



SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-103601; File No. SR-ICC-2025-010]

Self-Regulatory Organizations; ICE Clear Credit LLC; Order Approving Proposed Rule Change Relating to ICC’s Clearing Participant Default Management Procedures & ICC Clearing Rules

July 31, 2025.

I. Introduction

On June 3, 2025, ICE Clear Credit LLC (“ICC”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change to revise its Clearing Participant Default Management Procedures (the “Default Management Procedures”) and the ICC Clearing Rules (the “Rules”) related to ICC Clearing Participant (“CP”) default management (the “Proposed Rule Change”). The Proposed Rule Change was published for comment in the *Federal Register* on June 20, 2025.³ The Commission has not received any comments on the Proposed Rule Change. For the reasons discussed below, the Commission is approving the Proposed Rule Change.

II. Description of the Proposed Rule Change

ICC is registered with the Commission as a clearing agency for the purpose of clearing CDS contracts for its Clearing Participants (“CPs”).⁴ ICC is a central counterparty, which means that it interposes itself as the buyer to every seller and the seller to every buyer for these types of

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 103266 (Jun. 16, 2025), 90 FR 26360 (Jun. 20, 2025) (File No. SR-ICC-2025-010) (“Notice”).

⁴ Capitalized terms not otherwise defined herein have the meanings assigned to them in ICC’s Treasury Policy or, if not defined therein, the Rules. The Rules are available at <https://www.ice.com/clear-credit/regulation>.

financial transactions.⁵ As such, ICC is obligated to perform on the contracts it clears, should a CP default. Accordingly, ICC has a default management process to determine if a CP is in default of its obligations to ICC under the Rules, and to close out the defaulting CP's portfolio as needed.

ICC proposes to amend (i) its Default Management Procedures, which describe how ICC determines if a CP has defaulted and how ICC closes out the defaulting CP's portfolio, and (ii) its Rules. Specifically, ICC proposes to (i) remove Direct Liquidation⁶ transactions as both a hedging and liquidation mechanism; (ii) update ICC's position porting functionality, by replacing its manual Porting Tool process with an automated Default Management System ("DMS") porting functionality; and (iii) make general updates and clarifications.

A. Removal of Direct Liquidation Transactions

ICC states that it is proposing to remove Direct Liquidation transactions as a hedging and liquidation mechanism, as such transactions are no longer necessary or desirable because such functionality is now fully available through ICC's DMS hedge and liquidation auction capabilities.⁷

ICC currently has the option to perform Direct Liquidation transactions to liquidate a CP's remaining default portfolio. Current Section 8.6 of the Default Management Procedures states that although the preferred method for liquidating the Remaining Default Portfolio is via auction, ICC's Risk Department may, in consultation with the CDS Default Committee, decide to execute bilateral Direct Liquidation transactions in the market to liquidate positions. For liquidating a defaulting CP's portfolio, ICC states that the automated liquidation auction capabilities of the DMS offer a more efficient and transparent approach to liquidating a

⁵ Because it acts as a central counterparty, ICC is a "covered clearing agency" as defined in Rule 17ad-22(a). Rule 17ad-22(a) defines "covered clearing agency" as a "registered clearing agency that provides the services of a central counterparty or central securities depository." 17 CFR 240.17ad-22(a).

⁶ Direct Liquidation is defined in Rule 20-605(d)(v), but in general means direct transactions with market participants.

⁷ Notice, 90 FR at 26360.

defaulting CP's portfolio as compared to Direct Liquidation transactions. As a result, ICC states that the DMS liquidation auction process has superseded the need for ICC to maintain the capability to directly execute bilateral Direct Liquidation transactions.⁸

Similarly, for hedging a defaulting CP's portfolio, the current Default Management Procedures include the option for the direct execution of Initial Cover Transactions. Current Section 8.4 of the Default Management Procedures 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 proposes to remove Direct Liquidation transactions in the context of hedging a defaulting CP's portfolio. ICC states 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.⁹ As a result, ICC states that the DMS hedge auction process has superseded the need for ICC to maintain the capability to directly execute bilateral Initial Cover Transactions.

In summary, ICC proposes the following changes to its Default Management Procedures:

1. remove "Direct Liquidation" as a defined term in Section 2;
2. remove "Direct Liquidation" as a Standard Default Management Action¹⁰ in Section 3;
3. remove language from Section 6.5.2 that describes the operational setup necessary to execute hedging and/or liquidation transactions directly with CP counterparties, because the operational setup will no longer be necessary;
4. remove Direct Liquidation transactions from the list of items that the CDS Default Committee¹¹ may be consulted on in Section 7;

⁸ Notice, 90 FR at 26360.

⁹ Notice, 90 FR at 26361.

¹⁰ Rule 20-605(d) defines certain Standard Default Management Actions that ICC has the right to take in effecting the closing-out process.

¹¹ 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.

5. 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;¹²
6. 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;¹³ and
7. 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 also proposes to make analogous changes to the Rules to remove Direct Liquidation transactions as both a hedging and liquidation mechanism. ICC proposes the following changes to its Rules:

1. remove the definition of "Direct Liquidation" from Rule 102;
2. remove Rule 20-605(d)(v)(ii), which covers the option to execute hedge or liquidation transactions by way of direct transactions with market participants;
3. further revise Rule 20-605(d)(v) to indicate that hedge and liquidation transactions "shall" (instead of "may") be entered into pursuant to Default Auctions¹⁴ and, as with the proposed revisions, Default Auctions will be the only mechanism remaining for the execution of hedge and liquidation transactions; and
4. delete references to Direct Liquidation from Rule 20-605(l), including with respect to entering trades through Direct Liquidation and using resources to cover certain obligations from a Direct Liquidation.

¹² Section 8.6 currently 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. 90 FR at 26360.

¹³ Section 8.4 currently describes the process and steps that ICC would follow should it determine to execute an Initial Cover Transaction by way of bilateral transactions directly with counterparties. 90 FR at 26360.

¹⁴ Default Auctions are defined in Rule 102, but is generally understood to mean an auction conducted pursuant to the Default Auction Procedures.

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.

B. Update to ICC's Position Porting Functionality

ICC is updating its position porting capabilities. Currently, ICC's Client Services and Support department ("CSS") uses a manual Excel-based tool, referred to as the Porting Tool, to generate emails and attachments required as part of the post-default porting process.¹⁵ ICC states that the automated DMS porting functionality removes the need for CSS to use such a manual Excel-based tool, and that moving to the automated DMS porting functionality will improve the efficiency and accuracy of ICC's post-default porting process by reducing manual steps and reducing the risk of error.¹⁶ Accordingly, ICC proposes to make changes to the Default Management Procedures, to remove many references to the Porting Tool.

Specifically, ICC proposes the following changes to its Default Management Procedures:

1. remove "Porting Tool" as a defined term in Section 2;
2. remove the entirety of Section 4.3.2.3, which discusses how ICC maintains and updates certain information in the Porting Tool;
3. revise Section 10.1 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: (i) creation of a porting event in the DMS; (ii) selection of the client accounts at the defaulting CP(s) that will be offered for porting; (iii) making

¹⁵ 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. Notice, 90 FR at 26361.

¹⁶ Notice, 90 FR at 26361.

available for download the portfolios associated with the client accounts offered for porting to the identified non-defaulting CPs; and (iv) enabling each non-defaulting CP to select in the DMS which client account they are willing to accept;

4. modify Section 10.1 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;
5. amend Section 10.4 to remove language on the use of the Porting Tool and include 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);
6. amend Sections 10.5 and 10.6, which discuss how ICC determines which porting portfolios to try to transfer to potential receiving CPs and the portfolio assignment process, to reflect receiving CPs using the DMS's automated processes to select the client accounts that they are willing to receive, to reflect the Risk Department's and CDS Default Committee's assignment of client accounts, and to record and communicate such assignments;
7. amend Section 10.6 to instruct 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;
8. remove Section 10.7 in its entirety, which describes the use of the Porting Tool to execute transfers; and
9. add new Section 11, which would describe 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.

C. General Updates and Clarifications

ICC also proposes to make certain clarifying, conforming, and other non-substantive changes throughout the Default Management Procedures. For example, ICC proposes the following changes to its Default Management Procedures:

1. remove “Approved Auction Participants” as a defined term in Section 2 because this term is not used elsewhere in the Default Management Procedures;
2. amend the title of Table 1 in Section 4.3.2.2 to correct a typographical error;
3. add the “Transfer Coordinator” role to Table 1 in Section 4.3.2.2 to clarify relevant roles and responsibilities and reflect current practices;
4. correct a typographical error in Section 10 to change “non-Defaulting” to “non-defaulting;”
5. replace certain manual tasks associated with the use of the Porting Tool and reflect the use of the DMS in Section 10, for example, replacing “distributes” with “makes available” and “collates” with “reviews;”
6. update the revision history in current Section 12;
7. update footnote 4 and remove footnote 5 which contain procedures that were previously retired; and
8. renumber section references and footnotes based on the changes described above.¹⁷

III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act requires the Commission to approve a proposed rule change of a self-regulatory organization if it finds that the proposed rule change is consistent

¹⁷ Notice, 90 FR at 26362.

with the requirements of the Act and the rules and regulations thereunder applicable to the organization.¹⁸ Under the Commission’s Rules of Practice, the “burden to demonstrate that a proposed rule change is consistent with the Exchange Act and the rules and regulations issued thereunder . . . is on the self-regulatory organization [‘SRO’] that proposed the rule change.”¹⁹

The description of a proposed rule change, its purpose and operation, its effect, and a legal analysis of its consistency with applicable requirements must all be sufficiently detailed and specific to support an affirmative Commission finding,²⁰ and any failure of an SRO to provide this information may result in the Commission not having a sufficient basis to make an affirmative finding that a proposed rule change is consistent with the Exchange Act and the applicable rules and regulations.²¹ Moreover, “unquestioning reliance” on an SRO’s representations in a proposed rule change is not sufficient to justify Commission approval of a proposed rule change.²²

After carefully considering the Proposed Rule Change, the Commission finds that the Proposed Rule Change is consistent with Section 17A(b)(3)(F) of the Act²³ and Rules 17ad-22(e)(13) and 17ad-22(e)(14)²⁴ thereunder, as described in detail below.

A. Consistency with Section 17A(b)(3)(F) of the Act

Under Section 17A(b)(3)(F) of the Act, ICC’s rules, among other things, must be “designed to promote the prompt and accurate clearance and settlement of securities transactions and . . . 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”²⁵ Based on a review of the record, and

¹⁸ 15 U.S.C. 78s(b)(2)(C).

¹⁹ Rule 700(b)(3), Commission Rules of Practice, 17 CFR 201.700(b)(3).

²⁰ *Id.*

²¹ *Id.*

²² *Susquehanna Int’l Group, LLP v. Securities and Exchange Commission*, 866 F.3d 442, 447 (D.C. Cir. 2017).

²³ 15 U.S.C. 78q-1(b)(3)(F).

²⁴ 17 CFR 240.17ad-22(e)(13) and (14).

²⁵ 15 U.S.C. 78q-1(b)(3)(F).

for the reasons discussed below, the Proposed Rule Change is consistent with Section 17A(b)(3)(F).

The Proposed Rule Change would remove Direct Liquidation transactions as a hedging and liquidation mechanism. This would leave Default Auctions as the only mechanism for executing hedge and liquidation transactions. By retaining its Default Auction process, ICC's hedging and liquidation mechanisms should remain efficient and transparent. Such efficiency and transparency should allow ICC to more easily manage its defaulting CP's portfolio. This increases ICC's likelihood of successfully navigating a CP default without interruption to its clearance and settlement functions.

The Proposed Rule Change would also replace ICC's Porting Tool with an automated DMS porting functionality. These changes reduce the manual steps in ICC's post-default porting process and reduce the risk of error which makes the porting process more efficient and accurate. Improving the efficiency and accuracy of the porting process may help to avoid delays or miscommunications in ICC's efforts to port a client's positions following the default of the customer's CP.

Delays and miscommunications could also be avoided through ICC's proposed changes clarifying, conforming, and other non-substantive changes to the Default Management Procedures. More specifically, these proposed changes include removal of unnecessary or out of date items, correction of typographical errors, and updates aligning the Default Management Procedures with the Proposed Rule Change, current practices, and procedures. These changes improve the clarity and accuracy of the Default Management Procedures. By improving the clarity and accuracy of the Default Management Procedures, they also work to help to avoid delays or miscommunications in ICC's efforts to manage a defaulting Clearing Participant's portfolio.

By ensuring the prompt resolution of a CP default, ICC reduces the chances that its clearing and settlement of transactions is interrupted. Further, prompt resolution of a CP default

helps ICC avoid potential losses which could impact its ability to operate. By protecting ICC's ability to operate, the Proposed Rule Change would help assure the safeguarding of securities and funds in ICC's custody and control.

Accordingly, the Proposed Rule Change is consistent with the requirements of Section 17A(b)(3)(F) of the Act.²⁶

B. Consistency with Rule 17ad-22(e)(13)

Under Rule 17ad-22(e)(13), ICC must, “establish, implement, maintain and enforce written policies and procedures reasonably designed to . . . ensure the covered clearing agency has the authority and operational capacity to take timely action to contain losses and liquidity demands and continue to meet its obligations”²⁷ Based on a review of the record, and for the reasons discussed below, the Proposed Rule Change is consistent with Rule 17ad-22(e)(13).

ICC proposes several changes aimed at removing Direct Liquidation transactions as a hedging and liquidation mechanism (thereby leaving Default Auctions as the only mechanism for executing hedge and liquidation transactions). While clearing agencies may manage defaulting Clearing Participant positions through direct transactions, Rule 17ad-22(e)(13) does not prescribe any specific mechanisms to manage such positions.²⁸ ICC maintains procedures governing Default Auctions, and replacing the current manual processes the automated processes described above makes those procedures more efficient and transparent.²⁹ As such, ICC has clear authority to manage defaulting Clearing Participant positions to contain losses and liquidity demands.

²⁶ *Id.*

²⁷ 17 CFR 240.17ad-22(e)(13).

²⁸ *See* Standards for Covered Clearing Agencies, Securities Exchange Act Release No. 78961, 81 FR 70786, 70830 (Oct. 13, 2016) (“the Commission recognizes that there may be a number of ways to address compliance with Rule 17Ad-22(e)(13)”).

²⁹ *See* Securities Exchange Act Release No. 98147 (Aug. 16, 2023), 88 FR 57164 (Aug. 22, 2023) (File No. SR-ICC-2023-009); Securities Exchange Act Release No. 87804 (Dec. 19, 2019), 84 FR 71501 (Dec. 27, 2019) (File No. SR-ICC-2019-011); Securities Exchange Act Release No. 79750 (Jan. 6, 2017), 82 FR 3831 (Jan. 12, 2017) (File No. SR-ICC-2016-013).

Accordingly, the Proposed Rule Change is consistent with the requirements of Rule 17ad-22(e)(13).³⁰

C. Consistency with Rule 17ad-22(e)(14)

Under Rule 17ad-22(e)(14), ICC must, “establish, implement, maintain and enforce written policies and procedures reasonably designed to . . . enable . . . the segregation and portability of positions of a participant’s customers and the collateral provided to the covered clearing agency with respect to those positions and effectively protect such positions and related collateral from the default or insolvency of that participant.”

ICC proposes several changes related to replacing its Porting Tool with an automated DMS porting functionality. Through these changes, ICC reduces manual steps in its post-default porting process and reduces the risk of error. By reducing its risk of error in the post-default porting process, ICC should make its post-default porting process more efficient and accurate. An efficient and accurate porting process helps to ensure that ICC can port a client’s positions and effectively protect those positions and collateral from the default of a client’s CP.

Accordingly, the Proposed Rule Change is consistent with the requirements of Rule 17ad-22(e)(14).³¹

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act, and in particular, Section 17A(b)(3)(F) of the Act³² and Rules 17Ad-22(e)(13) and (14).³³

IT IS THEREFORE ORDERED pursuant to Section 19(b)(2) of the Act that the proposed rule change (SR-ICC-2025-010) be, and hereby is, approved.³⁴

³⁰ 17 CFR 240.17ad-22(e)(13).

³¹ 17 CFR 240.17ad-22(e)(14).

³² 15 U.S.C. 78q-1(b)(3)(F).

³³ 17 CFR 240.17ad-22(e)(13) and (14).

³⁴ In approving the proposed rule change, the Commission considered the proposal’s impacts on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.³⁵

Sherry R. Haywood,

Assistant Secretary.

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