



## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-103266; File No. SR-ICC-2025-010]

### Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing of Proposed Rule Change Relating to ICC's Clearing Participant Default Management Procedures & ICC Clearing Rules

June 16, 2025.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act” or “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 3, 2025, ICE Clear Credit LLC (“ICC” or “ICE Clear Credit”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared primarily by ICC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### *I. Clearing Agency's Statement of the Terms of Substance of the Proposed Rule Change*

The principal purpose of the proposed rule change is to revise the ICC Clearing Participant Default Management Procedures (the “Default Management Procedures”) and the ICC Clearing Rules (the “Rules”) related to ICC Clearing Participant (“CP”) default management.<sup>3</sup>

#### *II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change*

In its filing with the Commission, ICC included statements concerning the purpose of and basis for the proposed rule change, security-based swap submission, or

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Capitalized terms used but not defined herein have the meanings specified in the Treasury Policy or, if not defined therein, the ICE Clear Credit Rules (the “Rules”).

advance notice and discussed any comments it received on the proposed rule change, security-based swap submission, or advance notice. The text of these statements may be examined at the places specified in Item IV below. ICC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.

*(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change*

(a) Purpose

ICC proposes to revise the Default Management Procedures and to make related changes to the Rules. The Default Management Procedures set forth ICC's default management process, including the actions taken by ICC to determine that a CP is in default of its obligations to ICC under the Rules, as well as the actions taken by ICC in connection with the close-out of the defaulting CP's portfolio. The proposed revisions (i) remove Direct Liquidation<sup>4</sup> transactions as both a hedging and liquidation mechanism, (ii) update ICC's position porting functionality and (iii) make general updates and clarifications, all as discussed herein. ICC believes such revisions will facilitate the prompt and accurate clearance and settlement of securities transactions and derivative agreements, contracts, and transactions for which it is responsible. ICC proposes to make such changes effective following Commission approval of the proposed rule change. The proposed updates are described in detail as follows.

I. Remove Direct Liquidation Transactions

ICC proposes to eliminate references to Direct Liquidation in the Default Management Procedures as a hedging and liquidation mechanism in the context of managing a defaulting CP's portfolio. ICC believes that the use of Direct Liquidation transactions is no longer necessary or desirable, as such functionality is now fully

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<sup>4</sup> Direct Liquidation is defined in Rule 20-605(d)(v), but in general means direct transactions with market participants.

available through ICC's Default Management System ("DMS") through its hedge and liquidation auction capabilities.

ICC proposes changes to reflect the removal of Direct Liquidation throughout the Default Management Procedures. As a result of the removal of Direct Liquidations as a hedging and liquidation mechanism, ICC proposes to remove "Direct Liquidation" as a defined term in Section 2. and as a Standard Default Management Action<sup>5</sup> in Section 3. ICC proposes to remove language from Section 6.5.2. that describes the operational set-up necessary to execute hedging and/or liquidation transactions directly with CP counterparties, as such operational set-up no longer will be necessary with the removal of Direct Liquidation transactions. Furthermore, ICC proposes to remove Direct Liquidation transactions from the list of items that the CDS Default Committee<sup>6</sup> may be consulted on in Section 7. Consultation on this matter will no longer be necessary given the removal of Direct Liquidation transactions.

ICC proposes to remove Direct Liquidation transactions in the context of liquidating a defaulting CP's portfolio from the Default Management Procedures by deleting Section 8.6. in its entirety. Current Section 8.6. describes the process and steps that ICC would follow should it determine to execute Direct Liquidation transactions to liquidate a defaulting CP's portfolio by way of bilateral transactions directly with counterparties. While the current Default Management Procedures include the option for Direct Liquidation transactions, current Section 8.6. notes that the preferred method of liquidating a defaulting CP's portfolio is by way of an auction (as described in current Section 8.5. of the Default Management Procedures). ICC believes that the automated liquidation auction capabilities of the DMS offer a more efficient and transparent

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<sup>5</sup> Rule 20-605(d) defines certain Standard Default Management Actions that ICC has the right to take in effecting the closing-out process.

<sup>6</sup> Rule 20-617(a) defines the CDS Default Committee, which is responsible for taking certain actions provided in the Rules and ICC procedures upon a CP default.

approach to liquidating a defaulting CP's portfolio as compared to Direct Liquidation transactions. As a result, ICC believes that the DMS liquidation auction process has superseded the need for ICC to maintain the capability to directly execute bilateral Direct Liquidation transactions.

ICC also proposes to remove direct execution of transactions in the context of hedging a defaulting CP's portfolio from the Default Management Procedures by removing Section 8.4. in its entirety. Current Section 8.4. describes the process and steps that ICC would follow should it determine to execute an Initial Cover Transaction<sup>7</sup> by way of bilateral transactions directly with counterparties. While the current Default Management Procedures include the option for the direct execution of Initial Cover Transactions, current Section 8.4. notes that the preferred method of executing Initial Cover Transactions is by way of an auction (as described in Section 8.3. of the Default Management Procedures). ICC believes that the automated hedge auction capabilities of the DMS offer a more efficient and transparent approach to hedging a defaulting CP's portfolio as compared to the direct execution of an Initial Cover Transaction. As a result, ICC believes that the DMS hedge auction process has superseded the need for ICC to maintain the capability to directly execute bilateral Initial Cover Transactions. ICC also proposes to remove a reference to executing Initial Cover Transactions with market participants in Section 7.3. that is no longer necessary given the removal of the option for the direct execution of Initial Cover Transactions.

ICC proposes to make changes to the Rules analogous to the above-described changes to the Default Management Procedures to remove Direct Liquidation transactions as both a hedging and liquidation mechanism. ICC proposes to remove the definition of "Direct Liquidation" from Rule 102. Also, ICC proposes to remove Rule 20-

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<sup>7</sup> Initial Cover Transaction is defined in Rule 20-605(d)(i), but is generally understood to mean a hedging transaction.

605(d)(v)(ii) which covers the option to execute hedge or liquidation transactions by way of direct transactions with market participants. As a result of the proposed deletion of the option to execute hedge or liquidation transactions by way of direct transactions with market participants, ICC proposes to further revise Rule 20-605(d)(v) to indicate that hedge and liquidation transactions “shall” (instead of “may”) be entered into pursuant to Default Auctions<sup>8</sup> and, as with the proposed revisions, Default Auctions will be the only mechanism remaining for the execution of hedge and liquidation transactions. In addition, ICC proposes deleting references to Direct Liquidation from Rule 20-605(l), including with respect to entering into trades through Direct Liquidation and using resources to cover certain obligations from a Direct Liquidation. As a result of the above-described changes, certain sub-sections of Rules 20-605(d)(v) and 20-605(l) are proposed to be re-numbered or re-lettered as appropriate.

## II. Update ICC’s Position Porting Functionality

ICC proposes changes to the Default Management Procedures to describe ICC’s updated position porting capabilities. As part of the post-default porting process, ICC shares with its Futures Commission Merchant/Broker Dealer CPs (“potential receiving CPs”) certain client portfolios cleared by the defaulting CP(s), identifies potential receiving CPs willing to take on the portfolios, and subsequently selects to which potential receiving CPs each client portfolio is transferred, if any. Currently, ICC’s post-default porting process relies on ICC’s Client Services and Support department (“CSS”) using and maintaining a manual Excel-based tool (the “Porting Tool”) to generate the necessary emails and attachments required as part of the post-default porting process. Due to additional porting functionality incorporated in the DMS, ICC proposes to replace the manual Porting Tool process with the automated DMS porting functionality.

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<sup>8</sup> Default Auctions are defined in Rule 102, but is generally understood to mean an auction conducted pursuant to the Default Auction Procedures.

ICC proposes to reflect the removal of the Porting Tool throughout the Default Management Procedures. ICC proposes to remove “Porting Tool” as a defined term in Section 2. ICC proposes to remove the entirety of Section 4.3.2.3. which discusses how ICC maintains and updates certain information in the Porting Tool. Section 4.3.2.3. is no longer necessary with the de-commission of the Porting Tool.

ICC proposes revisions to Section 10.1. of the Default Management Procedures to remove all references to the steps necessary to use the manual Porting Tool, including removal of references to the ICC Chief Operating Officer (who currently requests use of the Porting Tool) and references to CSS (who currently performs the described Porting Tool steps). As a replacement for the manual Porting Tool steps, ICC proposes to add to Section 10.1. a description of the steps necessary to execute the DMS porting functionality, including the following:

- Creation of a porting event in the DMS;
- Selection of the client accounts at the defaulting CP(s) that will be offered for porting;
- Make available for download the portfolios associated with the client accounts offered for porting to the identified non-defaulting CPs; and
- Enable each non-defaulting CP to select in the DMS which client account they are willing to accept.

In addition, ICC proposes to modify Section 10.1. of the Default Management Procedures to note that the above listed steps related to the porting functionality of the DMS will be performed by the ICC Risk department upon the request of the ICC Chief Risk Officer. ICC believes migrating the manual Porting Tool process to the automated DMS porting tool will improve the efficiency and accuracy of ICC’s post-default porting process, reducing manual steps and reducing the risk of potential manual errors.

In furtherance of the proposed changes to migrate the porting process from the manual Porting Tool to the more efficient DMS porting functionality, ICC proposes the following additional changes to the Default Management Procedures. Amended Section 10.4. removes language on the use of the Porting Tool and includes language on the use of the DMS porting functionality in respect of a porting event, including canceling a porting event in the DMS if the ICC Chief Risk Officer determines not to transfer any porting portfolios (i.e., client portfolios of the defaulting CP). ICC proposes further changes to Sections 10.5. and 10.6., which discuss how ICC determines which porting portfolios to try to transfer to potential receiving CPs. Currently, pursuant to Section 10.5., potential receiving CPs use email to communicate to CSS the porting portfolios they are willing to receive, and CSS records such responses in the Porting Tool. The proposed changes to Section 10.5. automate this process using the DMS. Namely, pursuant to amended Section 10.5., potential receiving CPs use the DMS to select the client accounts they are willing to receive. Additionally, current Section 10.6. describes the assignment of porting portfolios to relevant receiving CPs, including how CSS communicates such assignments to receiving CPs using the Porting Tool to generate and send emails. Amended Section 10.6. describes the use of the DMS to record and communicate such assignments. Amended Section 10.6. also instructs the ICC Head of Treasury, upon instruction of the ICC Chief Operating Officer, to perform any required money movements associated with the transfer of client account positions. ICC also proposes to remove Section 10.7. in its entirety, which describes the use of the Porting Tool to execute transfers, as it is no longer necessary given the removal of the Porting Tool.

Finally, ICC proposes new Section 11. to the Default Management Procedures, related to position management. Proposed new Section 11. describes how the DMS maintains position records reflecting the execution of relevant default management

actions. Specifically, at the end of each day, the DMS generates position files and CSS coordinates with relevant teams to execute the position transfers/adjustments in the clearing system.

### III. General Updates and Clarifications

ICC proposes to make certain clarifying, conforming and other non-substantive changes to the Default Management Procedures, as further set out below.

- ICC proposes to remove “Approved Auction Participants” as a defined term in Section 2., as this term is not used elsewhere in the document;
- ICC proposes to amend the title of Table 1 in Section 4.3.2.2. to correct a typographical error;
- ICC proposes to clarify relevant roles and responsibilities in Section 4.3.2.2. by adding the “Transfer Coordinator” role to Table 1 to reflect current practices. Such role is not new and is currently referenced elsewhere in the current Default Management Procedures (e.g., Section 4.3.2.1.);
- ICC proposes to correct a typographical error in Section 10. to change “non-Defaulting” to “non-defaulting”;
- ICC proposes terminology updates to replace certain manual tasks associated with the use of the Porting Tool and reflect the use of the DMS in Section 10., including replacing “distributes” with “makes available” and “collates” with “reviews”;
- ICC proposes to update current Section 12. to include the proposed changes in the revision history of the document;
- ICC proposes to update footnote 4 and remove footnote 5 which contain procedures that were previously retired<sup>9</sup>; and

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<sup>9</sup> See Exchange Act Release No. 93705 (Dec. 2, 2021), 86 FR 69699 (Dec. 8, 2021) (SR-ICC-2021-021) (retiring the ICC CDS Clearing Counterparty Monitoring Procedures: Bank Counterparties

- ICC proposes minor revisions to re-number section references and footnotes based on the changes described above.

(b) Statutory Basis

Section 17A(b)(3)(F) of the Act<sup>10</sup> requires, among other things, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions, and to the extent applicable, derivative agreements, contracts and transactions; to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible; in general, to protect investors and the public interest; and to comply with the provisions of the Act and the rules and regulations thereunder. ICC believes that the proposed changes are consistent with the requirements of the Act and the rules and regulations thereunder applicable to ICC, in particular, to Section 17(A)(b)(3)(F)<sup>11</sup>, because ICC believes that the proposed revisions to the Default Management Procedures and Rules enhance policies, practices and procedures with respect to the management of a CP default. As described above, such changes (i) remove Direct Liquidation transactions as both a hedging and liquidation mechanism, (ii) update ICC's position porting functionality, and (iii) make general updates and clarifications. These changes improve efficiency, transparency and accuracy of ICC's default processes, reducing manual steps and reducing the risk of potential manual errors, all of which enhances ICC's ability to manage the risk of a default. The clarification and clean-up changes ensure that the documentation of ICC's Default Management Procedures and Rules remains up-to-date, transparent, and focused on clearly articulating the policies and procedures used to support ICC's default management process such that ICC can take timely action in case

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and the ICC CDS Clearing Counterparty Monitoring Procedures: FCM Counterparties and adopting the ICC Counterparty Monitoring Procedures).

<sup>10</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>11</sup> *Id.*

of a default. ICC believes that such changes augment ICC's procedures relating to default management and enhance ICC's ability to withstand defaults and continue providing clearing services, thereby promoting the prompt and accurate clearance and settlement of securities transactions, derivatives agreements, contracts, and transactions; the safeguarding of securities and funds which are in the custody or control of ICC or for which it is responsible; and the protection of investors and the public interest. As such, the proposed rule change is designed to promote the prompt and accurate clearance and settlement of securities transactions, derivatives agreements, contracts, and transactions; to contribute to the safeguarding of securities and funds associated with security-based swap transactions in ICC's custody or control, or for which ICC is responsible; and, in general, to protect investors and the public interest within the meaning of section 17A(b)(3)(F) of the Act.<sup>12</sup>

Rule 17Ad-22(e)(2)(i) and (v)<sup>13</sup> requires each covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide for governance arrangements that are clear and transparent and specify clear and direct lines of responsibility. The Default Management Procedures continue to set out the assignment of responsibilities in the execution of default management actions. For example, the proposed rule change describes the roles of the ICC Chief Risk Officer, ICC Chief Operating Officer, ICC Head of Treasury, and ICC Risk department with respect to the use of the DMS. In ICC's view, the proposed rule change is therefore consistent with the requirements of Rule 17Ad-22(e)(2)(i) and (v).<sup>14</sup>

Rule 17Ad-22(e)(4)(ii)<sup>15</sup> requires each covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to

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<sup>12</sup> *Id.*

<sup>13</sup> 17 CFR 240.17ad-22(e)(2)(i) and (v).

<sup>14</sup> *Id.*

<sup>15</sup> 17 CFR 240.17ad-22(e)(4)(ii).

effectively identify, measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes, including by maintaining additional financial resources at the minimum to enable it to cover a wide range of foreseeable stress scenarios that include, but are not limited to, the default of the two participant families that would potentially cause the largest aggregate credit exposure for the covered clearing agency in extreme but plausible market conditions. The proposed changes to the Default Management Procedures and Rules eliminate references to Direct Liquidation as a hedging and liquidation mechanism in the context of managing a defaulting CP's portfolio. As described above, ICC believes that the use of Direct Liquidation transactions is no longer necessary or desirable, as such functionality is now fully available through the DMS through its hedge and liquidation auction capabilities. ICC believes that the automated liquidation and hedge auction capabilities of the DMS offer a more efficient and transparent approach, which enhances ICC's ability to manage a default. ICC also proposes to replace the manual Porting Tool process with the automated DMS porting functionality, which will improve the efficiency and accuracy of ICC's post-default porting process, reducing manual steps and reducing the risk of potential manual errors, thereby enhancing ICC's ability to manage a default. As such, the proposed amendments would strengthen ICC's ability to maintain its financial resources and withstand the pressures of defaults, consistent with the requirements of Rule 17Ad-22(e)(4)(ii).<sup>16</sup>

Rule 17Ad-22(e)(13)<sup>17</sup> requires each covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to ensure it has the authority and operational capacity to take timely action to contain losses and liquidity demands and continue to meet its obligations by, at a minimum, requiring

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<sup>16</sup> *Id.*

<sup>17</sup> 17 CFR 240.17ad-22(e)(13).

its participants and, when practicable, other stakeholders to participate in the testing and review of its default procedures, including any close-out procedures, at least annually and following material changes thereto. The proposed changes to the Default Management Procedures and Rules continue to ensure that ICC can take timely action to contain losses and liquidity demands and continue meeting its obligations in the event of a default, including by using the DMS with respect to its hedge and liquidation auction capabilities and automated porting functionality, which promotes ICC's ability to efficiently and safely manage its close-out process, thereby enhancing ICC's ability to withstand defaults and continue providing clearing services. Additionally, ICC believes that the clarification and clean-up changes further enhance ICC's default management process by ensuring that the Default Management Procedures and Rules remain up-to-date, clear, and transparent to ensure that ICC can take timely action to contain losses and liquidity demands and continue meeting its obligations in the event of a default. Therefore, ICC believes the proposed rule change is consistent with the requirements of Rule 17Ad-22(e)(13).<sup>18</sup>

*(B) Clearing Agency's Statement on Burden on Competition*

ICC does not believe the proposed rule change would have any impact, or impose any burden, on competition. The proposed rule change to revise the Default Management Procedures and Rules will apply uniformly across all market participants. Therefore, ICC does not believe the proposed rule change imposes any burden on competition that is inappropriate in furtherance of the purposes of the Act.

*(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others*

Written comments relating to the proposed rule change have not been solicited or received. ICC will notify the Commission of any written comments received by ICC.

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<sup>18</sup> *Id.*

*III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action*

Within 45 days of the date of publication of this notice in the *Federal Register* or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove such proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

*IV. Solicitation of Comments*

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, security-based swap submission, or advance notice is consistent with the Act. Comments may be submitted by any of the following methods:

*Electronic Comments:*

- Use the Commission's Internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-ICC-2025-010 on the subject line.

*Paper Comments:*

Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

All submissions should refer to file number SR-ICC-2025-010. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent

amendments, all written statements with respect to the proposed rule change, security-based swap submission, or advance notice that are filed with the Commission, and all written communications relating to the proposed rule change, security-based swap submission, or advance notice between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10 am and 3 pm. Copies of such filings will also be available for inspection and copying at the principal office of ICE Clear Credit and on ICE Clear Credit's website at <https://www.ice.com/clear-credit/regulation>.

Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted materials that is obscene or subject to copyright protection. All submissions should refer to file number SR-ICC-2025-010 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>19</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>19</sup> 17 CFR 200.30-3(a)(12).