859,616
Other income/(expense):		
Interest income	15,589	11,649
Interest expense	(2,112)	(2,256)
Other income/(expense), net	(42)	(961)
Total Other income, net	13,435	8,432
Income before income taxes	878,194	868,048
Income tax (expense)	(166,505)	(159,129)
Net income	$ 711,689	$ 708,919
Total Comprehensive Income	$ 711,689	$ 708,919

ICE Clear Europe Limited

Statements of Changes in Shareholder's Equity

(Dollars, In Thousands)

	Share Capital	Additional paid-in capital	Retained Earnings	Total Shareholder Equity
Balance at 1 January, 2018	$ 160,000	$ (7,353)	$ 469,351	$ 621,998
Dividends paid	–	–	(679,000)	(679,000)
Stock-based compensation	–	(7,370)	–	(7,370)
Net income	–	–	708,919	708,919
Issuance of common stock	56,000	–	–	56,000
Balance at December 31, 2018	$ 216,000	$ (14,723)	$ 499,270	$ 700,547
Dividends paid	–	–	(504,000)	(504,000)
Stock-based compensation	–	(1,934)	–	(1,934)
Net income	–	–	711,689	711,689
Issuance of common stock	27,000	–	–	27,000
Balance at December 31, 2019	$ 243,000	$ (16,657)	$ 706,959	$ 933,302

ICE Clear Europe Limited

Statements of Cash Flows
(Dollars, In Thousands)

	Year ended December 31, 2019	Year ended December 31, 2018
Operating activities		
Net income	$ 711,689	$ 708,919
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortisation	362	280
Foreign currency remeasurement, net	42	793
Deferred taxes	247	35
Stock-based compensation	3,611	3,606
Changes in assets and liabilities:		
Customer accounts receivable	(9,280)	(5,253)
Prepaid expenses and other assets	19,779	(21,178)
Income tax payable	4,569	2,518
Due to affiliates, net	(6,677)	(11,687)
Accounts payable and accrued liabilities	(4,301)	9,602
Other current and noncurrent liabilities	5,785	2,758
Other noncurrent assets	63	(130)
Total adjustments	14,200	(18,656)
Net cash provided by operating activities	725,889	690,263
Investing activities		
Capital expenditures	(294)	(403)
Net cash used in investing activities	(294)	(403)
Financing activities		
Issuance of common stock	27,000	56,000
Dividend paid	(504,000)	(679,000)
Net cash used in financing activities	(477,000)	(623,000)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash and cash equivalents	(42)	(793)
Net increase in cash, cash equivalents, and restricted cash and cash equivalents	248,595	66,860
Cash, cash equivalents, and restricted cash and cash equivalents at beginning of year	701,105	635,038
Cash, cash equivalents, and restricted cash and cash equivalents at end of year	$ 949,658	$ 701,105
Supplemental cash flow disclosure		
Cash paid for income taxes	$ 164,355	$ 154,333
Interest paid	$ 127	$ 133

1. Formation, Organisation and Description of the Business

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

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

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

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Cash and Cash Equivalents

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

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

The Company classifies 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. The Company also invests a portion of funds in excess of short-term operating needs in term deposits and investment-grade marketable debt securities, including government and government-sponsored agencies. These are classified as cash equivalents, are short-term in nature and the carrying amount approximates fair value.

Customer Accounts Receivable

Customer accounts receivable primarily consists of clearing fees earned by the Company. Management performs periodic credit evaluations of its customers' financial condition and generally does not require collateral. Estimated credit losses are recorded as an allowance against accounts receivable and are based on management's estimates as a result of its evaluation of the collectability of accounts receivable based on customer financial condition, economic conditions and other factors. Accounts are written off when deemed uncollectible by management. The Company historically has not experienced material credit losses and therefore no allowance for doubtful accounts was required as of December 31, 2019 and 2018.

2. Summary of Significant Accounting Policies (continued)

Margin and Guaranty Fund contributions

Original margin, variation margin and guaranty funds held by the Company for clearing members may be in the form of cash, government obligations or gold. Cash and cash equivalent original margin, variation margin and guaranty fund contributions are reflected as current assets and current liabilities. The amount of margin on hand will fluctuate over time as a result of, among other things, the extent of open positions held at any point in time by market participants in contracts and the margin rates then in effect for such contracts. Changes in margin accounts are not reflected in the statements of cash flows. Non-cash and cash equivalent original margin and guaranty fund contributions are not reflected in the accompanying balance sheets as the risks and rewards of these assets remain with the clearing members unless the Company has sold or 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.

Property and Equipment

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

Software Development Costs

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

2. Summary of Significant Accounting Policies (continued)

Derivatives and Hedging Activity

Periodically the Company may use derivative financial instruments to manage exposure to changes in foreign currency exchange rates. All derivatives are recorded at fair value. The Company does not generally designate these derivatives as hedges for accounting purposes. Accordingly, changes in the fair value are recognised in income. For the years ended December 31, 2019 and 2018, the Company recognised \$3.0 million and \$4.0 million in fair value gains, respectively, on derivatives.

Income Taxes

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

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

Revenue Recognition

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

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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

Substantially all of the Company's revenues are considered to be revenues from contracts with customers. The related accounts receivable balances are recorded in the Company's balance sheets as customer accounts receivable. The Company does not have obligations for warranties, returns or refunds to customers, other than the rebates, which are settled each period and therefore do not result in variable consideration. The Company does not have significant revenue recognised from performance obligations that were satisfied in prior periods, and does 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. The Company believes that these represent a faithful depiction of the transfer of services to our customers.

Clearing fees contain two performance obligations: (1) trade execution/clearing novation and (2) risk management of open interest. While 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 represents our contract liabilities related to our clearing services. Deferred revenue is our only significant contract asset or liability.

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

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Clearing fees are recorded net of rebates, revenue share agreements and other incentives of $370.3 million for the year ended December 31, 2019 and $406.6 million for the year ended December 31, 2018. The Company offers rebates in certain markets primarily to support market liquidity and trading volume by providing qualified participants in those markets a discount to the applicable commission rate. Such rebates are calculated based on volumes traded. Clearing fees can be variable based on trade volume discounts used in the determination of rebates, however, virtually all volume discounts are calculated and recorded on a monthly basis. The Company also has revenue share agreements and incentive programs in place with certain ICE group affiliate execution venues. These are at varying rates and are determined based on revenue or volumes, subject to certain minimum requirements being met. Revenue is also stated exclusive of value added tax. 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

ICE currently sponsors stock option plans, restricted stock plans and ICE's Employee Stock Purchase Plan, or ESPP, to provide additional and incentive-based compensation to group employees and directors (Note 11). The Company measures and recognises the compensation expense for all 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.

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

2. Summary of Significant Accounting Policies (continued)

Stock-based Compensation (continued)

Under the ESPP, employees may purchase shares of ICE 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. The Company records compensation expenses related to the 15% discount given to participating employees.

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

Credit Risk and Significant Customers

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

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

2. Summary of Significant Accounting Policies (continued)

Credit Risk and Significant Customers (continued)

The Company maintains a euro-denominated account at the De Nederlandsche Bank, or DNB, the central bank of the Netherlands, as well as 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 the euro and pounds sterling repo markets may temporarily become contracted. Such accounts are intended to decrease the Company’s custodial, liquidity and operational risk as compared to alternative custodial and investment arrangements.

Revenue from one clearing member accounted for 19% of the Company’s futures and options contracts revenue for the year ended December 31, 2019 and 20% of the Company’s futures and options contracts revenue for the year ended December 31, 2018.

Foreign Currency Exchange Rate Risk

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

Interest Rate Risk

The Company has exposure to market risk for changes in interest rates relating to its cash and cash equivalents, short-term and long-term restricted cash and cash equivalents and investment balances it holds. The Company's cash is subject to interest rate volatility and is invested according to the Company's operating cash requirements; it is not used for trading or other speculative purposes.

2. Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

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

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

The Company uses Level 1 inputs to determine fair value. The Level 1 assets consist of U.S. Treasury and other foreign government securities, equity and other securities listed in active markets. All other financial instruments are determined to approximate carrying value due to the short period of time to their maturities. 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 2019 or 2018.

Foreign Currency Transaction Gains and Losses

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

The Company has foreign currency transaction gains and losses related to the settlement of foreign currency denominated assets and liabilities that occur through its operations. The transaction gains and losses are due to the increase or decrease in the foreign currency exchange rates between periods. Forward contracts on foreign currencies 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 $42 thousand, and $793 thousand for the years ended December 31, 2019 and 2018, respectively.

2. Summary of Significant Accounting Policies (continued)

Recently Adopted Accounting Pronouncements

Standard/Description	**Effective Date and Adoption Considerations**	**Effect on Financial Statements**
ASU No. 2016-02, *Leases*, requires entities to recognise both assets and liabilities arising from finance and operating leases, along with additional qualitative and quantitative disclosures.	Adopted on January 1, 2019.	Adoption did not result in any material effect on the financial statements.
ASU 2018-07, *Compensation–Stock Compensation (Topic 718)* - *Improvements to Nonemployee Share-Based Payment Accounting*, or ASU 2018-07 aligns the accounting for share-based payment awards issued to employees and nonemployees. Under this new guidance, the existing employee guidance will now apply to nonemployee share-based transactions.	Effective for fiscal years beginning after December 15, 2018. Adopted on January 1, 2019.	This guidance will be applied to all new awards granted after the date of adoption, and adoption did not have a material impact on the financial statements or related disclosures.
Accounting Standards Codification, or ASC, Topic 606, *Revenue from Contracts with Customers*, and ASC 340-40, *Other Assets and Deferred Costs* - *Contracts with Customers*, collectively referred to as ASC 606.	On January 1, 2018, the Company adopted ASC 606 retrospectively with the cumulative effect recognised as of the date of adoption.	Further disclosures and details on adoption are discussed below.

2. Summary of Significant Accounting Policies (continued)

Recently Adopted Accounting Pronouncements

Standard/Description	Effective Date and Adoption Considerations	Effect on Financial Statements
ASU No. 2017-07, *Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* requires that an employer disaggregate the service cost component from the other components of net benefit cost.	Adopted on January 1, 2018 and applied retrospectively to each prior period presented	Adoption did not result in any adjustments.
ASU No. 2016-01, which provides updated guidance for the recognition, measurement, presentation, and disclosure of certain financial assets and liabilities, including the requirement that equity investments (except (i) those accounted for under the equity method of accounting or (ii) those that result in consolidation of the investee) are to be measured at fair value with changes in fair value recognised in net income.	Adopted on January 1, 2018.	Adoption did not result in any fair value adjustments on the date of adoption. The Company has made a policy election under ASU 2016-01 to only adjust the fair value of such investments if and when there is an observable price change in an orderly transaction of a similar or identical investment, with any change in fair value recognized in net income.

2. Summary of Significant Accounting Policies (continued)

Accounting Pronouncements Not Yet Adopted

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 trade receivables. 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.	Effective January 1, 2020, with early adoption permitted. The Company did not early-adopt.	The Company is currently evaluating this guidance to determine the potential impact on its financial statements. Based on its preliminary assessment, the Company does not expect the impact of adoption of this guidance to be material.
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.	Effective for fiscal years beginning after December 15, 2020 with early adoption permitted.	The Company is currently evaluating this guidance to determine the potential impact on its financial statements. Based on its preliminary assessment, the Company does not expect the impact of adoption of this guidance to be material.

Adoption of ASC 606, *Revenues from Contracts with Customers*

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

2. Summary of Significant Accounting Policies (continued)

Adoption of ASC 606, *Revenues from Contracts with Customers* (continued)

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

3. Restricted Cash and Cash equivalents

Short-term restricted cash

The Company operates as a U.K. Recognised Clearing House and as such is required by the BOE and the European Market Infrastructure Regulation, or EMIR, to restrict as cash, cash equivalents or investments an amount to reflect an estimate of the capital required to wind down or restructure the activities of the clearing house, cover operational, legal and business risks and to reserve capital to meet credit, counterparty and market risks not covered by the members' margin and guaranty funds. As of December 31, 2019 and 2018, $465 million and $435 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, 2019 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. The regulatory capital available, as described above, exceeds the CFTC requirements.

Long-term restricted cash

The Company requires that each clearing member make contributions to funds known as the guaranty funds. The amounts in the guaranty fund will serve to secure the obligations of a clearing member to the Company and may be used to cover losses in excess of the margin and clearing firm accounts sustained by the Company in the event of a default of a clearing member. The Company has contributed cash of $183 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, 2019 and December 31, 2018:

	December 31, 2019	Depreciation Period
	(In Thousands)	*(In Years)*
Software and internally developed software	$ 1,834	3
Computer and network equipment	105	3
	1,939	
Less accumulated depreciation	(1,436)	
Property and equipment, net	$ 503	

For the year ended December 31, 2019, accumulated depreciation of software and internally developed software was $1.3 million, and accumulated depreciation of all other property and equipment was $0.1 million.

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

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

5. Related-Party Transactions

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

ICE and the other subsidiaries of ICE make various charges to the Company. These include, but are not limited to charges for clearing and settlement services, ancillary technology licenses, trade repository fees and various management and other administrative service charges. During the years ended December 31, 2019 and 2018, the Company has recorded $206.0 million and $204.3 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.

5. Related-Party Transactions (continued)

At December 31, 2019 and 2018, the Company owed its affiliates $33.8 million and $33.3 million, respectively, in relation to these agreements and other intergroup transactions arising in the normal course of business. The Company settles these balances on a regular basis, which is normally monthly.

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

The Company paid dividends to its immediate parent company IntercontinentalExchange Holdings for the years ended December 31, 2019 and 2018 of $504 million and $679 million respectively. For details regarding the Company share-based award schemes see Notes 2 & 11.

The Company also makes certain payments, including incentives payments, to its affiliate exchanges and trading venues for contracts executed thereon and submitted for clearing by the Company. The payments totalled $319.1 million and $351.5 million for the years ended December 31, 2019 and December 31, 2018, 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. and ICE Endex and in some cases outside these venues. Between these three exchanges it clears options and futures contracts for interest rates, equity index futures, single name equities, energy products and agricultural products. Additionally the Company clears OTC (predominantly) European CDS instruments. The credit and performance assurance provided by the Company to clearing members is designed to substantially reduce counterparty risk and is a critical component of the Company's identity as a reliable and secure marketplace for global transactions. The clearing house is designed to protect the financial integrity of its markets by maintaining strong governance and rules, managing collateral, facilitating payments and collections, enhancing capital efficiency and limiting counterparty credit risk. The Company has a risk management program with both initial and ongoing membership standards.

6. Clearing House Operations (continued)

Margin and guaranty funds

The Company collects "original margin" (also known as initial margin) from clearing members or participants in the form of cash contributions or certain pledged assets. In addition, the Company may make intraday original margin calls in circumstances where market conditions require additional protection. The daily profits and losses due to and from the Company due to the marking-to-market of open contracts is known as "variation margin". The Company marks all outstanding contracts to market, and therefore pays and collects variation margin, at least once daily. In addition to the margin collected, each clearing member is required to make contributions to the guaranty fund which serves as a mechanism to provide additional protection in the event of a clearing member default.

At December 31, 2019, the total amount of cash and cash equivalent margin deposits held in respect of original margin was $28.3 billion (2018: $27.6 billion) and in respect of the guaranty funds was $4.1 billion (2018: $3.3 billion).

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

The amounts that the clearing members and participants are required to maintain are determined by proprietary risk models and reviewed by the relevant regulators, independent model validators, risk committees and the boards of directors and may fluctuate over time. Each of the ICE Clearing Houses are separate legal entities and are not subject to the liabilities of the others, or the obligations of the members of the other ICE Clearing Houses. Should a particular clearing member or participant fail to pay original margin, provide collateral, or make a variation margin payment, when and as required, the Company may liquidate or hedge their open positions and use their original margin and guaranty fund contributions to make up any amount owed. In the event that defaulting clearing member contributions are not sufficient to pay the amount owed in full, the Company may utilise the respective guaranty fund contributions. In the event that the defaulting clearing member's guaranty fund is not sufficient, the Company may utilise the respective guaranty fund deposits, or collect additional funds from non-defaulting clearing members on a pro-rata basis to pay any remaining amount owed.

6. Clearing House Operations (continued)

Margin and guaranty funds (continued)

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

The Company's cash and cash equivalent margin contributions are maintained in accounts with reputable financial institutions or secured through direct investments, primarily in U.S. Treasury securities with original maturities of less than three months, or reverse repurchase agreements with primarily overnight maturities. Cash held of $19.2 billion and $18.1 billion at December 31, 2019 and 2018, respectively is secured in reverse repurchase agreements with primarily overnight maturities or direct investment in government bonds. Cash held of $3.6 billion and $4.0 billion at December 31, 2019 and 2018, respectively is secured through direct investments in sovereign debt.

The Company maintains a euro-denominated account at the De Nederlandsche Bank, or DNB, the central bank of the Netherlands, as well as 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 the euro and pounds sterling repo markets may temporarily become contracted. The Company held the equivalent of $9.0 billion and $8.0 billion at the DNB, and $663 million and $ 638 million at the BOE at December 31, 2019 and 2018, respectively. Such accounts are intended to decrease the Company's custodial, liquidity and operational risk as compared to alternative custodial and investment arrangements.

In addition to the cash deposits above, the Company has also received other assets from clearing members, which include government obligations, and may include other non-cash collateral such as gold to mitigate credit risk. For certain assets the Company may impose discount or "haircut" rates to ensure adequate collateral if market values fluctuate. The value-related risks and rewards of these assets remain with the clearing members. Any gain or loss accrues to the clearing member. The Company does not, in the ordinary course of business, rehypothecate or re-pledge these assets. These pledged assets are not reflected in the Company's balance sheet.

The total net amount of non-cash collateral held in respect of initial margin was $30.6 billion and $29.9 billion at December 31, 2019 and 2018, respectively and in respect of the guaranty funds was $475.5 million and $653.9 million at December 31, 2019 and 2018, respectively.

6. Clearing House Operations (continued)

Margin and guaranty funds (continued)

The Company's risk management framework for its CDS markets is separate from its non-CDS clearing operations. The clearing house is open-access, consistent with regulatory requirements, and the Company accepts qualifying trades for clearing that are executed on other venues. Of the cash contributions of $32.5 billion and $30.9 billion as of December 31, 2019 and 2018, respectively, which are primarily held in U.S. dollars, Euros and Pounds sterling, $27.3 billion and $25.8 billion relates to futures and options products and $5.1 billion relates to cleared OTC European CDS instruments for those years ended December 31, 2019 and 2018.

The Company has contributed $233 million (2018: $206 million) to its guaranty fund including exchange contributions of $58 million (2018: $56 million)) in total arising from clearing services agreements with ICE Futures Europe, ICE Futures U.S. and ICE Endex entities. Such amounts are at risk and could be used in the event of a clearing member default where the amount of the defaulting clearing member's original margin and guaranty fund contributions are insufficient. The contributions include $183 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.

7. Committed Repurchase Agreement Facilities

The Company has entered into Committed Repurchase Agreement Facilities, or Committed Repos, to provide a tool to address the liquidity needs of the Company and manage the liquidation of margin and guaranty fund contributions held in the form of cash and high quality sovereign debt. As of December 31, 2019 the Company had $1.0 billion in Committed Repos to finance U.S. dollar, euro and pound Sterling sovereign debt deposits (2018: $1.2 billion).

8. Commitments and Contingencies

The Company is subject to legal proceedings, claims and investigations that arise in the ordinary course of business. The Company records estimated expenses and reserves for those matters in circumstances when a loss contingency is considered probable and the related amount is reasonably estimable. Any such accruals may be adjusted as circumstances change. Assessments of losses are inherently subjective and involve unpredictable factors. The Company does not believe that the resolution of these legal matters will have a material adverse effect on the financial condition, results of operations, or liquidity. It is possible, however, that future results of operations for any particular period could be materially and adversely affected by any developments relating to legal proceedings, claims and investigations. 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, 2019 and 2018, the current tax expense recognised in the Statements of Comprehensive Income was $166.5 million and $159.1 million, respectively.

For the years ended December 31, 2019 and 2018, the deferred tax expense recognised in the Statements of Comprehensive Income was $247 thousand and $35 thousand, respectively.

9. Income Taxes (continued)

The tax effects of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases which give rise to deferred tax liabilities or assets as of December 31, 2019 and 2018 are as follows (in thousands):

	December 31, 2019	**December 31, 2018**
Deferred Tax Assets:		
Other deferred assets including Stock-based Compensation	$517	$752
Property and Equipment	$31	$43
Total Deferred Tax Assets	$548	$795
Valuation Allowances	-	-
Total Deferred Tax Assets, net of Valuation Allowances	$548	$795
Deferred Tax Liabilities:		
Property and Equipment	-	-
Other Deferred Liabilities	-	-
Total Deferred Tax Liabilities	-	-
Net Deferred Tax Asset	$548	$795
Reported as:		
Net Noncurrent Deferred Tax asset	$548	$795
Net Deferred Tax Asset	$548	$795

9. Income Taxes (continued)

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

For the year ended December 31, 2019, the Company had no unrecognised tax benefits. Based on an evaluation of these requirements, no provisions for uncertain tax positions have been made. As a result of a reduction in the utilisation of group relief available to the Company, the Company's effective tax rate for the year ended December 31, 2019 of 19% has increased from 18.4% for the year ended December 31, 2018.

10. Investments

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

11. Equity

ICE sponsors employee and director stock option and restricted stock plans for the Company. The non-cash compensation expenses for options and restricted stock was $3.6 million in 2019 and 2018 and was recognised in the accompanying Statements of Comprehensive Income.

Stock Option Plans

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

11. Equity (continued)

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

The following is a summary of the stock option activity:

	2019 Number of options	**2019 Weighted average exercise price**	**2018 Number of options**	**2018 Weighted average exercise price**
Outstanding at 1 January	33,371	$61.46	135,075	$41.56
Granted	16,181	$76.16	14,306	$67.00
Forfeited	-	-	(2,815)	$50.01
Exercised	(17,478)	$59.95	(113,195)	$38.69
Outstanding at 31 December	32,074	$69.70	33,371	$61.46
Exercisable at 31 December	5,823	$57.31	12,146	$57.31

Details of stock options outstanding as of December 31, 2019 and 2018 are as follows:

Weighted average contractual life of options in years	**Number of options 2019**	**2018**
7.1 years	6,355	-
8.1 years	9,538	19,065
9.1 years	16,181	14,306
	32,074	33,371

11. Equity (continued)

The weighted average share price for options exercised in 2019 and 2018 was $59.95 and $38.63 respectively. The total charge for the year relating to share options under the employee share-based payment plans was $208 thousand (2018: $126 thousand) all of which related to equity-settled share-based payment transactions. The total intrinsic value for vested and exercisable options at December 31, 2019 and 2018 was $205 thousand and $219 thousand respectively. The intrinsic value of exercised options during the year ended December 31, 2019 and December 31, 2018 was $569 thousand and $4.4 million respectively. The Company uses the Black-Scholes option pricing model for purposes of valuing stock option awards. During the years ended December 31, 2019 and 2018, the Company used the weighted-average assumptions in the table below to compute the value of all options for shares of common stock granted to employees:

Assumptions	**Year ended December 31**	
	2019	**2018**
Expected volatility	20%	20%
Expected life (years)	5.9	6.0
Risk-free interest rate	2.49%	2.67%
Expected dividend yield	1.44%	1.43%
Estimated weighted-average fair value of options granted per share	$15.45	$14.08

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

Restricted stock plans

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

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

11. Equity (continued)

Restricted stock plans (continued)

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

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

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

A reconciliation of restricted share movements over the year to December 31, 2019 and 2018 is shown below:

	2019 Number of shares	**2019 Weighted average fair value**	**2018 Number of shares**	**2018 Weighted average fair value**
Outstanding at 1 January	135,654	$63.13	177,950	$52.01
Granted	58,193	$77.51	71,907	$70.89
Transfers	6	$57.31	10,204	$53.55
Performance grant adjustments	2,253	$67.00	-	-
Forfeited	(11,491)	$69.53	(17,633)	$58.15
Vested	(71,473)	$60.40	(106,774)	$49.54
Outstanding at 31 December	113,142	$71.55	135,654	$63.13

11. Equity (continued)

Restricted stock plans (continued)

Restricted stock shares granted in the table above include both time-based and performance-based grants. Performance-based stock awarded in prior years has been adjusted to reflect the actual stock to be issued based on the achievement of past performance targets. The fair value per restricted share granted is the market value of the share on the date of grant. The weighted average share price during the period for restricted stock vested over the year was $76.97 (2018: $73.65). The total charge for the year relating to restricted stock under the employee share-based payment plans was $3,403 thousand (2018: $3,480 thousand).

Employee Stock Purchase Plan

In May 2018, ICE stockholders approved 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. The Company recorded compensation expenses of $90 thousand and $59 thousand during 2019 and 2018, 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, 2019 or 2018. Defined pension contributions for the years ended December 31, 2019 and 2018 were $1.0 million and $922 thousand respectively.

13. Clearing House Exposure

The Company bears financial counterparty credit risk and provides a central counterparty guarantee, or performance guarantee, to its clearing members or participants. Calculations were performed to determine the fair value of the company's counterparty performance guarantee taking into consideration factors such as daily settlement of contracts, margining and collateral requirements, other elements of the Company's risk management program, historical evidence of default payments, and estimated probability of potential default payouts. Based on these analyses, the estimated counterparty performance guaranty liability was determined to be nominal and no liability was recorded as of December 31, 2019 or 2018. 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.

14. Fair Value Measurements

Financial assets and liabilities recorded or disclosed at fair value in the accompanying balance sheets as of December 31, 2019 and 2018 are classified in their entirety based on the lowest level of input that is significant to the asset or liability's fair value measurement.

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

Financial instruments measured at fair value on a recurring basis as of December 31, 2019 are as follows (in millions):

	Level 1	Level 2	Level 3	Total
Assets at fair value:				
U.S. Treasury and Other Foreign Government Securities	699	—	—	699
Total assets at fair value	$ 699	$ —	$ —	$ 699

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

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

14. Fair Value Measurements (continued)

As of December 31, 2019, the Company held $699 million in U.S. Treasury and other foreign government securities which are considered cash equivalents. Of these securities, $465 million were recorded as cash and cash equivalents and short-term restricted cash and cash equivalents and $233 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, 2018.

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

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

15. Subsequent Events

The Company has evaluated subsequent events through February 25, 2020, 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.