

Edgar Filing: Intercontinental Exchange, Inc. - Form 10-Q

Intercontinental Exchange, Inc.
Form 10-Q
August 05, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2015

Or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number 001-36198

INTERCONTINENTAL EXCHANGE, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
5660 New Northside Drive,
Atlanta, Georgia
(Address of principal executive offices)
(770) 857-4700

46-2286804
(IRS Employer
Identification Number)
30328
(Zip Code)

Registrant's telephone number, including area code

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Edgar Filing: Intercontinental Exchange, Inc. - Form 10-Q

As of August 3, 2015, the number of shares of the registrant's Common Stock outstanding was 110,488,564 shares.

INTERCONTINENTAL EXCHANGE, INC.

Form 10-Q

Quarterly Period Ended June 30, 2015

TABLE OF CONTENTS

PART I. Financial Statements

Item 1	Consolidated Financial Statements (Unaudited):	
	Consolidated Balance Sheets as of June 30, 2015 and December 31, 2014	<u>2</u>
	Consolidated Statements of Income for the six months and three months ended June 30, 2015 and 2014	<u>4</u>
	Consolidated Statements of Comprehensive Income for the six months and three months ended June 30, 2015 and 2014	<u>5</u>
	Consolidated Statements of Changes in Equity, Accumulated Other Comprehensive Income (Loss) and Redeemable Non-Controlling Interest for the six months ended June 30, 2015 and for the year ended December 31, 2014	<u>6</u>
	Consolidated Statements of Cash Flows for the six months ended June 30, 2015 and 2014	<u>7</u>
	Notes to Consolidated Financial Statements	<u>8</u>
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>27</u>
Item 3	Quantitative and Qualitative Disclosures About Market Risk	<u>42</u>
Item 4	Controls and Procedures	<u>44</u>

PART II. Other Information

Item 1	Legal Proceedings	<u>44</u>
Item 1A	Risk Factors	<u>44</u>
Item 2	Unregistered Sales of Equity Securities and Use of Proceeds	<u>45</u>
Item 3	Defaults Upon Senior Securities	<u>45</u>
Item 4	Mine Safety Disclosures	<u>45</u>
Item 5	Other Information	<u>45</u>
Item 6	Exhibits	<u>46</u>
	<u>SIGNATURES</u>	<u>47</u>

PART I. Financial Statements

Item 1. Consolidated Financial Statements (Unaudited)

Intercontinental Exchange, Inc. and Subsidiaries

Consolidated Balance Sheets

(In millions, except per share amounts)

(Unaudited)

	As of June 30, 2015	As of December 31, 2014
Assets:		
Current assets:		
Cash and cash equivalents	\$678	\$652
Short-term investments	22	1,200
Short-term restricted cash and investments	361	329
Customer accounts receivable, net of allowance for doubtful accounts of \$2 and \$1 at June 30, 2015 and December 31, 2014, respectively	541	445
Margin deposits and guaranty funds	43,351	47,458
Prepaid expenses and other current assets	180	135
Total current assets	45,133	50,219
Property and equipment, net	911	874
Other non-current assets:		
Goodwill	8,532	8,535
Other intangible assets, net	7,700	7,780
Long-term restricted cash and investments	255	297
Long-term investments	341	379
Other non-current assets	232	169
Total other non-current assets	17,060	17,160
Total assets	\$63,104	\$68,253
Liabilities and Equity:		
Current liabilities:		
Accounts payable and accrued liabilities	\$324	\$311
Section 31 fees payable	168	137
Accrued salaries and benefits	121	205
Deferred revenue	294	69
Short-term debt	1,016	2,042
Margin deposits and guaranty funds	43,351	47,458
Other current liabilities	306	291
Total current liabilities	45,580	50,513
Non-current liabilities:		
Non-current deferred tax liability, net	1,902	1,938
Long-term debt	2,247	2,247
Accrued employee benefits	499	516
Other non-current liabilities	393	482
Total non-current liabilities	5,041	5,183
Total liabilities	50,621	55,696
Commitments and contingencies		
Redeemable non-controlling interest	40	165

Equity:

Intercontinental Exchange, Inc. shareholders' equity:

Preferred stock, \$0.01 par value; 100 shares authorized; no shares issued or outstanding at June 30, 2015 and December 31, 2014	—	—	
Common stock, \$0.01 par value; 500 shares authorized; 116 and 111 shares issued and outstanding at June 30, 2015, respectively, and 116 and 113 shares issued and outstanding at December 31, 2014, respectively	1	1	
Treasury stock, at cost; 5 and 3 shares at June 30, 2015 and December 31, 2014, respectively	(1,181	) (743)
Additional paid-in capital	10,017	9,938	
Retained earnings	3,641	3,210	
Accumulated other comprehensive loss	(68	) (46)
Total Intercontinental Exchange, Inc. shareholders' equity	12,410	12,360	
Non-controlling interest in consolidated subsidiaries	33	32	
Total equity	12,443	12,392	
Total liabilities and equity	\$63,104	\$68,253	

See accompanying notes.

Edgar Filing: Intercontinental Exchange, Inc. - Form 10-Q

Intercontinental Exchange, Inc. and Subsidiaries
 Consolidated Statements of Income
 (In millions, except per share amounts)
 (Unaudited)

	Six Months Ended June 30,		Three Months Ended June 30,	
	2015	2014	2015	2014
Revenues:				
Transaction and clearing fees, net	\$1,536	\$1,490	\$724	\$726
Data services fees	378	305	191	148
Listing fees	202	180	101	90
Other revenues	113	104	57	52
Total revenues	2,229	2,079	1,073	1,016
Transaction-based expenses:				
Section 31 fees	171	161	79	87
Cash liquidity payments, routing and clearing	411	371	197	179
Total revenues, less transaction-based expenses	1,647	1,547	797	750
Operating expenses:				
Compensation and benefits	295	304	144	150
Technology and communication	98	90	47	43
Professional services	65	103	32	49
Rent and occupancy	31	42	15	22
Acquisition-related transaction and integration costs	26	62	7	37
Selling, general and administrative	58	67	29	41
Depreciation and amortization	182	161	93	81
Total operating expenses	755	829	367	423
Operating income	892	718	430	327
Other income (expense):				
Interest expense	(46)	(51)	(23)	(23)
Other income (expense), net	(7)	15	(9)	16
Other expense, net	(53)	(36)	(32)	(7)
Income from continuing operations before income tax expense	839	682	398	320
Income tax expense	227	194	109	93
Income from continuing operations	612	488	289	227
Income from discontinued operations, net of tax	—	21	—	8
Net income	\$612	\$509	\$289	\$235
Net income from continuing operations attributable to non-controlling interest	(14)	(22)	(6)	(9)
Net income attributable to Intercontinental Exchange, Inc.	\$598	\$487	\$283	\$226
Basic earnings per share attributable to Intercontinental Exchange, Inc. common shareholders:				
Continuing operations	\$5.37	\$4.05	\$2.55	\$1.89
Discontinued operations	—	0.19	—	0.07
Basic earnings per share	\$5.37	\$4.24	\$2.55	\$1.96
Basic weighted average common shares outstanding	112	115	111	115
Diluted earnings per share attributable to Intercontinental Exchange, Inc. common shareholders:				
Continuing operations	\$5.34	\$4.03	\$2.54	\$1.88
Discontinued operations	—	0.19	—	0.07
Diluted earnings per share	\$5.34	\$4.22	\$2.54	\$1.95

Edgar Filing: Intercontinental Exchange, Inc. - Form 10-Q

Diluted weighted average common shares outstanding	112	116	112	116
Dividend per share	\$1.40	\$1.30	\$0.75	\$0.65
See accompanying notes.				

4

Intercontinental Exchange, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
(In millions)
(Unaudited)

	Six Months Ended June 30,		Three Months Ended June 30,	
	2015	2014	2015	2014
Net income	\$612	\$509	\$289	\$235
Other comprehensive income (loss):				
Foreign currency translation adjustments, net of tax expense (benefit) of \$3 and (\$1) for the six months and three months ended June 30, 2015, respectively	19	84	56	39
Change in fair value of available-for-sale securities	(39)	118	31	58
Employee benefit plan adjustments	(2)	—	(2)	—
Discontinuance of net investment hedge, net of tax benefit of \$12 for both the six months and three months ended June 30, 2014	—	21	—	21
Other comprehensive income (loss)	(22)	223	85	118
Comprehensive income	\$590	\$732	\$374	\$353
Comprehensive income attributable to non-controlling interest	(14)	(22)	(6)	(9)
Comprehensive income attributable to Intercontinental Exchange, Inc.	\$576	\$710	\$368	\$344

See accompanying notes.

Edgar Filing: Intercontinental Exchange, Inc. - Form 10-Q

Intercontinental Exchange, Inc. and Subsidiaries
 Consolidated Statements of Changes in Equity, Accumulated Other Comprehensive Income (Loss)
 and Redeemable Non-Controlling Interest
 (In millions)
 (Unaudited)

	Intercontinental Exchange, Inc. Shareholders' Equity						Non-Controlling Interest		Total Equity	Redeemable Non-Controlling Interest
	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Other Comprehensive Income (Loss)	Consolidated	Subsidiaries			
	Shares	Value	Shares	Value						
Balance, as of December 31, 2013	115	\$1	—	\$(53)	\$9,794	\$2,482	\$125	\$32	\$12,381	\$322
Other comprehensive loss	—	—	—	—	—	—	(171)	—	(171)	—
Issuance of restricted stock	1	—	—	—	—	—	—	—	—	—
Exercise of common stock options	—	—	—	—	13	—	—	—	13	—
Repurchases of common stock	—	—	(3)	\$(645)	—	—	—	—	(645)	—
Payments relating to treasury shares	—	—	—	(45)	—	—	—	—	(45)	—
Stock-based compensation	—	—	—	—	105	—	—	—	105	—
Tax benefits from stock option plans	—	—	—	—	26	—	—	—	26	—
Acquisition of redeemable non-controlling interest	—	—	—	—	—	—	—	—	—	16
Adjustment to redemption value	—	—	—	—	—	46	—	—	46	(46)
Distributions of profits	—	—	—	—	—	—	—	(17)	(17)	(16)
Dividends paid to shareholders	—	—	—	—	—	(299)	—	—	(299)	—
Purchase of subsidiary shares	—	—	—	—	—	—	—	—	—	(129)
Net income attributable to non-controlling interest	—	—	—	—	—	(35)	—	17	(18)	18
Net income	—	—	—	—	—	1,016	—	—	1,016	—
Balance, as of December 31, 2014	116	1	(3)	\$(743)	9,938	3,210	(46)	32	12,392	165
Other comprehensive loss	—	—	—	—	—	—	(22)	—	(22)	—
Exercise of common stock options	—	—	—	—	10	—	—	—	10	—

Edgar Filing: Intercontinental Exchange, Inc. - Form 10-Q

Repurchases of common stock	—	—	(2)	(399)	—	—	—	(399)	—
Payments relating to treasury shares	—	—	—	(39)	—	—	—	(39)	—
Stock-based compensation	—	—	—	—	55	—	—	55	—
Tax benefits from stock option plans	—	—	—	—	14	—	—	14	—
Adjustment to redemption value	—	—	—	—	—	(9)	—	(9)	7
Distributions of profits	—	—	—	—	—	—	—	(8)	(8) (9)
Dividends paid to shareholders	—	—	—	—	—	(158)	—	(158)	—
Purchase of subsidiary shares	—	—	—	—	—	—	—	—	(128)
Net income attributable to non-controlling interest	—	—	—	—	—	(14)	—	9	(5) 5
Net income	—	—	—	—	—	612	—	—	612 —
Balance, as of June 30, 2015	116	\$1	(5)	\$(1,181)	\$10,017	\$3,641	\$ (68)	\$ 33	\$12,443 \$ 40

	As of June 30, 2015	As of December 31, 2014
Accumulated Other Comprehensive Income (Loss) was as follows:		
Foreign currency translation adjustments	\$32	\$13
Fair value of available-for-sale securities	16	55
Employee benefit plans adjustments	(116)	(114)
Accumulated other comprehensive loss	\$(68)	\$(46)

See accompanying notes.

Edgar Filing: Intercontinental Exchange, Inc. - Form 10-Q

Intercontinental Exchange, Inc. and Subsidiaries
 Consolidated Statements of Cash Flows
 (In millions)
 (Unaudited)

	Six Months Ended June 30,	
	2015	2014
Operating activities:		
Net income	\$612	\$509
Less: income from discontinued operations, net of tax	—	(21)
Income from continuing operations	612	488
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	182	161
Stock-based compensation	47	49
Deferred taxes	(38)	(28)
Amortization of fair market value premium on NYSE Notes	(23)	(28)
Other	(17)	(19)
Changes in assets and liabilities:		
Customer accounts receivable	(91)	(107)
Other current and non-current assets	(25)	46
Section 31 fees payable	31	69
Deferred revenue	237	226
Other current and non-current liabilities	(145)	(21)
Total adjustments	158	348
Net cash provided by operating activities from continuing operations	770	836
Investing activities:		
Capital expenditures	(92)	(58)
Capitalized software development costs	(44)	(40)
Proceeds from IPO of Euronext	—	1,984
Cash paid for acquisitions, net of cash acquired	—	(150)
Additional contribution to equity method investee	(60)	—
Proceeds from term deposits and sales of available-for-sale investments	1,084	26
Decrease (increase) in restricted cash and investments	11	(111)
Net cash provided by investing activities from continuing operations	899	1,651
Financing activities:		
Repayments of debt facilities and commercial paper, net	(918)	(1,090)
Repurchases of common stock	(399)	—
Dividends to shareholders	(158)	(151)
Payments relating to treasury shares received for restricted stock tax payments and stock option exercises	(39)	(37)
Proceeds from exercise of common stock options	10	5
Distributions of profits to non-controlling interest	(17)	(19)
Purchase of subsidiary shares from non-controlling interest	(128)	—
Other	14	7
Net cash used in financing activities from continuing operations	(1,635)	(1,285)
Net cash provided by operating activities from discontinued operations	—	55

Edgar Filing: Intercontinental Exchange, Inc. - Form 10-Q

Net cash used in investing activities from discontinued operations	—	(504)
Net cash provided by financing activities from discontinued operations	—	339	
Effect of exchange rate changes on cash and cash equivalents	(8	)	4
Net increase in cash and cash equivalents	26	1,096	
Cash and cash equivalents, beginning of period	652	961	
Cash and cash equivalents, end of period	\$678	\$2,057	
Supplemental cash flow disclosure:			
Cash paid for income taxes	\$233	\$215	
Cash paid for interest	\$89	\$101	

See accompanying notes.

7

Intercontinental Exchange, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

1. Description of Business

We are a leading global operator of regulated exchanges, clearing houses and listings venues, and a provider of data services for commodity and financial markets. We operate regulated marketplaces for trading and clearing a broad array of derivatives and securities contracts across major asset classes, including energy and agricultural commodities, interest rates, equities, equity derivatives, credit derivatives, bonds and currencies.

Our exchanges include futures exchanges in the United States, United Kingdom, continental Europe, Canada and Singapore and cash equities exchanges and equity options exchanges in the United States. We operate over-the-counter, or OTC, markets for physical energy and credit default swaps, or CDS. We also own seven central counterparty clearing houses serving the global derivatives markets (Note 8). Through our trading, clearing, listings and post-trade platforms, we bring together buyers and sellers by offering liquid markets, benchmark products, access to capital markets, data, and a range of services to support market participants' trading, risk management and capital raising activities.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared by us in accordance with U.S. generally accepted accounting principles, or GAAP, pursuant to the rules and regulations of the Securities and Exchange Commission, or SEC, regarding interim financial reporting. Accordingly, the unaudited consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with our audited consolidated financial statements and related notes thereto for the year ended December 31, 2014. The accompanying unaudited consolidated financial statements reflect all adjustments that are, in our opinion, necessary for a fair presentation of results for the interim periods presented. These adjustments are of a normal recurring nature.

Preparing financial statements requires us to make certain estimates and assumptions that affect the amounts that are reported in the consolidated financial statements and accompanying disclosures. Although these estimates are based on our best knowledge of current events and actions that we may undertake in the future, actual results may be different from these estimates. The results of operations for the six months and three months ended June 30, 2015 are not necessarily indicative of the results to be expected for any future period or the full fiscal year.

The accompanying unaudited consolidated financial statements include the accounts of us and our wholly-owned and controlled subsidiaries. All intercompany balances and transactions between us and our wholly-owned and controlled subsidiaries have been eliminated in the consolidation. For those consolidated subsidiaries in which our ownership is less than 100% and for which we have control over the assets and liabilities and the management of the entity, the outside stockholders' interests are shown as non-controlling interests. In instances where outside stockholders' hold an option to require us to repurchase the outside stockholders' interest, these interests are shown as redeemable non-controlling interests.

As discussed in Note 12, we completed the initial public offering, or IPO, and sale of our wholly-owned subsidiary Euronext and completed the sales of our wholly-owned subsidiaries Wombat, NYFIX and Metabit during 2014, and have included the financial results of these companies in discontinued operations in the accompanying consolidated financial statements.

New and Recently Adopted Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-03, Simplifying the Presentation of Debt Issuance Costs, or ASU 2015-03. This standard amends the existing guidance to require that debt issuance costs be presented in the balance sheet as a deduction from the carrying amount of the related debt liability instead of as a deferred charge. ASU 2015-03 is effective on a retrospective basis for annual reporting periods beginning after December 15, 2015, but early adoption is permitted. We do not expect to adopt this amendment early, and the adoption is not expected to have a material effect on our consolidated financial statements.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period's financial statement presentation.

3. Goodwill and Other Intangible Assets

The following is a summary of the activity in the goodwill balance for the six months ended June 30, 2015 (in millions):

8

Edgar Filing: Intercontinental Exchange, Inc. - Form 10-Q

Goodwill balance at December 31, 2014	\$8,535
Foreign currency translation	(2)
Other activity, net	(1)
Goodwill balance at June 30, 2015	\$8,532
The following is a summary of the activity in the other intangible assets balance for the six months ended June 30, 2015 (in millions):	
Other intangible assets balance at December 31, 2014	\$7,780
Acquisition of new intangible asset	1
Foreign currency translation	(4)
Amortization of other intangible assets	(77)
Other intangible assets balance at June 30, 2015	\$7,700

The foreign currency translation adjustments in the tables above result from a portion of our goodwill and other intangible assets being held at our United Kingdom, continental European and Canadian subsidiaries, some of whose functional currencies are not the U.S. dollar. We did not recognize any impairment losses on goodwill or other intangible assets during the six months and three months ended June 30, 2015 and 2014.

4. Deferred Revenue

Deferred revenue represents cash received that is yet to be recognized as revenue. Total deferred revenue was \$373 million as of June 30, 2015, including \$294 million in current deferred revenue and \$79 million in non-current deferred revenue. The changes in our deferred revenue during the six months ended June 30, 2015 are as follows (in millions):

	Annual Listing Fee Revenue	Original Listing Fee Revenues	Other Listing Fee Revenues	Data Services Fees and Other Revenues	Total
Deferred revenue balance at December 31, 2014	\$—	\$35	\$46	\$55	\$136
Additions	356	9	18	114	497
Amortization	(178)	(2)	(8)	(72)	(260)
Deferred revenue balance at June 30, 2015	\$178	\$42	\$56	\$97	\$373

5. Debt

Our total debt, including short-term and long-term debt, consisted of the following as of June 30, 2015 and December 31, 2014 (in millions):

	As of June 30, 2015	As of December 31, 2014
Debt:		
Commercial Paper	\$1,016	\$905
NYSE EUR Notes (5.375% senior unsecured notes due June 30, 2015)	—	1,137
Short-term debt	1,016	2,042
NYSE USD Notes (2.00% senior unsecured notes due October 5, 2017)	853	853
2018 Senior Notes (2.50% senior unsecured notes due October 15, 2018)	600	600
2023 Senior Notes (4.00% senior unsecured notes due October 15, 2023)	794	794
Long term debt	2,247	2,247
Total debt	\$3,263	\$4,289
2014 Credit Facility		

On April 3, 2014, we entered into a \$3.0 billion senior unsecured revolving credit facility, or the 2014 Credit Facility. The 2014 Credit Facility includes an option for us to propose an increase in the aggregate amount by up to \$1.0 billion, subject to the consent of the lenders funding the increase and certain other conditions. The 2014 Credit Facility matures on April 3, 2019. No amounts were outstanding under the 2014 Credit Facility as of June 30, 2015. Of the \$3.0 billion that is available for borrowing under the 2014

Credit Facility, \$1.0 billion is required to back-stop the amount outstanding under our U.S. dollar commercial paper program, or the Commercial Paper Program, as of June 30, 2015 and \$303 million is reserved to provide liquidity or required financial resources for our clearing houses. The amount required to back-stop the Commercial Paper Program will fluctuate as we increase or decrease our commercial paper borrowings. The remaining \$1.7 billion as of June 30, 2015 is available to us to use for working capital and general corporate purposes, and any portion of the revolving credit facility no longer necessary in the future to be reserved for the foregoing purposes will be available to us to use for working capital and general corporate purposes.

Commercial Paper Program

Our Commercial Paper Program is currently backed by the borrowing capacity available under the 2014 Credit Facility, equal to the amount of the commercial paper that is issued and outstanding at any given point in time. The effective interest rate of commercial paper issuances does not materially differ from short term interest rates (such as USD LIBOR). The fluctuation of these rates due to market conditions may impact our interest expense.

Commercial paper notes of \$1.0 billion with original maturities ranging from 1 to 89 days were outstanding as of June 30, 2015 under the Commercial Paper Program. As of June 30, 2015, the weighted average interest rate on the \$1.0 billion outstanding under the Commercial Paper Program was 0.23% per annum, with a weighted average maturity of 19 days. We used net proceeds from the Commercial Paper Program during the six months ended June 30, 2015 for general corporate purposes.

NYSE Notes

In connection with our acquisition on November 13, 2013 of NYSE Euronext, which we refer to as NYSE following the IPO and sale of Euronext in 2014, one of our subsidiaries assumed NYSE's outstanding debt instruments, which included \$850 million of 2.00% senior unsecured fixed rate notes due in October 2017, or the NYSE USD Notes, and €920 million (\$1.0 billion) of 5.375% senior unsecured fixed rate notes due in June 2015, or the NYSE EUR Notes, and together with the NYSE USD Notes, the NYSE Notes.

On June 30, 2015, we repaid the NYSE EUR Notes using cash that had been set aside in July 2014 from the proceeds of the Euronext IPO. The cash, in the amount of €969 million (\$1.1 billion) had been placed in term deposits that matured on June 25, 2015. The cash was sufficient to settle the principal maturity of €920 million (\$1.0 billion) and the final interest coupon of €49 million (\$55 million). These term deposits were classified as short-term investments prior to their maturity in the consolidated balance sheets.

In accordance with purchase accounting, we recorded the NYSE Notes at fair value on the November 13, 2013 acquisition date. Based on public debt prices, as of this date, the NYSE USD Notes had a fair value of \$854 million (an increase of \$4 million from its November 13, 2013 face value) and the NYSE EUR Notes had a fair value of \$1.3 billion (an increase of \$89 million from its November 13, 2013 face value). The increase in the carrying amount of the NYSE Notes is amortized as a reduction to the interest expense recorded in the consolidated statements of income over the remaining maturities of the NYSE Notes. During the six months ended June 30, 2015 and 2014, the amortization of the increase in the fair value of the NYSE Notes was \$23 million and \$28 million, respectively, and during the three months ended June 30, 2015 and 2014, the amortization of the increase in the fair value of the NYSE Notes was \$11 million and \$14 million, respectively.

6. Equity

We currently sponsor employee and director stock option and restricted stock plans. Stock options and restricted stock are granted at the discretion of the compensation committee of the board of directors. All stock options and restricted stock awards are granted at an exercise price equal to the fair value of the common stock on the date of grant. The grant date fair value is based on the closing stock price on the date of grant. The fair value of the stock options and restricted stock on the date of grant is recognized as expense over the vesting period, net of estimated forfeitures. The non-cash compensation expenses recognized in our consolidated statements of income for stock options and restricted stock were \$47 million and \$39 million six months ended June 30, 2015 and 2014, respectively, and \$23 million and \$22 million for the three months ended June 30, 2015 and 2014, respectively.

Stock Option Plans

The following is a summary of stock options for the six months ended June 30, 2015:

Number of Options

Edgar Filing: Intercontinental Exchange, Inc. - Form 10-Q

		Weighted Average Exercise Price per Option
Outstanding at December 31, 2014	762,867	\$ 136.03
Granted	176,467	207.97
Exercised	(99,802	) 95.15
Outstanding at June 30, 2015	839,532	156.01

Details of stock options outstanding as of June 30, 2015 are as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (In millions)
Vested or expected to vest	839,532	\$ 156.01	6.6	\$57
Exercisable	556,509	\$ 133.61	5.3	\$50

The total intrinsic value of stock options exercised during the six months ended June 30, 2015 and 2014 were \$14 million and \$23 million, respectively, and \$9 million and \$11 million during the three months ended June 30, 2015 and 2014, respectively. As of June 30, 2015, there were \$10 million in total unrecognized compensation costs related to stock options. These costs are expected to be recognized over a weighted average period of 2.1 years as the stock options vest.

We use the Black-Scholes option pricing model for purposes of valuing stock option awards. During the six months ended June 30, 2015 and 2014, we 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:	Six Months Ended June 30,	
	2015	2014
Risk-free interest rate	1.08	% 1.23
Expected life in years	5.0	5.0
Expected volatility	24	% 27
Expected dividend yield	1.25	% 1.26
Estimated weighted-average fair value of options granted per share	\$40.94	\$45.23

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 our stock.

Restricted Stock Plans

In January 2015, we reserved a maximum of 429,468 restricted shares for potential issuance as performance-based restricted shares to certain of our employees. The number of shares that will ultimately be granted under the performance awards will be based on our actual financial performance as compared to financial performance targets set by our board of directors and compensation committee for the year ending December 31, 2015. The maximum compensation expense to be recognized under these performance-based restricted shares is \$86 million if the maximum financial performance target is met and all 429,468 shares vest. The compensation expense to be recognized under these performance-based restricted shares will be \$43 million if the target financial performance is met, which would result in 214,734 shares vesting. We will recognize expense on an accelerated basis over the three-year vesting period based on our quarterly assessment of the probable 2015 actual financial performance as compared to the 2015 financial performance targets. As of June 30, 2015, we determined that it is probable that the target financial performance level will be met for 2015. Based on this assessment, we recorded non-cash compensation expense of \$12 million and \$7 million for the six months and three months ended June 30, 2015, respectively, related to these shares and the remaining \$31 million in non-cash compensation expense will be recorded on an accelerated basis over the remaining vesting period, including \$14 million of which will be recorded over the remainder of 2015.

The following is a summary of the non-vested restricted shares for the six months ended June 30, 2015:

	Number of Restricted Stock Shares	Weighted Average Grant-Date Fair Value per Share
Non-vested at December 31, 2014	1,070,995	\$ 176.82
Granted	551,426	209.62
Vested	(392,842)	156.80
Forfeited	(44,926)	197.88
Non-vested at June 30, 2015	1,184,653	197.92

Restricted stock shares granted in the table above include both time-based and performance-based grants. Performance-based shares have been adjusted to reflect the actual shares to be issued based on the achievement of past performance targets. Non-vested performance-based restricted shares granted are presented in the table above at the maximum number of restricted shares that would vest if the maximum performance targets are met. As of June 30, 2015, there were \$146 million in total unrecognized compensation

costs related to the time-based restricted stock and the performance-based restricted stock. These costs are expected to be recognized over a weighted-average period of 1.7 years as the restricted stock vests. These unrecognized compensation costs assume that a target performance level will be met on the performance-based restricted shares granted in January 2015. During the six months ended June 30, 2015 and 2014, the total fair value of restricted stock vested under all restricted stock plans was \$86 million and \$87 million, respectively.

Stock Repurchase Program

In September 2014, we entered into a Rule 10b5-1 trading plan as authorized by our board of directors permitting open market repurchases of our common stock based on certain parameters described in the trading plan. During the six months and three months ended June 30, 2015, we repurchased 1,744,839 and 872,539 shares, respectively, of our outstanding common stock under our Rule 10b5-1 trading plan at a cost of \$399 million and \$202 million, respectively. As of June 30, 2015, the remaining board authorization permits repurchases of up to \$398 million of our common stock with no fixed expiration date.

We expect to fund any remaining repurchases with a combination of cash on hand, future cash flows and by borrowing under our credit facilities and in connection with our Commercial Paper Program. The timing and extent of any future repurchases that are not made pursuant to the Rule 10b5-1 trading plan will be at our discretion and will depend upon market conditions, the amount authorized by our board of directors, our stock price, our target debt ratio and corporate debt rating, and our strategic growth initiatives at that time. We may discontinue the stock repurchases at any time and may terminate the current Rule 10b5-1 trading plan or enter into a new Rule 10b5-1 trading plan in the future. In addition, our board of directors may increase or decrease the amount of capacity we have for repurchases from time to time.

7. Income Taxes from Continuing Operations

Our effective tax rate from continuing operations was 27% and 28% for the six months ended June 30, 2015 and 2014, respectively, and 27% and 29% for the three months ended June 30, 2015 and 2014, respectively. The effective tax rates for the six months and three months ended June 30, 2015 and 2014 are lower than the federal statutory rate primarily due to the favorable foreign income tax rate differentials, partially offset by state income taxes. Favorable foreign income tax rate differentials result from lower tax rates in the United Kingdom, the Netherlands and various other lower tax jurisdictions than compared to the tax rates in the United States. The effective tax rates for the six and three months ended June 30, 2015 are lower than the effective tax rates for the comparable periods in 2014 primarily due to certain tax law changes during the periods.

Our non-U.S. subsidiaries had \$2.5 billion in cumulative undistributed earnings as of June 30, 2015. This amount represents the post-income tax earnings under GAAP adjusted for previously taxed income. The earnings from our non-U.S. subsidiaries are considered to be indefinitely reinvested. Accordingly, no provision for U.S. federal and state income taxes has been made in the accompanying consolidated financial statements. Further, a determination of the unrecognized deferred tax liability is not practicable. Any future distribution by way of dividend of these non-U.S. earnings may subject us to both U.S. federal and state income taxes, as adjusted for non-U.S. tax credits, and withholding taxes payable to various non-U.S. countries.

8. Clearing Organizations

We own seven regulated central counterparty clearing houses for the settlement and clearing of derivative contracts. The clearing houses include ICE Clear Europe, ICE Clear Credit, ICE Clear U.S., ICE Clear Canada, ICE Clear Netherlands (formerly Holland Clearing House), The Clearing Corporation, or TCC, and ICE Clear Singapore and are referred to herein collectively as the "ICE Clearing Houses". ICE Clear Singapore is not yet operational but has received certain regulatory approvals and the onboarding of clearing members has begun. We anticipate launching ICE Clear Singapore in the fourth quarter of this year.

Each of the ICE Clearing Houses requires all clearing members to maintain cash on deposit or pledge certain assets, which may include government obligations, non-government obligations, letters of credit or gold to guarantee performance on the clearing members' open positions. Such amounts in total are known as "original margin." The ICE Clearing Houses may make intraday original margin calls in circumstances where market conditions require additional protection. The daily profits and losses from and to the ICE Clearing Houses due to the marking-to-market of open

contracts is known as “variation margin”. The ICE Clearing Houses mark all outstanding contracts to market, and therefore pay and collect variation margin, at least once daily, and in some cases multiple times throughout the day. Marking-to-market allows the ICE Clearing Houses to identify any clearing members that may be unable to satisfy the financial obligations resulting from changes in the prices of their open contracts before those financial obligations become exceptionally large and jeopardize the ability of the ICE Clearing Houses to ensure financial performance of clearing members’ open positions.

Each of the ICE Clearing Houses requires that each clearing member make deposits into a fund known as a guaranty fund, or Guaranty Fund, which is maintained by the relevant ICE Clearing House. These amounts serve to secure the obligations of a clearing member to the ICE Clearing House to which it has made the Guaranty Fund deposit and may be used to cover losses sustained by the respective ICE Clearing House in the event of a default of a clearing member.

Each of the ICE Clearing Houses has equal and offsetting claims to and from their respective clearing members on opposite sides of each cleared contract. This arrangement allows the ICE Clearing Houses to serve as the central financial counterparty on every cleared contract. Each ICE Clearing House bears financial counterparty credit risk in the event that market movements create conditions that lead to its clearing members failing to meet their financial obligations to that ICE Clearing House. Accordingly, the ICE Clearing Houses account for this central counterparty guarantee as a performance guarantee. Given that each contract is margined and marked or settled at least once daily for each clearing member, the ICE Clearing Houses' maximum estimated exposure for this guarantee, excluding the effects of original and variation margin requirements and mandatory deposits to the applicable Guaranty Fund by clearing members, is \$65.4 billion as of June 30, 2015, which represents the maximum estimated value by the ICE Clearing Houses of a hypothetical one day movement in pricing of the underlying unsettled contracts. This amount is based on calculations determined using proprietary risk management software that simulates gains and losses based on historical market prices, volatility and other factors present at that point in time for those particular unsettled contracts. Future actual market price volatility could result in the exposure being significantly different than the amount estimated by the ICE Clearing Houses. The net notional value of unsettled contracts was \$2.4 trillion as of June 30, 2015. We performed calculations to determine the fair value of our counterparty performance guarantee taking into consideration factors such as daily settlement of contracts, margining requirements, other elements of our risk management program, historical evidence of default payments, and estimated probability of potential default payouts by the ICE Clearing Houses. Based on these analyses, the estimated counterparty performance guaranty liability was determined to be nominal and no liability was recorded as of June 30, 2015 and December 31, 2014.

The ICE Clearing Houses seek to reduce their exposure through a risk management program that includes initial and ongoing financial standards for clearing member admission and continued membership, original and variation margin requirements, and mandatory deposits to the Guaranty Fund. The amounts that the clearing members are required to maintain in the original margin and Guaranty Fund accounts are determined by standardized parameters established by the risk committees, risk management departments and the boards of directors of each of the ICE Clearing Houses and may fluctuate over time. As of June 30, 2015 and December 31, 2014, the ICE Clearing Houses have received or have been pledged \$77.0 billion in cash and non-cash collateral in original margin and Guaranty Fund deposits to cover price movements of underlying contracts for both periods. The ICE Clearing Houses also have powers of assessment that provide the ability to collect additional funds from their clearing members to cover a defaulting member's remaining obligations up to the limits established under the respective rules of each ICE Clearing House.

Should a particular clearing member fail to deposit original margin, or to make a variation margin payment, when and as required, the relevant ICE Clearing House may liquidate or hedge the clearing member's open positions and use the clearing member's original margin and Guaranty Fund deposits to make up any amount owed. In the event that those deposits are not sufficient to pay the amount owed in full, the ICE Clearing Houses may utilize the respective Guaranty Fund deposits of their respective clearing members on a pro-rata basis for that purpose. We have contributed \$128 million, \$50 million and \$50 million to the ICE Clear Europe, ICE Clear Credit and ICE Clear U.S. Guaranty Funds, respectively, as of June 30, 2015, and 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 deposits are insufficient. The \$228 million combined contributions as of June 30, 2015 are included in long-term restricted cash in the accompanying consolidated balance sheet and such amounts would be utilized after the available funds of the defaulting clearing member but before all other amounts within the Guaranty Funds.

As of June 30, 2015, original margin and Guaranty Fund cash deposits are as follows for the ICE Clearing Houses (in millions):

	ICE Clear Europe	ICE Clear Credit	ICE Clear U.S.	Other Clearing Houses	Total
Original margin	\$22,675	\$11,707	\$4,087	\$115	\$38,584
Guaranty Fund	2,802	1,639	313	13	4,767
Total	\$25,477	\$13,346	\$4,400	\$128	\$43,351

As of December 31, 2014, original margin and Guaranty Fund cash deposits are as follows for the ICE Clearing Houses (in millions):

Edgar Filing: Intercontinental Exchange, Inc. - Form 10-Q

	ICE Clear Europe	ICE Clear Credit	ICE Clear U.S.	Other Clearing Houses	Total
Original margin	\$23,291	\$14,056	\$4,285	\$42	\$41,674
Guaranty Fund	3,048	2,408	290	38	5,784
Total	\$26,339	\$16,464	\$4,575	\$80	\$47,458

We have recorded these cash deposits in the accompanying consolidated balance sheets as current assets with corresponding current liabilities to the clearing members of the relevant ICE Clearing House. All cash, securities and letters of credit are available only to meet the financial obligations of that clearing member to the relevant ICE Clearing House. ICE Clear Europe, ICE Clear

Credit, ICE Clear U.S., ICE Clear Canada, ICE Clear Netherlands, TCC and ICE Clear Singapore are separate legal entities and are not subject to the liabilities of the other ICE Clearing Houses or the obligations of the members of the other ICE Clearing Houses. The amount of these cash deposits may fluctuate due to the types of margin collateral choices available to clearing members and the change in the amount of deposits required. As a result, these assets and corresponding liabilities may vary significantly over time. Except as noted below with respect to ICE Clear Credit, the majority of the cash held by the ICE Clearing Houses is secured in reverse repurchase agreements with primary overnight maturities or direct investment in U.S. government securities. Remaining balances are invested overnight across a diverse set of high quality financial institutions. ICE Clear Credit has been designated as a systemically important financial market utility by the Financial Stability Oversight Council and has been authorized to establish and maintain a cash account at the Federal Reserve Bank of Chicago. Such account was opened on July 30, 2015 and ICE Clear Credit currently holds a material portion of its U.S. dollar cash held in the Guaranty Fund and in original margin in the cash account at the Federal Reserve Bank of Chicago. Access to a central bank account at the Federal Reserve Bank of Chicago is intended to decrease ICE Clear Credit's custodial, liquidity and operational risk as compared to alternative custodial and investment arrangements.

In addition to the cash deposits for original margin and the Guaranty Fund, the ICE Clearing Houses have also received other assets from clearing members, which may include government obligations, certain agency and corporate debt, letters of credit or gold to mitigate credit risk. These assets are not reflected in the accompanying consolidated balance sheets as the risks and rewards of these assets remain with the clearing members unless the ICE Clearing Houses have sold or re-pledged the assets or in the event of a clearing member default, where the clearing member is no longer entitled to redeem the assets. Any income, gain or loss accrues to the clearing member. For certain non-cash deposits, the ICE Clearing Houses may impose discount or "haircut" rates to ensure adequate collateral levels to account for fluctuations in the market value of these deposits. As of June 30, 2015 and December 31, 2014, the assets pledged by the clearing members as original margin and Guaranty Fund deposits for each of the ICE Clearing Houses are detailed below (in millions):

	As of June 30, 2015				As of December 31, 2014			
	ICE Clear Europe	ICE Clear Credit	ICE Clear U.S.	Other Clearing Houses	ICE Clear Europe	ICE Clear Credit	ICE Clear U.S.	Other Clearing Houses
Original margin:								
Government securities at face value	\$20,516	\$4,598	\$7,314	\$103	\$18,284	\$3,235	\$6,972	\$99
Letters of credit	—	—	—	285	—	—	—	4
Total	\$20,516	\$4,598	\$7,314	\$388	\$18,284	\$3,235	\$6,972	\$103
Guaranty Fund:								
Government securities at face value	\$224	\$305	\$175	\$100	\$284	\$424	\$190	\$15

9. Commitments and Contingencies

Legal Proceedings

We are subject to legal proceedings and claims that arise from time to time in the course of our business. Typically, we do not believe that the resolution of ordinary course matters, including the matters described below, will have a material adverse effect on our consolidated financial condition, results of operations, or liquidity. It is possible, however, that future results of operations for any particular quarterly or annual period could be materially and adversely affected by any developments relating to the legal proceedings and claims. The matters described below all relate to our operation of NYSE. A range of possible losses related to the cases below cannot be reasonably estimated at this time, except as disclosed below.

In April 2014, the first of four purported class action lawsuits was filed in the U.S. District Court for the Southern District of New York, or the Southern District, by the City of Providence, Rhode Island, against more than 40 defendants, including "Exchange Defendants", "Brokerage Defendants" and "HFT (High Frequency Trading) Defendants", which we refer to as the City of Providence lawsuit. New York Stock Exchange LLC and NYSE Arca, Inc., two of our

subsidiaries, were among the named Exchange Defendants. On July 2, 2014, the court ordered the cases consolidated for all purposes, and appointed lead plaintiffs. On September 3, 2014, the lead plaintiffs filed an amended complaint asserting claims against only a subset of the original Exchange Defendants, including New York Stock Exchange LLC and NYSE Arca, Inc., and also asserting claims against Barclays PLC, or Barclays, a subsidiary of which operates an alternative trading system known as Barclays LX. The lead plaintiffs are suing on behalf of a class of “all public investors” who bought or sold stock from April 18, 2009 to the present on the U.S.-based equity exchanges operated by the remaining Exchange Defendants or on Barclays LX. The amended complaint asserts violations by all remaining Exchange Defendants of Sections 10(b) and 6(b) of the Exchange Act, and seeks unspecified compensatory damages against all defendants, jointly and severally, as well as various forms of equitable relief. The defendants filed a motion on November 3, 2014 to dismiss the amended complaint. On

November 24, 2014, the plaintiffs filed a second amended complaint asserting the same legal claims and substantially the same factual allegations. On January 23, 2015, the defendants filed a motion to dismiss the second amended complaint.

On October 2, 2014, Barclays filed a motion before the U.S. Judicial Panel on Multidistrict Litigation, or the MDL Panel, requesting that a separate lawsuit filed against Barclays in the U.S. District Court for the Central District of California be transferred to the Southern District judge handling the City of Providence lawsuit for consolidated or coordinated pre-trial proceedings. On December 12, 2014, the MDL Panel entered an order granting Barclays' motion and transferring the matter to the Southern District. Depending on the outcome of further pre-trial proceedings to occur in the Southern District, the scope of this litigation could be expanded.

In May 2014, three purported class action lawsuits were filed in the Southern District by Harold Lanier against the securities exchanges that are participants in each of the three national market system data distribution plans - the Consolidated Tape Association/Consolidated Quotation Plan, the Nasdaq UTP Plan, and the Options Price Reporting Authority, or the Plans, - which are established under the Exchange Act and regulated by the SEC. On August 15, 2014, Lanier filed amended complaints in each of the three lawsuits but did not alter the named defendants. New York Stock Exchange LLC, NYSE Arca, Inc. and NYSE MKT LLC, which are our subsidiaries, are among the defendants named in one or more of the suits. Lanier is claiming to sue on behalf of him and all other similarly situated subscribers to the market data disseminated by the Plans. Lanier's allegations include that the exchange participants in the Plans breached agreements with subscribers by disseminating market data in a discriminatory manner in that other "preferred" customers allegedly received their data faster than the proposed class. The complaints seek, among other relief, unspecified compensatory damages, restitution of the putative class's subscription fees paid to the defendants, disgorgement of the fees paid by the so-called preferred customers, and injunctive and declaratory relief. On September 29, 2014, the defendants moved to dismiss the amended complaint. On April 28, 2015, the court issued an opinion and order granting the motion and dismissing the three lawsuits with prejudice. The court determined that the claims were preempted by a "comprehensive federal regulatory scheme", and that in any event Lanier had failed to state a claim for breach of contract. On May 20, 2015, Lanier filed a notice of appeal of the dismissal of the lawsuits. Briefing in the appeals is scheduled to occur during the remainder of 2015.

One of our subsidiaries, NYSE Brazil Holdings, B.V., or NYSE BV, is a party to a pending arbitration proceeding initiated by an arbitration demand dated June 4, 2014 in Brazil, filed by ATG Americas Trading Group, S.A. and ATS Brasil S.A., or ATG/ATS, which we refer to as the ATG/ATS arbitration proceeding. NYSE BV and ATG Americas Trading Group, S.A. own 20% and 80%, respectively, of the equity in ATS Brasil S.A., a company with a prospective cash equity trading platform in Brazil, which is not yet operational. ATG/ATS allege NYSE BV breached certain obligations and assert damages of at least 100 million Brazilian Reais (\$32 million based on the Brazilian Real/U.S. dollar exchange rate of 0.3166 as of June 30, 2015). The case has not yet proceeded to a point where ATG/ATS would be required to provide factual support for its damages demand, whether 100 million Brazilian Reais, or a materially higher amount. NYSE BV has served ATG/ATS with a responsive statement which denies liability in connection with the claims, and we are defending the proceeding. On June 3, 2015, the arbitration panel granted a request by ATG/ATS to add NYSE Holdings LLC as a party to the arbitration, but denied its request to add any other alleged NYSE BV affiliates. While that decision is subject to further proceedings, in June 2015, the parties agreed in principle on a general framework for a settlement of the matter and are in the process of finalizing the settlement documentation that would terminate the dispute, though we cannot guarantee such documentation will be finalized. Based on these settlement discussions, we have recorded our best estimate of the settlement of this matter in other expense for the six months and three months ended June 30, 2015 in the accompanying consolidated statements of income.

Redeemable Non-controlling Interest

On June 29, 2015, we purchased the remaining 16% of the shares outstanding from external investors for \$128 million and we now own 100% of NYSE Amex Options. The remaining 16% of the outstanding shares was owned by seven external investors and was recorded as redeemable non-controlling interest in the consolidated balance sheet and the proportionate share of profits was recorded as net income from continuing operations attributable to non-controlling interest in the consolidated statements of income. As of July 1, 2015, 100% of the profits from NYSE Amex Options will be retained by us.

10. Pension and Other Benefit Programs

The following table provides the components of net periodic expense (benefit) associated with our pension plans, supplemental executive retirement, or SERP, plans and post-retirement benefit plans for the six months and three months ended June 30, 2015 and 2014 in the accompanying consolidated statements of income (in millions):

15

	Six Months Ended June 30, 2015			Six Months Ended June 30, 2014		
	Pension Plans	SERP Plans	Post-retirement Benefit Plans	Pension Plans	SERP Plans	Post-retirement Benefit Plans
Service costs	\$—	\$—	\$ —	\$2	\$—	\$—
Interest costs	16	2	4	18	2	4
Estimated return on plan assets	(22	) —	—	(24) —	—
Amortization of loss	2	—	—	—	—	—
Net periodic expense (benefit)	\$(4	) \$2	\$ 4	\$(4	) \$2	\$ 4

	Three Months Ended June 30, 2015			Three Months Ended June 30, 2014		
	Pension Plans	SERP Plans	Post-retirement Benefit Plans	Pension Plans	SERP Plans	Post-retirement Benefit Plans
Service costs	\$—	\$—	\$ —	\$1	\$—	\$—
Interest costs	8	1	2	9	1	2
Estimated return on plan assets	(11	) —	—	(12) —	—
Amortization of loss	1	—	—	—	—	—
Net periodic expense (benefit)	\$(2	) \$1	\$ 2	\$(2	) \$1	\$ 2

During the six months and three months ended June 30, 2015, we contributed \$8 million and \$4 million, respectively, to our pension plans, SERP plans and post-retirement benefit plans. Based on current actuarial assumptions, we anticipate funding an additional \$24 million to our pension plans, SERP plans and post-retirement benefit plans during second half of 2015.

11. Fair Value Measurements

Our financial instruments consist primarily of cash and cash equivalents, short-term and long-term restricted cash and investments, short-term and long-term investments, customer accounts receivable, margin deposits and guaranty funds, cost and equity method investments, short-term and long-term debt and certain other short-term assets and liabilities. The fair value of our 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.

In general, we use Level 1 inputs to determine fair value. The Level 1 assets consist of U.S. Treasury securities, equity and other securities listed in active markets, and investments in publicly traded mutual funds held for the purpose of providing future payments of the SERP and the supplemental executive savings plans.

Financial assets and liabilities recorded in the accompanying consolidated balance sheets as of June 30, 2015 and December 31, 2014 are classified in their entirety based on the lowest level of input that is significant to the asset or liability's fair value measurement. Financial instruments measured at fair value on a recurring basis as of June 30, 2015 and December 31, 2014 are as follows (in millions):

	As of June 30, 2015			As of December 31, 2014		
	Level 1	Level 2 and 3	Total	Level 1	Level 2 and 3	Total
Assets at fair value:						
Long-term investment in equity securities	\$341	\$—	\$341	\$379	\$—	\$379
U.S. Treasury securities	443	—	443	374	—	374
Mutual Funds	22	—	22	27	—	27
Total assets at fair value	\$806	\$—	\$806	\$780	\$—	\$780

As of June 30, 2015, the fair values of our \$1.39 billion Senior Notes and \$853 million NYSE Notes are \$1.44 billion and \$860 million, respectively. The fair values of these fixed rate notes were estimated using quoted market prices for these instruments. The fair value of our other short-term and long-term debt approximates the carrying value since the

rates of interest on the debt

16

approximate market rates as of June 30, 2015. All other financial instruments are determined to approximate carrying value due to the short period of time to their maturities.

As of June 30, 2015, we are holding \$443 million in U.S. Treasury securities, all of which had remaining maturities of less than one year at the date of purchase. Of these securities, \$225 million were recorded as cash and cash equivalents, \$87 million were recorded as short-term restricted cash and investments and \$131 million were recorded as long-term restricted cash and investments in the accompanying consolidated balance sheet as of June 30, 2015 (all of the U.S. Treasury securities recorded as cash have remaining maturities of less than 90 days).

We did not use Level 2 and 3 inputs to determine the fair value of assets or liabilities measured at fair value on a recurring basis as of June 30, 2015 or December 31, 2014. We measure certain assets, such as intangible assets and cost and equity method investments, at fair value on a non-recurring basis. These assets are recognized at fair value if they are deemed to be impaired. As of June 30, 2015 and December 31, 2014, none of these assets were required to be recorded at fair value since no impairment indicators were present. Cost and equity method investments were \$120 million and \$53 million as of June 30, 2015 and December 31, 2014, respectively, and are classified as other non-current assets in the accompanying consolidated balance sheets. The increase in the cost and equity method investments during the six months ended June 30, 2015 is primarily due to our \$60 million investment in The Options Clearing Corporation, or OCC.

We own a 40% interest in OCC through a direct investment by NYSE. OCC serves as a clearing house for securities options, security futures, commodity futures and options on futures traded on various independent exchanges. OCC clears securities options traded on NYSE Arca and NYSE MKT, along with other non-affiliated exchanges, and is regulated by the SEC as a registered clearing agency and by the Commodity Futures Trading Commission, or CFTC, as a derivatives clearing organization. OCC adopted a new capital plan during the first quarter of 2015, which raised \$150 million in equity capital from OCC's shareholders, including \$60 million contributed by us. Pursuant to the terms of the capital plan, in exchange for the contributions of equity capital from its shareholders, OCC would be required, subject to determination by its board of directors and compliance with legal requirements, to pay an annual dividend to its shareholders, on a pro rata basis, equal to the after-tax income of OCC, in excess of the amount required to maintain its target capital requirement and satisfy other capital requirements, and after refunds to its clearing members equal to 50% of distributable earnings before tax. In addition, under the OCC capital plan, the OCC shareholders will contribute up to \$200 million in additional equity capital if certain capital thresholds are breached, including up to \$80 million to be contributed by us. The OCC shareholders would receive Class C stock in exchange for any additional capital contribution. No dividends or other remuneration would be paid to OCC shareholders holding this stock. Unless and until such \$200 million capital contribution is repaid to the shareholders, OCC would be required not to declare any dividends and would be required not to pay refunds to its clearing members.

Subsequent to our investment of the \$60 million, aggrieved parties petitioned the SEC to review its approval of the capital plan. As a result of such petition, the implementation of the capital plan was automatically stayed. Consequently OCC will not pay dividends to shareholders or issue refunds to customers until the stay is lifted or the SEC reconfirms its approval of the capital plan. The outcome of the petition and the timing of any possible reconfirmation of the capital plan by the SEC is uncertain at this time.

12. Discontinued Operations

We completed the IPO of our wholly-owned subsidiary Euronext on June 24, 2014 and completed the sales of our wholly-owned subsidiaries Wombat on July 23, 2014, and NYFIX and Metabit on September 19, 2014. We have reflected the results of Euronext, Wombat, NYFIX and Metabit as discontinued operations up to the IPO or sale dates in the accompanying consolidated statement of income for the six months and three months ended June 30, 2014 and for the six months ended June 30, 2014 for the consolidated statement of cash flows.

The results below include external advisory costs, professional services costs and compensation and severance costs related to the discontinued operations, which have been classified below as acquisition-related transaction and integration costs from discontinued operations. Results of discontinued operations were as follows for the six months and three months ended June 30, 2014

(in millions):

	Six Months Ended June 30, 2014	Three Months Ended June 30, 2014
Total revenues, less transaction-based expenses	\$329	\$166
Compensation and benefits	100	46
Technology and communication	27	12
Professional services	30	22
Rent and occupancy	12	5
Acquisition-related transaction and integration costs	96	55
Selling, general, administrative	15	5
Depreciation and amortization	16	7
Total operating expenses	296	152
Operating income	33	14
Other income, net	5	6
Income tax expense	17	12
Income from discontinued operations, net of tax	\$21	\$8

13. Condensed Consolidating Financial Statements (Unaudited)

In connection with our acquisition of NYSE, Intercontinental Exchange, Inc., or ICE, and NYSE Holdings LLC, or NYSE, established various guarantees to protect against structural subordination of each entities' existing indebtedness. NYSE is our wholly-owned subsidiary and fully and unconditionally guarantees, on an unsecured and unsubordinated basis, the payment of principal, premium, if any, and interest of our 2014 Credit Facility, Senior Notes and the Commercial Paper Program. Similarly, ICE fully and unconditionally guarantees, on an unsecured and unsubordinated basis, the payment of principal, premium, if any, and interest of the NYSE Notes. The guarantees will remain in place until each applicable debt obligation has been satisfied.

The following unaudited consolidating financial information sets forth, under the equity method of accounting, the condensed consolidating statements of income and comprehensive income, the condensed consolidating balance sheets, and the condensed consolidating statements of cash flows for (i) ICE (Parent); (ii) NYSE; (iii) the subsidiary non-guarantors; (iv) elimination entries necessary to consolidate each of ICE and NYSE with the non-guarantor subsidiaries; and (v) on a consolidated basis. The condensed consolidating financial information should be read in conjunction with the accompanying consolidated financial statements.

Edgar Filing: Intercontinental Exchange, Inc. - Form 10-Q

Intercontinental Exchange, Inc.
 Condensed Consolidating Balance Sheets
 As of June 30, 2015
 (In millions)

	ICE (Parent)	Subsidiary Guarantor - NYSE	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated Total
Current assets:					
Cash and cash equivalents	\$ 1	\$—	\$ 677	\$ —	\$ 678
Intercompany receivable	2,897	—	149	(3,046)	—
Margin deposits and guaranty funds	—	—	43,351	—	43,351
Notes receivable from affiliate, current	—	332	385	(717)	—
Other current assets	59	—	1,045	—	1,104
Total current assets	2,957	332	45,607	(3,763)	45,133
Property and equipment, net	—	—	911	—	911
Other non-current assets:					
Goodwill and other intangible assets, net	—	—	16,232	—	16,232
Investment in subsidiaries	14,249	9,705	—	(23,954)	—
Notes receivable from affiliate, non-current	—	3,076	2,347	(5,423)	—
Other non-current assets	23	10	795	—	828
Total other non-current assets	14,272	12,791	19,374	(29,377)	17,060
Total assets	\$17,229	\$13,123	\$ 65,892	\$ (33,140)	\$ 63,104
Current liabilities:					
Short-term debt	\$1,016	\$—	\$ —	\$ —	\$ 1,016
Margin deposits and guaranty funds	—	—	43,351	—	43,351
Intercompany payable	—	1,558	1,488	(3,046)	—
Notes payable to affiliates, current	350	325	42	(717)	—
Other current liabilities	48	—	1,165	—	1,213
Total current liabilities	1,414	1,883	46,046	(3,763)	45,580
Non-current liabilities:					
Long-term debt	1,394	853	—	—	2,247
Notes payable to affiliates, non-current	2,005	342	3,076	(5,423)	—
Other non-current liabilities	6	—	2,788	—	2,794
Total non-current liabilities	3,405	1,195	5,864	(5,423)	5,041
Total liabilities	4,819	3,078	51,910	(9,186)	50,621
Redeemable non-controlling interest	—	—	40	—	40
Equity:					
Total shareholders' equity	12,410	10,045	13,909	(23,954)	12,410
Non-controlling interest in consolidated subsidiaries	—	—	33	—	33
Total equity	12,410	10,045	13,942	(23,954)	12,443
Total liabilities and equity	\$17,229	\$13,123	\$ 65,892	\$ (33,140)	\$ 63,104

Edgar Filing: Intercontinental Exchange, Inc. - Form 10-Q

Intercontinental Exchange, Inc.
 Condensed Consolidating Balance Sheets
 As of December 31, 2014
 (In millions)

	ICE (Parent)	Subsidiary Guarantor - NYSE	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated Total
Current assets:					
Cash and cash equivalents	\$6	\$5	\$ 641	\$ —	\$ 652
Intercompany receivable	2,793	—	529	(3,322)	—
Margin deposits and guaranty funds	—	—	47,458	—	47,458
Note receivable from affiliate, current	—	313	31	(344)	—
Other current assets	60	1,173	936	(60)	2,109
Total current assets	2,859	1,491	49,595	(3,726)	50,219
Property and equipment, net	—	—	874	—	874
Other non-current assets:					
Goodwill and other intangible assets, net	—	—	16,315	—	16,315
Investment in subsidiaries	13,682	9,572	—	(23,254)	—
Note receivable from affiliate, non-current	—	2,790	1,516	(4,306)	—
Other non-current assets	25	11	809	—	845
Total other non-current assets	13,707	12,373	18,640	(27,560)	17,160
Total assets	\$16,566	\$13,864	\$ 69,109	\$ (31,286)	\$ 68,253
Current liabilities:					
Short-term debt	\$905	\$1,137	\$ —	\$ —	\$ 2,042
Margin deposits and guaranty funds	—	—	47,458	—	47,458
Intercompany payable	—	1,933	1,389	(3,322)	—
Notes payable to affiliates, current	344	—	—	(344)	—
Other current liabilities	30	—	1,043	(60)	1,013
Total current liabilities	1,279	3,070	49,890	(3,726)	50,513
Non-current liabilities:					
Long-term debt	1,394	853	—	—	2,247
Notes payable to affiliates, non-current	1,516	—	2,790	(4,306)	—
Other non-current liabilities	17	—	2,919	—	2,936
Total non-current liabilities	2,927	853	5,709	(4,306)	5,183
Total liabilities	4,206	3,923	55,599	(8,032)	55,696
Redeemable non-controlling interest	—	—	165	—	165
Equity:					
Total shareholders' equity	12,360	9,941	13,313	(23,254)	12,360
Non-controlling interest in consolidated subsidiaries	—	—	32	—	32
Total equity	12,360	9,941	13,345	(23,254)	12,392
Total liabilities and equity	\$16,566	\$13,864	\$ 69,109	\$ (31,286)	\$ 68,253

Edgar Filing: Intercontinental Exchange, Inc. - Form 10-Q

Intercontinental Exchange, Inc.
Condensed Consolidating Statements of Income
Six Months Ended June 30, 2015
(In millions)

	ICE (Parent)	Subsidiary Guarantor - NYSE	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated Total	
Revenues:						
Transaction and clearing fees, net	\$—	\$—	\$ 1,536	\$ —	\$ 1,536	
Data services fees	—	—	378	—	378	
Listing fees and other revenues	—	—	315	—	315	
Total revenues	—	—	2,229	—	2,229	
Transaction-based expenses	—	—	582	—	582	
Total revenues, less transaction-based expenses	—	—	1,647	—	1,647	
Operating expenses:						
Compensation and benefits	1	—	294	—	295	
Technology and communication	—	—	98	—	98	
Acquisition-related transaction and integration costs	—	—	26	—	26	
Selling, general, administrative and other	1	—	153	—	154	
Depreciation and amortization	—	—	182	—	182	
Total operating expenses	2	—	753	—	755	
Operating income	(2	) —	894	—	892
Intercompany interest on loans	(2	) 19	(17) —	—	
Other expense, net	(7) (33) (13) —	(53)
Total other expense, net	(9) (14) (30) —	(53)
Income before income taxes	(11	) (14	) 864	—	839
Income tax expense (benefit)	(3	) —	230	—	227
Equity earnings from subsidiaries	606	168	—	(774) —	
Net income	\$598	\$154	\$ 634	\$ (774	) \$ 612
Net income attributable to non-controlling interest	—	—	(14) —	(14)
Net income attributable to ICE	\$598	\$154	\$ 620	\$ (774	) \$ 598

Intercontinental Exchange, Inc.
Condensed Consolidating Statements of Comprehensive Income
Six Months Ended June 30, 2015
(In millions)

	ICE (Parent)	Subsidiary Guarantor - NYSE	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated Total	
Net income	\$598	\$154	\$ 634	\$ (774	) \$ 612
Other comprehensive income (loss):						
Foreign currency translation adjustments	—	1	18	—	19	
Change in fair value of available-for-sale-securities	—	—	(39) —	(39)
Employment benefit plan adjustments	—	—	(2) —	(2)
Total other comprehensive income (loss)	—	1	(23) —	(22)
Comprehensive loss of subsidiaries	(22	) (14	) —	36	—

Edgar Filing: Intercontinental Exchange, Inc. - Form 10-Q

Comprehensive income	576	141	611	(738	)	590
Comprehensive income attributable to non-controlling interests	—	—	(14	)	—	(14
Comprehensive income attributable to ICE	\$576	\$141	\$	597		