8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-106008; File No. SR-ICC-2026-003]

Self-Regulatory Organizations; ICE Clear Credit LLC; Order Approving Proposed Rule Change Relating to the Clearance of Additional Credit Default Swap Contracts

July 29, 2026.

I. Introduction

On May 12, 2026, ICE Clear Credit LLC ("ICC") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(2) of the Securities Exchange Act of 1934 (the "Act")[1] and Rule 19b-4 thereunder,[2] a proposed rule change to clear additional credit default swap ("CDS") contracts. The proposed rule change was published for comment in the Federal Register on May 21, 2026.[3] The Commission received comments regarding the proposed rule change.[4] 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. Chapter 26 of ICC's CDS Clearing Rules covers the CDS contracts that ICC clears, with each subchapter of Chapter 26 defining the characteristics and additional rules applicable to the various specific categories of CDS contracts that ICC clears. Among other CDS contracts, ICC currently clears Standard Emerging Market Sovereign Single Name CDS ("SES") contracts and Asia/Pacific Sovereign Single Name CDS ("SAS").

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 Securities Exchange Act Release No. 34-105533 (May 21, 2026), 91 FR 31481 (May 27, 2026) (File No. ICC-2026-003) ("Notice of Filing"). Capitalized terms not otherwise define herein have the meanings ascribed to them in ICC's CDS Clearing Rules, as applicable.

4 Comments on the proposed rule change are available at https://www.sec.gov/rules-regulations/public-comments/sr-icc-2026-003.

The purpose of the proposed rule change is to amend ICC's CDS Clearing Rules to permit ICC to clear additional SES contracts and an additional SAS contracts, specifically, SES contracts on the Republic of Ecuador, the Republic of Guatemala, the Republic of El Salvador, the Oriental Republic of Uruguay, the Republic of Costa Rica, the Republic of Kenya, and the Republic of Angola and an SAS contract on the Islamic Republic of Pakistan.

To carry out this change, the proposed rule change would amend Subchapter 26D and Subchapter 26E of Chapter 26. In Rule 26D-102 (Definitions), "Eligible SES Reference Entities," the proposed rule change would add the Republic of Ecuador, the Republic of Guatemala, the Republic of El Salvador, the Oriental Republic of Uruguay, the Republic of Costa Rica, the Republic of Kenya, and the Republic of Angola to the list of specific Eligible SES Reference Entities to be cleared by ICC. In Rule 26E-102 (Definitions), "Eligible SAS Reference Entities," the proposed rule change would add the Islamic Republic of Pakistan.

As discussed below, these additional SES and SAS contracts have terms consistent with the other contracts that ICC already clears. Likewise, to clear these additional contracts, ICC will rely on its existing risk management framework and other policies and procedures without making any changes.

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.[5] 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."[6]

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5 15 U.S.C. 78s(b)(2)(C).

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

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,[7] 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.[8] 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.[9]

After carefully considering the proposed rule change and the comment letters received, the Commission finds that the proposed rule change is consistent with the requirements of the Exchange Act and the rules and regulations thereunder applicable to ICC. Specifically, the Commission finds that the proposal is consistent with Section 17A(b)(3)(F) of the Act[10] and Rules 17Ad-22(e)(1) and 17ad-22(e)(4)(ii) thereunder,[11] as described in detail below.

A. <u>Consistency with Section 17A(b)(3)(F) of the Act</u>

Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of ICC be designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts, and transactions.[12]

The proposed rule change is consistent with Section 17A(b)(3)(F) of the Act.[13] The terms and conditions of the additional contracts proposed for clearing are substantially similar to the terms and conditions of the other contracts listed in Subchapter 26D and Subchapter 26E of

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7 *Id.*

8 *Id.*

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

10 15 U.S.C. 78q-1(b)(3)(F).

11 17 CFR 240.17Ad-22(e)(1) and (e)(4)(ii).

12 15 U.S.C. 78q-1(b)(3)(F).

13 15 U.S.C. 78q-1(b)(3)(F).

ICC's CDS Clearing Rules, all of which ICC currently clears, with the key difference being the underlying reference obligations. The underlying reference obligations will be issuances by the Republic of Ecuador, the Republic of Guatemala, the Republic of El Salvador, the Oriental Republic of Uruguay, the Republic of Costa Rica, the Republic of Kenya, and the Republic of Angola, in the case of the SES contracts, and the Islamic Republic of Pakistan, in the case of the SAS contract.

A review of the Notice and ICC's CDS Clearing Rules, policies, and procedures shows that ICC would be able to clear the additional contracts pursuant to its existing clearing arrangements and related financial safeguards, protections, and risk management procedures. Furthermore, a review of data on volume, open interest, and the number of ICC Clearing Participants ("CPs") that currently trade in SES and SAS contracts, as well as certain model parameters for the additional contracts, show that ICC's CDS Clearing Rules, policies, and procedures are reasonably designed to price and measure the potential risk presented by the additional contracts, collect financial resources in proportion to such risk, and liquidate the additional contracts in the event of a CP default. This should help ensure ICC's ability to maintain the financial resources it needs to provide its critical services and function as a central counterparty, thereby promoting the prompt and accurate settlement of the additional contracts and other credit default swap transactions.

Therefore, clearance of the additional contracts promotes the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.[14]

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[14] 15 U.S.C. 78q-1(b)(3)(F).

B. Consistency with Rule 17Ad-22(e)(1)

Rule 17Ad-22(e)(1) requires ICC to establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide for a well-founded, clear, transparent, and enforceable legal basis for each aspect of its activities in all relevant jurisdictions.[15]

The proposed rule change would help provide a well-founded, clear, transparent, and enforceable legal basis for ICC's clearance of SES contracts on the Republic of Ecuador, the Republic of Guatemala, the Republic of El Salvador, the Oriental Republic of Uruguay, the Republic of Costa Rica, the Republic of Kenya, and the Republic of Angola. By amending Rule 26D-102 to add the Republic of Ecuador, the Republic of Guatemala, the Republic of El Salvador, the Oriental Republic of Uruguay, the Republic of Costa Rica, the Republic of Kenya, and the Republic of Angola to the list of specific Eligible SES Reference Entities to be cleared by ICC, the proposed rule change would help to ensure that ICC can clear SES contracts on those countries pursuant to its existing rules in Subchapter 26D. The revised Subchapter 26D would provide a well-founded, clear, transparent, and enforceable legal basis for ICC to clear these contracts, consistent with the requirements of Rule 17Ad-22(e)(1).[16]

Similarly, the proposed rule change would help provide a well-founded, clear, transparent, and enforceable legal basis for ICC's clearance of SAS contracts on the Islamic Republic of Pakistan. By amending Rule 26E-102 to add the Islamic Republic of Pakistan to the list of specific Eligible SAS Reference Entities to be cleared by ICC, the proposed rule change would help to ensure that ICC can clear SAS contracts on the Islamic Republic of Pakistan pursuant to its existing rules in Subchapter 26E. The revised Subchapter 26E would provide a well-founded, clear, transparent, and enforceable legal basis for ICC to clear these contracts, consistent with the requirements of Rule 17Ad-22(e)(1).[17]

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15 17 CFR 240.17Ad-22(e)(1).

16 17 CFR 240.17Ad-22(e)(1).

17 17 CFR 240.17Ad-22(e)(1).

Accordingly, the proposed rule change is consistent with the requirements of and Rule 17ad-22(e)(1).[18]

C. Consistency with Rule 17Ad-22(e)(4)(ii)

Rule 17ad-22(e)(4)(ii) requires that ICC establish, implement, maintain and enforce written policies and procedures reasonably designed to effectively identify, measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes, by, among other things, 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.[19]

As discussed above, the proposed rule change amends Subchapter 26D and Subchapter 26E of ICC's CDS Clearing Rules to allow ICC to clear the additional contracts. The proposed rule change does not modify ICC's current approach to maintaining the additional financial resources required by Rule 17ad-22(e)(4)(ii).[20] A commenter suggested that the proposed rule change nevertheless could affect ICC's ability to maintain the additional financial resources required by the rule due to certain risks which the commenter asserted could affect the countries referenced by the additional contracts.[21]

The commenter described these risks as "sovereign credit deterioration scenarios" and "cross-docket enforcement risk." While the commenter agreed that, overall, the additional contracts have terms consistent with the other contracts approved for clearing at ICC, the

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18 17 CFR 240.17Ad-22(e)(1).

19 17 CFR 240.17Ad-22(e)(4)(i) and (ii).

20 17 CFR 240.17Ad-22(e)(4)(i) and (ii).

21 *See* Comment for the Record, In the Matter of: File No. SR-ICC-2026-003, submitted by James Hunter Poole, Executive Chairman and CEO, Obelisk Tech Systems, Inc. (May 27, 2026) ("Obelisk Comment"). The commenter provided, in total, five different submissions as part of the comment, some of which was unrelated to the substance of the filing.

commenter questioned whether ICC's existing risk management framework adequately captured and managed these potential risks.[22] The commenter therefore requested additional analysis of whether: (1) ICC's existing risk management framework adequately captured the sovereign credit deterioration scenarios outlined in Appendix H to the comment letter and (2) ICC's Cover-2 stress scenarios, required under Rule 17Ad-22(e)(4)(ii),[23] reflected appropriate consideration of the cross-docket enforcement risk.[24]

In response, ICC provided additional information in support of the proposed rule change.[25] ICC explained that the commenter's Appendix H contained a Sixty-Economy Commercial Injury Record that covered a broader group of countries than those referenced by the additional contracts proposed for clearing.[26] ICC noted that the additional contracts proposed for clearing may be cleared by ICC under its existing risk management framework and clearing procedures, because the additional contracts have terms consistent with the other contracts currently approved for clearing at ICC.[27]

Regarding its Cover-2 stress scenarios, ICC noted that the commenter had not explained the meaning of "cross-docket enforcement risk."[28] ICC noted, however, that it managed credit risk, liquidity risk, operational risk, legal risk, custody and investment risk, and general business risk, among other risks, as required by Commission Rule 17ad-22.[29] Because the additional contracts are substantially similar to contracts already cleared by ICC, ICC asserted that clearance of the additional contracts did not require ICC to change its stress testing framework or

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22 Obelisk Commenter at 10.

23 17 CFR 240.17ad-22(e)(4)(ii).

24 Obelisk Commenter at 10.

25 *See* letter from Stanislav Ivanov, President, ICE Clear Credit (June 16, 2016) ("ICC Response").

26 ICC Response at 2.

27 ICC Response at 2.

28 ICC Response at 2.

29 ICC Response at 2.

financial resource requirements.[30] Moreover, ICC asserted that it would continue to maintain sufficient financial resources, consistent with Commission Rule 17Ad-22(e)(4)(ii).[31]

In considering these comments, the Commission carefully reviewed the commenter's submission and ICC's response. With respect to whether ICC's existing risk management framework adequately captures certain "sovereign credit deterioration scenarios" the commenter outlined in an Appendix H, the Commissions finds that ICC's existing risk management framework is adequate. At the outset, the Commission notes that Appendix H does not contain any sovereign credit deterioration scenarios. Rather, Appendix H is a table of countries, each accompanied by a short summary of evidence. The commenter suggested that this evidence showed that the relevant country has acknowledged or documented instances of forced labor, trafficking, or labor exploitation. Even if we assume Appendix H provides evidence of instances of forced labor, trafficking, or labor exploitation, there is no evidence that such instances affect the price of sovereign credit instruments issued by the relevant governments, the price of CDS contracts referencing those sovereign credit instruments, or that ICC's existing risk management approach could not adequately capture and respond to any such potential effects on the price of such sovereign credit instruments or the related CDS contracts.

With respect to ICC's Cover-2 stress scenarios, the commenter did not explicitly define the term cross-docket enforcement risk. The commenter appeared to connect cross-docket enforcement risk to the possibility that the value of a government's sovereign credit instruments will be affected by enforcement actions against that government related to forced-labor practices.

Without further explanation of the sovereign credit deterioration scenarios and cross-docket enforcement risk, how these potential risks affect CDS prices, or why ICC's existing risk management cannot account for these potential risks, it is unclear why ICC's risk management could not account for the risks of clearing the additional contracts. As the commenter agreed, the

30 ICC Response at 3.

31 ICC Response at 3.

additional contracts proposed for clearing have terms consistent with other contracts currently approved for clearing at ICC and will be cleared pursuant to ICC's existing clearing arrangements and related financial safeguards, protections, and risk management procedures, which should take into account any potential change in the value of a government's sovereign credit instruments resulting from potential enforcement actions. The clearing of the additional contracts will not require any changes to ICC's risk management or other policies and procedures. Therefore, ICC's existing risk management, including its margin methodology and stress testing framework, will continue to account for the risks and particular attributes of the additional contracts. Finally, ICC's existing stress testing scenarios will continue to ensure that it maintains the financial resources required by with Rule 17ad-22(e)(4)(ii)[32] while clearing the additional contracts. Thus, even assuming cross-docket enforcement risk does affect the price of sovereign credit instruments issued by a government and the price of CDS contracts referencing those sovereign credit instruments, ICC's existing risk management approach can adequately capture and respond to any such potential effects on the price of such sovereign credit instruments and the related CDS contracts.

Accordingly, the proposed rule change is consistent with the requirements of and Rule 17ad-22(e)(4)(ii).[33]

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, with the requirements of Section 17A(b)(3)(F) of the Act[34] and Rules 17Ad-22(e)(1) and 17ad-22(e)(4)(ii) thereunder.[35]

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32 17 CFR 240.17ad-22(e)(4)(ii).

33 17 CFR 240.17ad-22(e)(4)(ii).

34 15 U.S.C. 78q-1(b)(3)(F).

35 17 CFR 240.17Ad-22(e)(1) and (e)(4)(ii).

IT IS THEREFORE ORDERED pursuant to Section 19(b)(2) of the Act[36] that the proposed rule change (SR-ICC-2026-003), be, and hereby is, approved.[37]

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[38]

Sherry R. Haywood,

Assistant Secretary.

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36 15 U.S.C. 78s(b)(2).

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

38 17 CFR 200.30-3(a)(12).