



## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-104715; File No. SR-ICC-2025-012]

### **Self-Regulatory Organizations; ICE Clear Credit LLC; Order Approving Proposed Rule Change Relating to the ICC Risk Management Framework, ICC Risk Management Model Description, and ICC End-of-Day Price Discovery Policies and Procedures**

January 28, 2026.

#### **I. Introduction**

On December 4, 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”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to revise the ICC Risk Management Framework, ICC Risk Management Model Description, and ICC End-of-Day Price Discovery Policies and Procedures (the “Proposed Rule Change”). The Proposed Rule Change was published for comment in the *Federal Register* on December 18, 2025.<sup>3</sup> 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.<sup>4</sup> It maintains the ICC Risk Management Framework (“RMF”), which identifies the risks that ICC faces and articulates its risk management approach

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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> Securities Exchange Act Release No. 104408 (Dec. 15, 2025), 90 FR 59251 (Dec. 18, 2025) (File No. SR-ICC-2025-012) (“Notice”).

<sup>4</sup> Capitalized terms not otherwise defined herein have the meanings assigned to them in ICC’s Clearing Rules, Risk Management Framework, Risk Management Model Description, or End-of-Day Price Discovery Policies and Procedures, as applicable. The Rules are available at <https://www.ice.com/clear-credit/regulation>.

for each risk type; the ICC Risk Management Model Description (“RMMD”), which describes ICC’s quantitative risk models and the associated methods and techniques that ICC uses to determine its initial margin and guaranty fund requirements;<sup>5</sup> and the ICC End-of-Day Price Discovery Policies and Procedures (“Pricing Policy”), which sets out ICC’s end-of-day price discovery process. Through its end-of-day price discovery process, ICC determines prices for cleared contracts using submissions made by Clearing Participants.<sup>6</sup> ICC proposes changes to the RMF and RMMD to adjust the way it calculates its liquidity charge. Further, it proposes changes to the RMF, RMMD, and Pricing Policy to reflect governance changes and to make other minor edits.

*A. Liquidity Charge*

In the event that a Clearing Participant defaults, ICC may liquidate the Clearing Participant’s portfolio to obtain the resources necessary to satisfy the Clearing Participant’s obligations.<sup>7</sup> To account for the transaction costs associated with liquidating a defaulting Clearing Participant’s portfolio under stressed market conditions, ICC considers a liquidity charge in its Initial Margin requirement.<sup>8</sup> In estimating the liquidity charge for CDS index instruments, ICC considers the bid-offer width (“BOW”) values used for ICC’s end-of-day price discovery process.<sup>9</sup>

Each CDS index instrument has three predefined BOWs corresponding to different market conditions, which ICC refers to as Level I, Level II, and Level III.<sup>10</sup> Level III BOWs are the largest and are associated with extreme market conditions.<sup>11</sup> Level II BOWs are smaller than

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<sup>5</sup> For additional information about the RMMD, see Securities Exchange Act Release No. 102969 (May 1, 2025), 90 FR 19362, 19363 (May 7, 2025) (File No. SR-ICC-2025-001).

<sup>6</sup> For additional information about the Pricing Policy, see Securities Exchange Act Release No. 101489 (Oct. 31, 2024), 89 FR 88094 (Nov. 6, 2024) (File No. SR-ICC-2024-012).

<sup>7</sup> Ice Clear Credit Clearing Rules, Rule 20-605(a)(ii).

<sup>8</sup> Notice, 90 FR at 59251.

<sup>9</sup> *Id.*

<sup>10</sup> *Id.* at 59251-52.

<sup>11</sup> *Id.* at 59252.

Level III BOWs and are associated with market conditions that experience some measure of volatility.<sup>12</sup> Level I BOWs are the smallest; they are associated with normal market conditions.<sup>13</sup>

ICC currently uses different BOWs to estimate CDS index instrument liquidity charges depending on whether a position is short or long.<sup>14</sup> For short protection positions, ICC uses the BOW for Level III conditions; and for long protection positions, ICC uses the BOW for Level II conditions.<sup>15</sup> By using a larger BOW for short protection positions than for long protection positions, ICC intended to reflect that selling protection may carry more risk and incur higher cost of liquidation than purchasing protection.<sup>16</sup>

ICC proposes changes to its RMF and RMMD to use the BOW for Level III conditions to estimate CDS index instrument liquidity charges irrespective of whether a position is short or long. To implement this change in the RMF, ICC proposes changing Section IV.B.2 so that it indicates that ICC's liquidity charge approach assumes, in general, that short protection and long protection positions are liquidated at the same BOWs rather than different BOWs.<sup>17</sup>

In the RMMD, ICC proposes removing symbols for BOW exposure for bought and sold protection positions from the Table of Mathematical Symbols and Notations. ICC also proposes removing equations and related language from Section II.2 of the RMMD distinguishing between the liquidation of short protection positions at Level III conditions and long protection positions at Level II conditions. Specifically, ICC proposes removing language discussing Level II conditions. These symbols and language are no longer necessary and the equations no longer reflect ICC's approach,<sup>18</sup> because, as explained above, the amended methodology would assume

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<sup>12</sup> *Id.* at 59251-52.

<sup>13</sup> *Id.*

<sup>14</sup> *Id.* at 59252.

<sup>15</sup> *Id.*

<sup>16</sup> *Id.* at 59252 n.6.

<sup>17</sup> *Id.* at 59252.

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

that short and long protection positions are liquidated at the same BOWs (Level III conditions).<sup>19</sup>

The proposed changes, including the addition of references to symbols corresponding to Level III Bid/Offer conditions, reflect that. ICC also proposes adding language to the RMMD clarifying that Levels I, II, and III range from normal to extreme market conditions.<sup>20</sup>

This proposed approach would make the index liquidity charge methodology more conservative and establish a single approach for both short and long positions.<sup>21</sup> As noted above, currently ICC uses Level II BOWs for long protection positions, which are smaller than Level III and thus could result in smaller margin requirements than for short positions. Thus, use of Level III BOWs for long protection positions could result in larger margin requirements than currently. ICC's proposed approach would also align ICC's treatment of CDS index and single name instruments in relation to estimating the liquidity charge by using symmetric BOWs for each type of instrument.<sup>22</sup>

#### *B. Governance Changes and Other Minor Edits*

ICC recently established the ICC Board Risk Committee and ICC Nominating Committee.<sup>23</sup> The ICC Board Risk Committee assists the Board in fulfilling its oversight responsibilities with respect to risk management of ICC. In doing so, it oversees ICC's risk management models, systems, and processes used to identify and manage systemic, market, credit, and liquidity risks at ICC; and oversees matters that could materially affect ICC's risk profile.<sup>24</sup> The ICC Nominating Committee is responsible for evaluating the independence and

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<sup>19</sup> *Id.*

<sup>20</sup> *Id.*

<sup>21</sup> *Id.* at 59252 n.6.

<sup>22</sup> *Id.* at 59252. Symmetric BOWs apply the same conditions for both long and short protection positions. Alternatively, asymmetric BOWs apply different conditions.

<sup>23</sup> Notice, 90 FR at 59252.

<sup>24</sup> For additional information about the Board Risk Committee, see Securities Exchange Act Release No. 103161 (May 30, 2025), 90 FR 23970 (June 5, 2025) (File No. SR-ICC-2025-006).

fitness of persons proposed to be designated as Managers of the Board.<sup>25</sup>

ICC proposes changes to the RMF, RMMD, and Pricing Policy that reflect the new committees.<sup>26</sup>

Beginning in Section II of the RMF, ICC proposes adding the Board Risk Committee and the Nominating Committee to the list of relevant committees for the purposes of risk governance and to a chart showing ICC's governance structure. The Proposed Rule Change edits the chart showing ICC's Governance Structure in Section II of the RMF to refer to the Risk Committee as the CDS Risk Committee to distinguish it from the Board Risk Committee.<sup>27</sup> ICC would also update Section II.A to reflect that there are nine committees which are integral to ICC's risk management.<sup>28</sup> To reflect their responsibilities, ICC proposes adding descriptions of the Board Risk Committee and Nominating Committee to Section II.A.<sup>29</sup> Throughout the RMF, ICC proposes changes to specify which items are subject to Board Risk Committee Review.<sup>30</sup> These items include, policies and procedures, memoranda regarding Clearing Participant membership applications, whether a Clearing Participant should be suspended, position or concentration limits, margin and guaranty fund levels, performance and composition of collateral, margin methodology changes, and model revisions. In certain instances, including with respect to margin and guaranty fund levels as well as the performance and composition of collateral, ICC proposes that the Board Risk Committee, rather than the Board, receive periodic reporting. This proposed change would align the Board Risk Committee's responsibilities with its mandate to assist the Board in fulfilling its oversight responsibilities.<sup>31</sup>

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<sup>25</sup> For additional information about the Nominating Committee, see Securities Exchange Act Release No. 101820 (Dec. 5, 2024), 89 FR 99917 (Dec. 11, 2024) (File No. SR-ICC-2024-010).

<sup>26</sup> Notice, 90 FR at 59252.

<sup>27</sup> *Id.*

<sup>28</sup> *Id.*

<sup>29</sup> *Id.*

<sup>30</sup> *Id.*

<sup>31</sup> *Id.*

Similarly, in the Initial Margin Methodology section of the RMMD and Section 3 of the Pricing Policy, ICC proposes adding that each respective document is subject to Board Risk Committee review at least annually. Currently, these documents only indicate that they are subject to review by the Risk Committee and review and approval by the Board of Managers at least annually.

ICC also proposes minor edits to its Pricing Policy. In the Pricing Policy, ICC proposes corrections to numbering of certain tables throughout the document.<sup>32</sup>

### **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 with the requirements of the Act and the rules and regulations thereunder applicable to the organization.<sup>33</sup> 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.”<sup>34</sup>

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,<sup>35</sup> 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.<sup>36</sup> Moreover, “unquestioning reliance” on an SRO’s

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<sup>32</sup> *Id.*

<sup>33</sup> 15 U.S.C. 78s(b)(2)(C).

<sup>34</sup> Rule 700(b)(3), Commission Rules of Practice, 17 CFR 201.700(b)(3).

<sup>35</sup> *Id.*

<sup>36</sup> *Id.*

representations in a proposed rule change is not sufficient to justify Commission approval of a proposed rule change.<sup>37</sup>

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 Act<sup>38</sup> and Rules 17ad-22(e)(2)(i) and (v) and (e)(6)(i) thereunder,<sup>39</sup> 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 . . . ."<sup>40</sup> Based on a review of the record, and for the reasons discussed below, the Proposed Rule Change is consistent with Section 17A(b)(3)(F).

As discussed in Section II.A above, ICC proposes changes to how it incorporates BOWs in its estimation of liquidity charges for CDS index instruments. Currently, ICC uses the BOW associated with extreme market conditions (Level III) to estimate the CDS index instrument liquidity charge for short protection positions. For long protection positions, ICC uses the BOW associated with market conditions that experience some measure of volatility (Level II).<sup>41</sup> ICC proposes several changes to use the Level III BOW to estimate the CDS index instrument liquidity charge for both short and long protection positions.

By using symmetric BOWs, ICC makes its treatment of CDS index instruments more

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<sup>37</sup> *Susquehanna Int'l Group, LLP v. Securities and Exchange Commission*, 866 F.3d 442, 447 (D.C. Cir. 2017).

<sup>38</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>39</sup> 17 CFR 240.17ad-22(e)(2)(i) and (v) and (e)(6)(i).

<sup>40</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>41</sup> Notice, 90 FR at 59252.

conservative.<sup>42</sup> Level III BOWs are larger than Level II BOWs.<sup>43</sup> As such, ICC may collect more margin with the proposed changes than it otherwise would under the current methodology. Collecting additional margin increases the likelihood that ICC would collect sufficient margin collateral to address a Clearing Participant's default. This would in turn help assure the safeguarding of non-defaulting Clearing Participants' collateral by reducing the likelihood that ICC would need to use mutualized collateral to cover losses caused by a defaulting Clearing Participant. Further, it would increase the likelihood that ICC continues to provide services without interruption in the event of a default, thereby helping to promote prompt and accurate clearance and settlement of securities transactions.

Using a symmetric BOW is also consistent with ICC's treatment of CDS single name instruments.<sup>44</sup> The CDS single name liquidity charge methodology does not use different BOWs for short and long protection positions.<sup>45</sup> This added consistency simplifies ICC's liquidity charge methodology and ultimately makes it clearer. A clearer liquidity charge methodology enhances ICC's ability to manage risk and aids it in safeguarding securities and funds in its custody or control.

ICC also proposes governance changes and other minor edits to its RMF, RMMD, and Pricing Policy. Several proposed changes update these documents to account for the recently created ICC Board Risk Committee and ICC Nominating Committee.<sup>46</sup> ICC also proposes corrections to the numbering of certain tables throughout the Pricing Policy.<sup>47</sup> By making the RMF, RMMD, and Pricing Policy more accurate and up to date, ICC decreases the possibility of delays and miscommunications in carrying out the duties those documents outline. By

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<sup>42</sup> *Id.* at 59252 n.6.

<sup>43</sup> *Id.* at 59252.

<sup>44</sup> *Id.*

<sup>45</sup> *Id.*

<sup>46</sup> *Id.*

<sup>47</sup> *Id.*

potentially reducing delays and miscommunications, ICC improves the chances that it is appropriately managing its risk and is prepared for a Clearing Participant default. Thus, these proposed changes enhance ICC's ability to safeguard securities and funds in its custody or control and promote the prompt and accurate clearance and settlement of securities transactions.

Accordingly, the Proposed Rule Change is consistent with the requirements of Section 17A(b)(3)(F) of the Act.<sup>48</sup>

*B. Consistency with Rule 17ad-22(e)(2)(i) and (v)*

Under Rule 17ad-22(e)(2)(i) and (v), ICC must, “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.”<sup>49</sup> Based on a review of the record, and for the reasons discussed below, the Proposed Rule Change is consistent with Rule 17ad-22(e)(2)(i) and (v).

The proposed changes reflect current ICC governance arrangements in the RMF, RMMD, and Pricing Policy. Specifically, ICC proposes adding references to the recently established Board Risk Committee and Nominating Committee. Such changes ensure that these documents are up to date, clear, and clearly assign and document responsibility and accountability for relevant items to these committees.

Accordingly, the Proposed Rule Change is consistent with the requirements of Rule 17ad-22(e)(2)(i) and (v).<sup>50</sup>

*C. Consistency with Rule 17ad-22(e)(6)(i)*

Under Rule 17ad-22(e)(6)(i), ICC must, “establish, implement, maintain and enforce written policies and procedures reasonably designed to cover . . . its credit exposures to its participants by establishing a risk-based margin system that, at a minimum, considers, and

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<sup>48</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>49</sup> 17 CFR 240.17ad-22(e)(2)(i) and (v).

<sup>50</sup> *Id.*

produces margin levels commensurate with, the risks and particular attributes of each relevant product, portfolio, and market . . . .”<sup>51</sup> Based on a review of the record, and for the reasons discussed below, the Proposed Rule Change is consistent with Rule 17ad-22(e)(6)(i).

As noted above, the liquidity charge is one component of ICC’s methodology for determining Initial Margin requirements. ICC’s proposed changes would use Level III BOWs for both long and short positions. Using Level III BOWs for long positions makes the liquidity charge more conservative, as it could result in increased margin requirements for these positions than currently. As such, this change could lead to ICC collecting margin amounts larger than it would under the current approach and producing margin levels more commensurate with the contracts that ICC clears.<sup>52</sup>

Accordingly, the Proposed Rule Change is consistent with the requirements of Rule 17ad-22(e)(6)(i).<sup>53</sup>

#### **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 Act<sup>54</sup> and Rules 17ad-22(e)(2)(i) and (v) and (e)(6)(i) thereunder.<sup>55</sup>

IT IS THEREFORE ORDERED pursuant to Section 19(b)(2) of the Act that the proposed rule change (SR-ICC-2025-012) be, and hereby is, approved.<sup>56</sup>

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.<sup>57</sup>

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<sup>51</sup> 17 CFR 240.17ad-22(e)(6)(i).

<sup>52</sup> Notice, 90 FR at 59252 n.6.

<sup>53</sup> 17 CFR 240.17ad-22(e)(6)(i).

<sup>54</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>55</sup> 17 CFR 240.17ad-22(e)(2)(i) and (v) and (e)(6)(i).

<sup>56</sup> 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).

<sup>57</sup> 17 CFR 200.30-3(a)(12).

**Sherry R. Haywood,**

*Assistant Secretary.*

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