

INTERCONTINENTALEXCHANGE INC
Form 10-K
February 09, 2011
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2010

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 001-32671

INTERCONTINENTALEXCHANGE, INC.

(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

2100 RiverEdge Parkway,

Suite 500, Atlanta,

Georgia
(Address of principal executive offices)

58-2555670
(IRS Employer

Identification Number)

30328

(Zip Code)

(770) 857-4700

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$0.01 par value per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Annual Report on Form 10-K or any amendment to this Form 10-K.

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.

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

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter was \$8,143,772,618. As of February 2, 2011, the number of shares of the registrant's Common Stock outstanding was 73,384,630 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information contained in the registrant's Proxy Statement for the 2011 Annual Meeting of Stockholders is incorporated herein by reference in Part III of this Annual Report on Form 10-K. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year to which this report relates.

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INTERCONTINENTALEXCHANGE, INC.

ANNUAL REPORT ON FORM 10-K

For the Fiscal Year Ended December 31, 2010

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PART I

In this Annual Report on Form 10-K, unless otherwise specified or the context otherwise requires:

IntercontinentalExchange, ICE, we, us, our, our company and our business refer to IntercontinentalExchange, Inc. and its consolidated subsidiaries.

ICE Futures Europe refers to our wholly-owned subsidiary, which, prior to September 3, 2007, operated as ICE Futures and, prior to October 25, 2005, operated as the International Petroleum Exchange of London, Ltd., or the IPE.

ICE Futures U.S. refers to our wholly-owned subsidiary that we acquired on January 12, 2007, which, prior to our acquisition, operated as the Board of Trade of the City of New York, Inc., or NYBOT, a member-owned not-for-profit corporation, and, after our acquisition, operated as the Board of Trade of the City of New York, Inc., a wholly-owned subsidiary of IntercontinentalExchange. On September 3, 2007, we renamed NYBOT ICE Futures U.S.

ICE Clear U.S. refers to ICE Futures U.S.'s wholly-owned clearing subsidiary, which previously operated as the New York Clearing Corporation, or NYCC.

ICE Futures Canada refers to our wholly-owned subsidiary that we acquired on August 27, 2007 and which previously operated as the Winnipeg Commodity Exchange, Inc., or the WCE.

ICE Clear Canada refers to ICE Futures Canada's wholly-owned clearing subsidiary, which previously operated as WCE Clearing Corporation, or WCECC.

Due to rounding, figures in tables may not sum exactly.

Forward-Looking Statements

This Annual Report on Form 10-K, including the sections entitled Business, Legal Proceedings, Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements that are based on our present beliefs and assumptions and on information currently available to us. You can identify forward-looking statements by terminology such as may, will, should, could, would, targets, goal, expect, intend, plan, anticipate, believe, estimate, predict, potential, continue, or other comparable terminology. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from those expressed or implied by these forward-looking statements. These risks and other factors include those set forth in Item 1(A) under the caption Risk Factors and elsewhere in this Annual Report on Form 10-K and other filings with the Securities and Exchange Commission, or SEC. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We caution you not to place undue reliance on these forward-looking statements. Forward-looking statements and other factors that may affect our performance include, but are not limited to:

our expectations regarding the business environment in which we operate and trends in our industry, including trading volumes, changing regulations and increasing competition and consolidation;

conditions in global financial markets and domestic and international economic conditions;

volatility in commodity prices;

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the impact of any changes in domestic and foreign laws, regulations or government policy with respect to financial markets, including any changes in previously issued regulations and policies;

our ability to identify and effectively pursue acquisitions and strategic alliances and successfully integrate the companies we acquire;

the success of our clearing houses and our ability to minimize the risks associated with operating multiple clearing houses in multiple jurisdictions;

our ability to keep pace with rapid technological developments and to ensure that the technology we utilize is not vulnerable to security risks;

the accuracy of our cost estimates and expectations;

our belief that cash flows will be sufficient to service our debt and fund our working capital needs and capital expenditures, at least through the end of 2012;

our ability, on a timely and cost-effective basis, to offer additional products and services, leverage our risk management capabilities and enhance our technology;

our ability to maintain existing market participants and attract new ones;

our ability to protect our intellectual property rights, including the costs associated with such protection, and our ability to operate our business without violating the intellectual property rights of others;

our ability to identify trends and adjust our business to benefit from such trends;

potential adverse litigation results; and

the soundness of our electronic platform and disaster recovery system technologies, as well as our ability to gain access on a timely and cost-effective basis to comparable products and services if our key technology contracts were terminated.

Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of an unanticipated event. New factors emerge from time to time, and it is not possible for management to predict all factors that may affect our business and prospects. Further, management cannot assess the impact of each factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

The following discussion should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

ITEM 1. BUSINESS

General

We are a leading operator of global futures exchanges, over-the-counter, or OTC, markets and derivatives clearing houses. We operate leading futures and OTC marketplaces for trading and clearing a broad array of energy, environmental and agricultural commodities, credit default swaps, or CDS, equity indexes and foreign exchange contracts. Currently, we are the only marketplace to offer an integrated electronic platform for side-by-side trading of products in both the futures and OTC markets, together with post-trade processing and clearing services. Through our widely-distributed electronic markets, we bring together buyers and sellers of

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derivative and physical commodities and financial contracts and offer a range of services to support our participants' risk management and trading activities.

We conduct our regulated energy futures markets through our wholly-owned subsidiary, ICE Futures Europe, which is based in the United Kingdom. ICE Futures Europe is the largest energy futures exchange outside of the United States as measured by 2010 traded contract volumes according to the Futures Industry Association. We conduct our regulated U.S. futures markets through our wholly-owned subsidiary, ICE Futures U.S. We conduct our regulated Canadian futures markets through our wholly-owned subsidiary, ICE Futures Canada. ICE Futures Europe clears its business through ICE Clear Europe, ICE Futures U.S. clears its business through ICE Clear U.S. and ICE Futures Canada clears its business through ICE Clear Canada, each of which is a separate wholly-owned subsidiary. In July 2010, we completed our acquisition of Climate Exchange plc, or CLE, an operator of environmental markets globally and the parent company of European Climate Exchange, or ECX, Chicago Climate Exchange, or CCX, and Chicago Climate Futures Exchange, or CCFE. As a result of our prior business relationship with CLE, which began in 2003, we historically received certain technology licensing fees and a portion of the transaction and clearing fees generated by these exchanges.

We conduct our OTC energy business directly through IntercontinentalExchange as an Exempt Commercial Market under the Commodity Exchange Act and we conduct our CDS trade execution business through Creditex Group Inc., or Creditex, an interdealer broker for CDS. Our cleared OTC energy contracts clear through ICE Clear Europe. ICE Trust offers clearing for North American CDS and ICE Clear Europe offers clearing for European CDS.

In July 2010, President Obama signed the Dodd Frank Wall Street Reform and Consumer Protection Act, or the Financial Reform Act, into law. The Financial Reform Act will require significant changes in how the OTC swaps market operates, including the manner in which we operate our OTC execution, OTC clearing, and OTC data businesses. The Financial Reform Act includes provisions requiring that most standardized swaps be cleared, that most clearable swaps be executed on a new category of regulated marketplace known as a swaps execution facility, and that swaps data be reported to swap data repositories and disseminated in near real time to the marketplace through real time market data disseminators. Most of the provisions of the Financial Reform Act have an effective date of either July 15, 2011 or, if the provision is the subject of a regulatory rule-making, then as promulgated by the regulatory agency responsible for such rulemaking. For more information, please see Item 1. Business Regulation and Item 1(A). Risk Factors below.

Our Business

We operate diverse global futures, options and swaps markets and clearing houses that promote price transparency and offer participants the opportunity to hedge and trade a variety of commodities and financial derivatives. Our core products include contracts based on crude and refined oil products, natural gas, power, coal, emissions, sugar, cotton, coffee, cocoa, canola, orange juice, CDS, foreign exchange and equity index products. Our markets provide participants with a means for trading and managing risks associated with price volatility, as well as asset allocation, and provide for physical delivery of a limited number of commodity products. The majority of our contract volume is financially settled, meaning that settlement is made through cash payments based upon the difference between the contract price and the value of the underlying commodity at contract expiry rather than through physical delivery of the commodity itself.

All futures and options contracts and the majority of our OTC swap contracts are cleared through one of our central counterparty clearing houses. We also offer execution services for OTC swap contracts on a bilateral basis, meaning that customers enter into the swap contract directly with counterparties generally under International Swaps and Derivatives Association agreements. Our customer base includes corporations, manufacturers, utilities, commodity producers and refiners, professional traders, financial institutions, institutional and individual investors and governmental bodies. Except for a small amount of matched principal transactions by Creditex, we do not take any trading positions in any contracts in our markets.

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We operate our exchanges and OTC energy markets primarily on our electronic trading platform. Our CDS execution business is a hybrid model, in which trading is conducted both electronically on Creditex's proprietary RealTime trading platform, and through voice brokerage operations. ICE Futures U.S. continues to offer options on futures contracts through its open-outcry trading floor based in New York City, complementing our electronically traded futures and options markets. In addition to trade execution, our electronic platform and connectivity solutions offer comprehensive trading-related services, including pre- and post-trade risk management tools, electronic trade confirmation and clearing services. Through our technology infrastructure, we facilitate straight-through-processing of trades, with the goal of providing seamless integration of front-, back- and mid-office trading and risk management capabilities for our customer base.

We operate and manage our business on the basis of three segments: our futures segment, our global OTC segment and our market data segment. For a discussion of these segments and related financial disclosure, refer to note 17 to our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

History

In May 2000, IntercontinentalExchange was established, with our founding shareholders representing some of the world's largest energy companies and global financial institutions. Our mission was to transform the OTC energy markets by providing an open, accessible, around-the-clock electronic marketplace to a previously fragmented and opaque market structure. We offered the energy community improved price transparency, efficiency, liquidity and lower costs than were available through traditional methods of trading, such as voice brokered or open outcry markets. Working with participants in the energy markets, we developed the leading electronic marketplace for energy commodities, along with the leading electronic trade confirmation platform.

In June 2001, we expanded our business into the futures markets by acquiring the IPE, which was formed in 1980 as a traditional open-outcry exchange and is now known as ICE Futures Europe. As the leading regulated energy futures exchange outside of the United States, ICE Futures Europe's markets are fully electronic and today host trading for approximately 50% of the world's crude and refined oil futures contract volume. ICE Data was launched in 2002 to meet the demand for increased market data in the OTC energy markets and it provides futures and OTC commodity market data globally.

In November 2005, we completed our initial public offering on the New York Stock Exchange under the ticker symbol ICE and have since become a member of the Russell 1000 and the S&P 500 indexes. In January 2007, we acquired NYBOT, now known as ICE Futures U.S., which was originally formed in 1870. Following the introduction of electronic futures trading in February 2007, ICE Futures U.S. transitioned from a floor-based futures market to an electronic futures market, although options markets continue to be available for trading on the floor of the exchange.

In August 2007, we acquired the Winnipeg Commodity Exchange, now known as ICE Futures Canada, which was formed in 1887 and today is the leading canola market in the world. In October 2007, we acquired Chatham Energy, or Chatham, an OTC energy options broker, and in February 2008, we acquired YellowJacket Software, Inc., or YellowJacket, a peer-to-peer negotiation tool for the OTC options markets. In August 2008, we completed our acquisition of Creditex, an interdealer broker and electronic market for the execution and processing of credit derivatives.

In March 2009, we acquired The Clearing Corporation, or TCC, as part of our initiative to form ICE Trust. TCC primarily clears U.S. futures and OTC emissions contracts listed by CCX, and its CDS risk model is used by ICE Trust for CDS clearing. ICE Trust launched in March 2009 as a standalone clearing house for clearing credit derivatives. ICE Clear Europe expanded its business to include European CDS clearing in July 2009.

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In July 2010, we completed our acquisition of CLE to build on our existing relationship with CLE's exchanges, provide scale to the environmental markets, and to diversify our products, customers and geographic profile. We first began working with CLE and its subsidiary exchanges in 2003. In September 2010, ICE completed its acquisition of TradeCapture OTC to enter the mobile device data market and in November 2010 launched ICE mobile as the industry's first real-time data application for iPhone.

As of December 31, 2010, we employed 933 professionals across the United States, Europe, Canada and Asia.

Futures Marketplaces

In our futures business, we operate four regulated futures exchanges in the United States, the United Kingdom and Canada. ICE Futures Europe operates as a Recognized Investment Exchange in the United Kingdom, where it is regulated by the U.K. Financial Services Authority, or FSA. ICE Futures Europe today operates exclusively as an electronic futures exchange and is a leading exchange for crude and refined oil futures contracts, as well as futures based on European emissions, natural gas and power and global coal. Its members and their customers include many of the world's largest energy companies and leading financial institutions.

ICE Futures U.S. is a leading global futures and options exchange for trading in a broad array of agricultural commodities, including sugar, coffee, cotton, cocoa and frozen concentrated orange juice, or FCOJ. ICE Futures U.S. also lists futures and options contracts for a variety of financial products, including Russell Indexes and the U.S. Dollar Index, or USDX. ICE Futures U.S. operates as a designated contract market and is regulated by the Commodity Futures Trading Commission, or CFTC. Futures and options listed by ICE Futures U.S. are available electronically and options are also available via floor-traded markets.

ICE Futures Canada is Canada's leading agricultural commodity futures and options exchange and North America's first fully electronic commodity futures exchange. Based in Winnipeg, Manitoba, ICE Futures Canada offers futures and options contracts on canola and western barley. ICE Futures Canada is a recognized commodity futures exchange under the provisions of The Commodity Futures Act (Manitoba), or the CFA, and is regulated by the Manitoba Securities Commission, or MSC.

CCFE is the leading derivatives exchange for environmental contracts in the United States. Formed in 2004 as a CFTC designated contract market, CCFE today offers cleared futures and options on emissions, carbon and renewable energy products through our electronic platform.

ICE Clear Europe clears and settles contracts for ICE Futures Europe and is regulated by the FSA as a Recognized Clearing House. In January 2010, the CFTC granted ICE Clear Europe registration as a United States derivatives clearing organization. ICE Clear U.S. and TCC, which clear and settle contracts traded on ICE Futures U.S. and CCFE, respectively, are derivatives clearing organizations regulated by the CFTC. ICE Clear Canada, which clears and settles contracts traded on ICE Futures Canada, is a recognized clearing house under the provisions of the CFA and is regulated by the MSC.

Global OTC Markets

In our OTC business, we operate energy and CDS markets. We conduct our OTC energy business directly through IntercontinentalExchange pursuant to the Commodity Exchange Act as an Exempt Commercial Market. We offer trading and clearing in hundreds of contracts, covering a broad range of oil, natural gas and power products. These contracts include financially settled contracts, as well as contracts that provide for physical delivery of the underlying commodity, principally relating to natural gas, power, natural gas liquids, chemicals and crude and refined oil products. We list over 360 standardized OTC energy contracts for clearing, and 95% of our OTC energy contract volume was traded on a cleared basis in our markets during 2010. We offer a number of derivative contracts in our OTC markets to provide for a range of commodities, product types, delivery hub

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locations and settlement dates for a given contract. Our OTC market participants include many of the world's largest energy companies, industrial firms, leading financial institutions and proprietary trading firms, as well as natural gas distribution companies and electric utilities. Participants in our OTC energy markets must qualify as eligible contract participants and eligible commercial entities under the Commodity Exchange Act.

In our credit derivatives business, we offer both electronic and voice brokered markets for trading CDS through our CDS trading platform and through brokerage offices in New York, London and Singapore. The Creditex business includes two regulated entities, Creditex Brokerage LLP, which is authorized and regulated by the FSA, and Creditex Securities Corporation, which is supervised as a broker-dealer and alternative trading system by Financial Industry Regulatory Authority, or FINRA.

We offer clearing services for our OTC energy markets and for our European CDS markets through ICE Clear Europe. We offer clearing services for our North American CDS markets through ICE Trust.

Market Data

We offer a variety of market data services for futures and OTC markets through our market data subsidiary, ICE Data. ICE Data compiles, formats and offers packages of market data derived from trading activity on our platform into information products that are relied upon by a broad customer base in 24 countries and extending beyond our core trading community.

ICE Data provides data services covering our energy futures and OTC markets, as well as agricultural commodities, equity indexes and currency pairs. Market data services for these segments include publication of daily indexes, historical price and other data, view-only and mobile data access to our trading platform, end of day settlements and pricing data sets. ICE data also offers a service that provides independent validation of participants' own valuations for OTC products.

Our Competitive Strengths

We have established ourselves as a leading operator of global regulated futures exchanges, OTC markets and clearing houses. We believe our key strengths include:

liquid, diverse global markets and benchmark contracts;

geographic and product diversity with multiple regulated exchanges and global OTC markets;

diverse risk management and central counterparty clearing operations for futures and OTC markets;

widely-distributed, leading edge technology for trading and risk management;

market transparency and efficient access to futures and OTC markets;

innovative, growth oriented and customer-focused management; and

an independent governance structure.

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Several of our core futures contracts serve as global benchmarks for managing risk relating to exposure to price movements in the underlying commodities, including energy and agricultural commodities. For example, we operate the leading market for trading in Brent crude oil futures, as measured by the volume of contracts traded in 2010 according to the Futures Industry Association. The ICE Brent Crude futures contract is the leading benchmark for pricing light, sweet crude oil produced and consumed outside of the United States. The ICE Brent Crude futures contract is part of the Brent complex, which forms the price reference for approximately two-thirds of the world's physical oil. Similarly, the ICE Gas Oil futures contract is the leading benchmark for the pricing of refined oil products globally, including diesel and heating oil. We also operate the world's second largest market for trading in West Texas Intermediate, or WTI, crude oil futures, as measured by the volume of contracts traded in 2010 according to the Futures Industry Association. The WTI Crude futures contract is the leading benchmark for pricing light, sweet crude oil delivered and consumed within the United States. Based on 2010 contract volume, roughly half of the world's crude and refined oil futures are traded through ICE Futures Europe. We also offer leading agricultural benchmark contracts for sugar, cotton and coffee that serve as global price references. In addition to commodities, we offer futures markets in the benchmark Russell Index and US Dollar index.

We were the first marketplace globally to introduce cleared OTC energy contracts. We believe that cleared OTC markets have increased market liquidity and transparency and attracted new participants by reducing counterparty credit risk and by improving capital efficiency. We also offer liquid OTC markets in CDS through voice and electronic execution, as well as the leading clearing service for CDS.

The following table shows the number and notional value of commodity and equity index futures contracts traded in our most significant futures markets. The notional value of contracts represents the aggregate value of the underlying commodities and instruments covered by the contracts.

	2010		Year Ended December 31, 2009		2008	
	Number of Contracts (In thousands)	Notional Value (In billions)	Number of Contracts (In thousands)	Notional Value (In billions)	Number of Contracts (In thousands)	Notional Value (In billions)
ICE Brent Crude futures	100,052	\$ 8,102.1	74,138	\$ 4,747.4	68,368	\$ 6,771.3
ICE WTI Crude futures	52,592	4,240.2	46,394	2,969.1	51,092	5,210.4
ICE Gas Oil futures	52,324	3,563.9	36,039	1,961.9	28,805	2,637.2
Sugar futures and options	37,910	943.4	34,796	698.6	36,437	492.5
Russell Index futures and options	40,352	2,679.8	39,297	2,020.7	17,054	1,201.7

The following table shows the number and notional value of OTC commodity contracts traded on our electronic platform in our most significant OTC energy markets:

	2010		Year Ended December 31, 2009		2008	
	Number of Contracts (In thousands)	Notional Value (In billions)	Number of Contracts (In thousands)	Notional Value (In billions)	Number of Contracts (In thousands)	Notional Value (In billions)
North American natural gas	257,354	\$ 2,481.3	204,690	\$ 2,023.5	228,544	\$ 4,531.3
North American power(1)	69,223	314.7	53,599	343.6	38,043	533.7
Global oil and refined products(1)	6,486	2,420.0	2,539	810.7	517	443.8

- (1) The North American power and global oil and refined products contract volumes in the table above have been adjusted to reflect the unit volume in which fees are charged to our customers. The contract volumes which we previously disclosed were based on equivalent futures contract sizes. We believe that the current unit volume reflects a more consistent view of our contract volumes.

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The following table shows the gross notional value of CDS contracts traded through Creditex, and the gross notional value of CDS cleared by ICE Trust and ICE Clear Europe:

	2010		Year Ended December 31, 2009		2008	
	Gross Notional Value Traded (In billions)	Gross Notional Value Cleared (In billions)	Gross Notional Value Traded (In billions)	Gross Notional Value Cleared (In billions)	Gross Notional Value Traded (In billions)	Gross Notional Value Cleared (In billions)
Credit derivatives	\$ 2,255.9	\$ 9,987.7	\$ 2,454.4	\$ 4,620.0	\$ 1,064.8	\$

Geographic and Product Diversity with Multiple Regulated Exchanges and Global OTC Markets

Our globally distributed electronic trading platform offer qualified market participants a single interface to multiple exchanges, covering four unique product categories, including energy, agricultural, equity index and foreign exchange products. In addition, Creditex also offers a separate CDS trade execution platform. By offering trading in multiple markets and products we provide our participants with maximum flexibility to implement their trading and risk management strategies across a variety of asset classes and geographies. We serve customers in dozens of countries as a result of listing products that are relevant globally, such as crude oil, credit derivatives, sugar, equity indexes and currencies. With our acquisitions of NYBOT and Creditex and the development and launch of new clearing houses in the United States and Europe, we have a demonstrated ability to expand into new markets and business lines.

Diverse Risk Management and Central Counterparty Clearing Operations for Futures and OTC Markets

We offer our customers a diverse array of products and a broad range of risk management services, including trade execution, market data, pre- and post-trade processing and clearing services on an integrated platform. Each of our four locally regulated exchanges is associated with one of our locally regulated clearing houses. The credit and performance assurance provided by our clearing houses to their clearing members substantially reduces counterparty risk and is a critical component of our exchanges' identity as a reliable and secure marketplace for global transactions. We have a track record of developing products and services for the markets we serve, including the development of futures and OTC clearing houses, platforms for electronic trade confirmation, affirmation and novation to serve the OTC markets, independent price validation services, portfolio compression and credit event auctions. Our markets provide important risk management tools and evolve based on changes in market conditions, market structure and technological advancements. We work closely with our customers to create products and services that meet their needs and requirements. These customer relationships help us to anticipate and lead industry change.

Widely-Distributed, Leading Edge Technology for Trading and Risk Management

Our integrated technology infrastructure provides centralized and direct access to risk management and trade execution for a variety of energy and agricultural commodities, as well as financial products. We operate the majority of our energy, agricultural and financial markets on our widely accessible electronic trading platform. Our trading platforms have enabled us to attract significant liquidity from traditional market participants, as well as new market entrants seeking the access, efficiency and ease of execution offered by electronic trading. We have developed a significant global presence with thousands of active screens at over 1,700 OTC participant firms and over 900 futures participant firms as of December 31, 2010.

Our participants may connect to our electronic platform via one of our telecommunication hubs, the Internet, dedicated lines, or through co-location at our data center. We have telecommunication hubs available in the United States, Europe, Canada and Asia. Participants may access our electronic platform for trading in our

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markets through our own graphical user interface, or GUI, known as WebICE or using our application programming interfaces, or APIs. Our APIs allow access via proprietary integrations, brokerage firms, and multiple Independent Software Vendors, or ISVs. ISVs allow market participants to access multiple exchanges through a single interface, which may be integrated with the participant's risk management systems. We do not depend on the services of any one ISV for access to a significant portion of our participant base. We also have made a number of speed and functionality enhancements to our technology infrastructure and electronic platform to facilitate trading in futures and OTC contracts.

Our trading platform provides rapid trade execution and is, we believe, one of the world's fastest, most flexible, efficient and secure systems for derivatives markets. We have designed our platform to be highly scalable meaning that we can expand capacity and add new products and functionality efficiently at relatively low cost and without disruption to our markets. We believe that our commitment to investing in technology to enhance our network infrastructure, electronic trading platform, clearing and other post-trade processes will continue to contribute to the growth and development of our business.

Market participants in our CDS markets may transact via Creditex's trading platform or other electronic trade processing tools developed by Creditex. In 2010, 49% of our revenues from our Creditex business were generated through electronic trading and processing.

Market Transparency and Efficient Access to Futures and OTC Markets

Through our highly accessible trading platform, we offer real-time market transparency to participants, observers and regulators for dozens of futures and OTC markets. This transparency has increased liquidity and the confidence participants have in transacting in our markets. Our range of market data for the OTC energy markets meets or surpasses those offered by other OTC energy trading venues, which may be beneficial to us in a regulatory and market environment that favors price transparency.