



GLOBAL MARKETS IN CLEAR VIEW

**FIA OpTech 2009
CDS Clearing Overview
April 7, 2009**

www.theice.com

ICE INTRODUCTION

ICE is a leading global exchange operator with proprietary trading technology, three regulated futures exchanges and clearing houses in the energy, agricultural commodities, equity index and currency markets; ICE also operates leading OTC energy and credit derivatives markets and clearing houses

Global distribution

- Screens distributed in 57 countries
- Regulated futures exchanges and clearing houses in the U.S., Europe and Canada, as well as Global OTC markets

Diversified markets

- Energy, agricultural, equity index, currency and credit products
- Futures, OTC and Options

Leading-edge technology

- Sophisticated, scalable infrastructure, highly accessible platform



- ICE offices in Asia, Canada, Europe and the U.S.



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ICE CLEARING AND CDS EXPERTISE

ICE developed OTC clearing for energy in 2002 and has a track record of leading the CDS market in critical industry initiatives

•**ICE OTC Clearing:** ICE pioneered clearing for OTC energy contracts in 2002 and is the only exchange today to offer execution and clearing for OTC contracts

•**ICE Clearing House Operations:** ICE now operates 4 global clearing houses

- ICE Clear U.S. – acquired with NYBOT; clears agricultural, FX and index futures contracts; also clears OTC agriculture swaps
- ICE Clear Canada – acquired with Winnipeg Commodity Exchange; clears agricultural futures
- ICE Clear Europe – built by ICE and launched in November 2008; clears energy futures and OTC contracts
- ICE Trust – built by ICE and The Clearing Corp; launched in March 2008, clears OTC CDS contracts

•**T+0 Trade Processing:** ICE's T-Zero platform is the most widely adopted platform for same-day processing of CDS affirmations and novation consent with connectivity to 20 CDS dealers, 11 Prime Brokers and over 380 live Buy-Side (over 200 in the U.S.)

•T-Zero connectivity provides interoperability between the CDS systems of dealers, prime brokers, buy-side, interdealer brokers, vendors and the DTCC Trade Information Warehouse

•**Electronic Trading:** Creditex was the first to launch electronic trading for CDS in Europe and continues to lead the market with innovative electronic trading solutions that facilitate liquidity and risk management



CDS CLEARING EXECUTIVE SUMMARY

- **ICE Trust LAUNCHED March 9; phased clearing is under way**
 - Prioritized clearing of backlog trades for select CDX indices began in March
 - ICE Trust cleared \$71 billion in CDX indexes in its first four weeks of operation
- **ICE is uniquely qualified to provide a GLOBAL clearing solution**
 - ICE also operates clearing houses in the US, Canada and the UK
 - Experience operating in multiple jurisdictions and regulatory environments
- **ICE has extensive CDS DOMAIN EXPERTISE**
 - Provides critical CDS market infrastructure
 - Deep understanding of the unique operational and risk management challenges of CDS products
- **ICE has a complete RISK MANAGEMENT FRAMEWORK in collaboration with clearing members**
 - Industry best practices
 - Comprehensive waterfall approach for managing systemic risk including membership criteria, margin, intra-day monitoring, guaranty fund and one-time assessments
- **ICE is deploying an OPEN ARCHITECTURE model**
 - Integrates with multiple execution / matching venues; participation from buy and sell-side firms
- **ICE will provide MARGIN PROTECTION and enhanced PORTABILITY to firms who are not direct clearing participants**



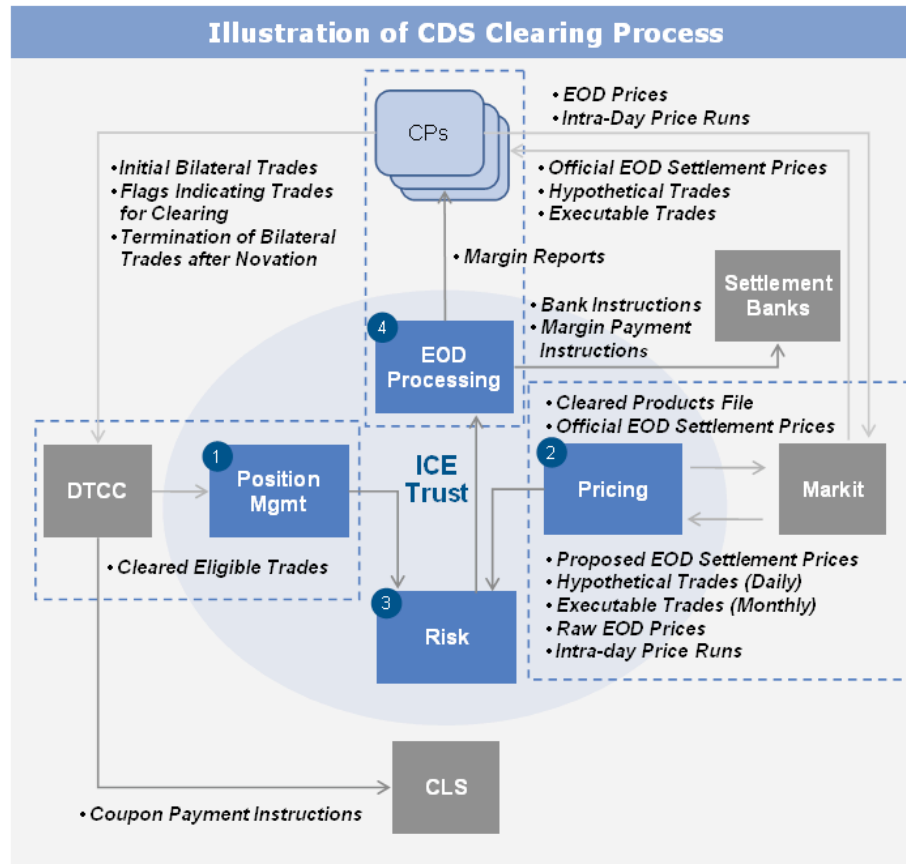
ICE TRUST OVERVIEW

ICE Trust is a dedicated clearing house for North American CDS contracts

- ICE Trust is a subsidiary of ICE
- ICE Trust received required regulatory approvals from the Federal Reserve, the NYSBD, the Securities and Exchange Commission and the US Treasury in March
 - ICE Trust management is independent of its clearing membership
- Initial ICE Trust members are Bank of America, Barclays Capital, Citi, Credit Suisse, Deutsche Bank, Goldman Sachs, JP Morgan Chase, Merrill Lynch, Morgan Stanley and UBS
- Processing and clearing of the most liquid CDX indices began March 9, 2009; four weekly clearing cycles are now complete
- Liquid single-name CDS transactions are expected to follow over the coming months.
- Separately, ICE Clear Europe has announced its intention to clear European CDS contracts (iTraxx) by mid-2009



CDS CLEARING PROCESS OVERVIEW

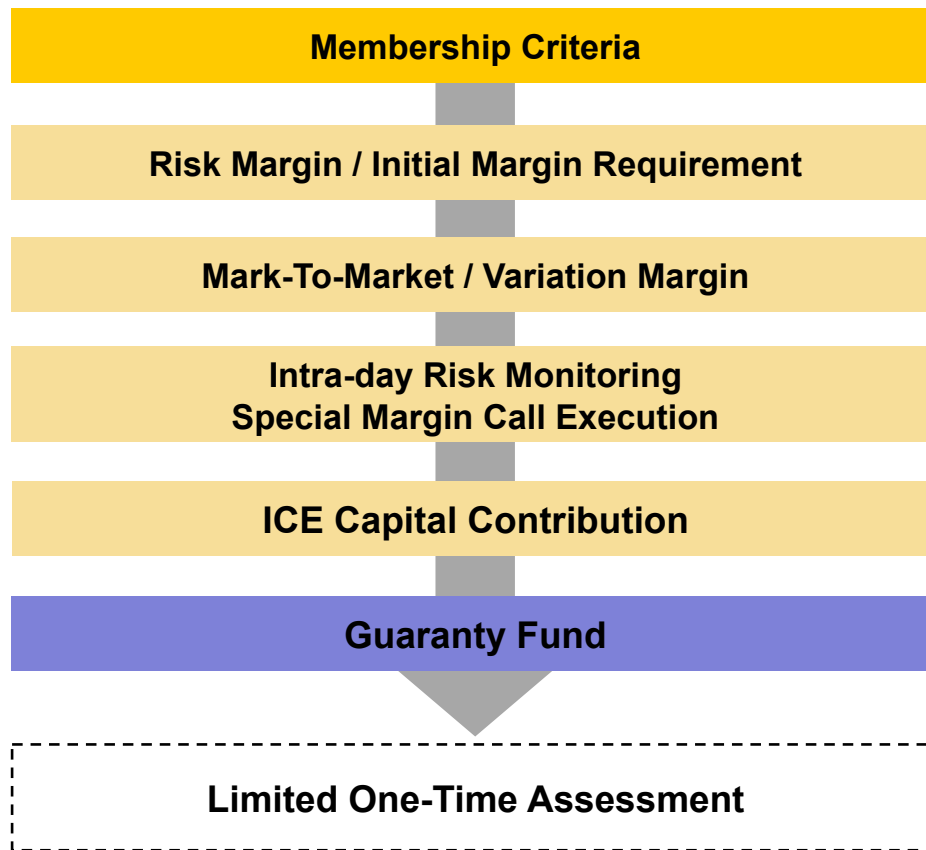


Key Process Steps

- 1 Position Management**
 - Receive position file from DTCC
 - Identify eligible trades based on Clearing Participant Flags
 - Create bilateral trades between ICE Trust and Clearing Participants (CPs)
- 2 Pricing**
 - Provide Markit with file detailing cleared products with open interest by CP
 - Receive proposed settlement prices, matched interest trades, and raw EOD price quotes from Markit
 - Receive intraday price runs
 - Provide Markit with official EOD Settlement prices
- 3 Risk**
 - Receive price and position information
 - Calculate daily replacement value margin
 - Calculate risk margin
 - Calculate Guaranty Fund and allocations
 - Provide inputs for end of day processing
- 4 End of Day Processing**
 - Send daily replacement value margin and risk margin reports to CPs
 - Provide Bank Instructions for daily margin calls and monthly Guaranty Fund adjustments

ICE TRUST RISK MANAGEMENT FRAMEWORK

Waterfall Approach for Managing Systemic Risk



- Ensure each clearing member has sufficient financial resources, operational capabilities and risk management experience
- Collateralize potential clearing member portfolio loss under distressed market conditions
- Adjust clearing member collateral through a daily debit/credit based on EOD mark-to-market
- Identify additional margin requirements based on a comparison of unrealized P/L to Risk Margin, understanding unusual market fluctuations, etc.
- ICE participation in the Guaranty Fund (up to \$100 million)
- Mutualize losses under extreme but plausible market scenarios
- Oblige clearing members to contribute a capped amount of additional default funding



ICE TRUST: MEMBERSHIP, OPERATING PLATFORM AND GOVERNANCE

ICE Trust offers clearing services to its membership and third-parties

- ICE Trust membership is open to all market participants that meet the clearing house's financial criteria
- Third-parties that do not meet the criteria of ICE Trust membership will be able to clear trades through clearing house members

Open Clearing Platform

- ICE Trust allows delivery of trades directly from multiple venues including T-Zero, MarkitWire, GFI, ICAP, etc.

ICE Trust management is independent of its clearing membership

- ICE Trust will be managed by an independent Board of Managers
- All members of the ICE Trust Board of Managers will be approved by the Superintendent of the New York State Banking Department
- The ICE Trust Board of Managers will initially consist of seven members, four of whom are independent Directors of ICE, in accordance with the requirements of the New York Stock Exchange listing standards; the Board will be expanded to eleven members in the near-term



ICE TRUST LEGAL AND REGULATORY REQUIREMENTS

Statutory & Regulatory Considerations

- ICE Trust will continue to comply with all necessary legal and regulatory requirements to maintain a robust clearinghouse

NYSBD

- ICE Trust is organized as a NY State chartered limited liability trust company
- ICE Trust is subject to direct supervision and examination by the New York State Banking Department

SEC

- ICE Trust has received an exemption from registration as a clearing agency and an exchange
- ICE Trust and the clearing participants have received an exemption from certain requirements under the Securities Exchange Act of 1934 and the Securities Act of 1933

FRBNY

- ICE Trust is a member of Federal Reserve system
- ICE Trust is subject to direct supervision and examination by the Federal Reserve System
- ICE Trust is subject to comprehensive ongoing regulatory oversight by Federal Reserve Bank of New York

FSA (UK)

- ICE Trust will work to meet FSA legal and regulatory requirements

Treasury Department

- ICE Trust and the clearing participants have received an exemption from certain provisions of the Securities Exchange Act of 1934 applicable to government securities brokers and dealers

Additional Compliance

- ICE Trust broadly observes all requirements for the BIS/IOSCO recommendations for central counterparties
- ICE Trust will provide information as required under terms of the November 2008 MOU signed by the Federal Reserve, the SEC and the CFTC

