

**SECURITIES AND EXCHANGE COMMISSION**  
(Release No. 34-93906; File No. SR-ICEEU-2021-026)

January 5, 2022

Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Amendments to the ICE Clear Europe Futures & Options Default Management Policy

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> notice is hereby given that on December 22, 2021, ICE Clear Europe Limited (“ICE Clear Europe” or the “Clearing House”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule changes described in Items I, II and III below, which Items have been prepared primarily by ICE Clear Europe. ICE Clear Europe filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(4)(ii) thereunder,<sup>4</sup> such that the proposed rule change was immediately effective upon filing with the Commission. 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 amendments is for ICE Clear Europe to modify its Futures & Options Default Management Policy (“F&O Default Management Policy” or “Policy”) to make certain clarifications and updates.

---

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

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

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b-4(f)(4)(ii).

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

In its filing with the Commission, ICE Clear Europe included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. ICE Clear Europe has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.

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

**(a) Purpose**

ICE Clear Europe is proposing to amend its F&O Default Management Policy to (i) further describe certain aspects of the background UK legal framework applicable to default management, (ii) update the composition of the Clearing House's default management committee, (iii) remove as unnecessary certain operational steps ICE Clear Europe will take in order to suspend a Defaulter's trading access, (iv) update and clarify the procedures related to hedging or liquidation of a Defaulter's positions, (v) remove certain details around the auction process that are set out in other Clearing House documentation; (vi) clarify certain procedures for intra-group information sharing, (vii) revise the description of the Clearing House's default testing, (viii) revise and remove certain appendices in accordance with the other changes made in the Policy, and (ix) make other various drafting clarifications and improvements.

The background discussion of Points of Law applicable to default management would be revised to provide certain clarification and simplifications. Specifically, the

amendments clarify the ability of the Clearing House to transfer client positions and collateral in an omnibus client account to a single solvent Clearing Member provided that all clients in the omnibus account agree to such transfer. The amendments would also clarify the benefits of legal certainty provided to actions taken by the Clearing House in accordance with its default rules under Part VII of the UK Companies Act. Other non-substantive drafting clarifications and grammatical updates would be made to improve readability.<sup>5</sup> These amendments do not reflect a change in law but are intended to further clarify state the existing UK legal background principles.

The section addressing the actions to be taken by the Clearing House immediately following declaration of an Event of Default would be updated to bifurcate the composition of the Clearing House's internal default management committee to personnel that are always required to be present and personnel (or deputies) that may attend if required. Specifically, the default management committee would, at minimum, consist of the President, Head of Clearing Risk and Chief Risk Officer. The Chief Operating Officer or Head of Operations, Head of Treasury, Head of Legal and Head of Compliance may attend if required. Additionally, the amendments would provide that legal advisors or counsel to the Clearing House may also be present where required. Conforming changes would be made in other sections of the policy. The amendments would also remove from a statement regarding the segmenting of F&O Guaranty Fund resources in the waterfall by asset class, and related information. The construction and composition of

---

<sup>5</sup> The amendments to this discussion do not affect the existing statement, consistent with the Rules, that with respect to FCM/BD Clearing Members in default, the customer accounts are intended to be treated in accordance with applicable U.S. law.

the F&O Guaranty Fund is set out in the Rules and Procedures and existing F&O Guaranty Fund Policy, and the Clearing House does not believe it needs to be set out in the Policy.

Amendments would also remove provisions relating to an interest rate swap default management committee, which are not used as the Clearing House does not clear interest rate swaps.

Procedures for suspending the trading access of a defaulting Clearing Member would also be clarified. The amendments would clarify that the Clearing House may (but is not obligated to) instruct the relevant market surveillance department and helpdesk to disable trading accesses of the defaulter. The amendments would also remove certain operational details as to the business hours of the ICE helpdesk and the scope of denial of trading access that the Clearing House believes are unnecessary for the Policy. The amendments are not intended to reflect a change in practice but further describe document existing practice.

In the section relating to identifying and hedging market exposure from the defaulter's positions, amendments would add that the Clearing House may seek to delta hedge the positions through its Exchanges, in addition to conducting such hedging through brokers (as referenced in the current Policy). The amendments would also remove a statement that priority should be giving to hedging products contributing the greatest original margin requirement. ICE Clear Europe does not believe the limitation is necessary, as the hedging strategy should take into account the particular circumstances and market conditions at the time. Additionally, information describing the processes for

entering positions into the ICE Clear Europe internal risk database would be removed as unnecessary operational detail.

Provisions addressing the treatment of physically deliverable positions nearing expiry would be updated to clarify that once a default has been declared, the Operations Department would be responsible for taking control and may suspend delivery settlements due back to the Defaulter, to implement the Clearing House's existing rights under the Rules. Amendments would also clarify that while the Clearing House may need to close out positions prior to the commencement of the delivery process, it would not necessarily be obligated to do so. In the Clearing House's view, this change would provide appropriate flexibility in managing such positions of a defaulter.

The section relating to liquidation of remaining positions would be amended to reference all positions (not merely house positions), to remove certain details about specific hedging strategies and to remove a statement as to the order of preference of different options. ICE Clear Europe believes that it is appropriate in default management to have flexibility as to the particular type of hedging or liquidation actions to be taken, in light of the nature of the positions and market conditions at the time, and accordingly it is not desirable to state in advance which default management option is preferable. Similarly, the Clearing House does not believe it is necessary to specify particular hedging strategies in the Policy; the appropriate strategy in a particular default scenario should be selected at the time.

Amendments would also provide that the Clearing House default management committee may seek advice from third party traders, in addition to traders of non-defaulting Clearing Members, with respect to liquidating the positions in a complex

trading book. The amendments would remove as unnecessary a requirement that the senior management team first approach representatives of Clearing Members on the F&O product risk committee for assistance.

Certain clarifications to the Policy relating to the conduct of a default auction and related auction portfolio disclosures would be made, including to be consistent with the existing published F&O Auction Terms. In particular, statements that the portfolio would be hedged before commencing the auction would be removed, as it is not necessary in all cases under the Rules or Procedures that a portfolio be hedged before being auctioned. References to Clearing Members would be replaced with more general references to auction participants, as the F&O Auction Terms permit participation by non-Clearing Members in certain circumstances. In line with the changes described above to remove references to the IRS Default Committee, information relating to the IRS Default Committee's role in directing the auction process would be removed. A detailed description and example of bidding mechanics would be removed as such details are addressed in the published F&O Auction Terms.

Section 10.1 (Intra-group Information Sharing) would be amended to remove certain details about coordination between ICE Group entities that ICE Clear Europe believes are unnecessary under the Policy. As proposed to be revised, the ICE Clear Europe President would remain responsible for notifying counterparts at other ICE Group entities where the defaulter is active in other relevant markets. Specific details about the persons to be notified, and relevant backup personnel, have been removed as unnecessary for the Policy.

The section of the Policy relating to F&O default testing would be revised to reflect further describe current testing purposes and practices and make other enhancements. As revised, the Clearing House would conduct testing on an annual basis with compulsory participation of Clearing members, with the goal of testing the responsibilities of each Clearing House department, the systems and tools in the default management process and external parties' preparation and understanding of default procedures. The amendments would also revise and clarify certain elements that comprise a default management test plan. As a result, Former Appendix A—Default Test Plan (Summary) would be removed as unnecessary given the updated description of default testing in the Policy. The subsequent appendices would be renumbered accordingly.

Appendix B (Trade Procedure) (formerly Appendix C) would be updated in respect of the description of the frequency of certain trade tests. Specifically, the amendments would provide that Test trades would take place according to the Multi-Year Default Management Plan, instead of monthly or quarterly. Additionally, the amendments would remove an incorrect reference to CDS Clearing Members (which are not as such subject to an F&O policy).

Appendix C (formerly Appendix D) relating to regulatory reporting would be replaced with a new schedule of default management information to be shared with the Bank of England under applicable regulations, including information as to actions taken prior to and following the default, summary of positions and relevant margin and guaranty fund contributions, and certain other exposures.

Other drafting clarifications and other changes would be made throughout the Policy to make non-substantive typographical and other corrections, including replacing “Original Margin” with “Initial Margin” (and related abbreviations throughout), to conform to the terminology used in the Rules and Procedures.

(b) Statutory Basis

ICE Clear Europe believes that the proposed amendments to the F&O Default Management Policy are consistent with the requirements of Section 17A of the Act<sup>6</sup> and the regulations thereunder applicable to it. In particular, Section 17A(b)(3)(F) of the Act<sup>7</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, the safeguarding of securities and funds in the custody or control of the clearing agency or for which it is responsible, and the protection of investors and the public interest.

The proposed changes to the F&O Default Management Policy are designed to clarify and strengthen ICE Clear Europe’s procedures for managing the risk of default losses. The amendments would, among other matters, update the composition of the default management committee, clarify certain matters relating to the background UK legal framework for default management, clarify and update certain procedures around hedging and liquidation of the risk of a defaulter’s positions, clarify testing procedures, and ensure consistency with Clearing House Rules and Procedures, including those

---

<sup>6</sup> 15 U.S.C. 78q-1.

<sup>7</sup> 15 U.S.C. 78q-1(b)(3)(F).

relating to auctions. Through better managing risks in Clearing Member default scenarios in this manner, the proposed amendments to the F&O Default Management Policy would promote the stability of the Clearing House and the prompt and accurate clearance and settlement of cleared contracts. The enhanced default risk management is therefore also generally consistent with the protection of investors and the public interest in the safe operation of the Clearing House. (ICE Clear Europe would not expect the amendments to affect materially the safeguarding of securities and funds in ICE Clear Europe’s custody or control or for which it is responsible.) Accordingly, the amendments satisfy the requirements of Section 17A(b)(3)(F).<sup>8</sup>

The amendments to the F&O Default Management Policy are also consistent with relevant provisions of Rule 17Ad-22.<sup>9</sup> Rule 17Ad-22(e)(3)(i) provides that “[e]ach covered clearing agency shall establish, implement, maintain and enforce written policies and procedures reasonable designed to, as applicable [...] identify, measure, monitor and manage the range of risks that arise in or are borne by the covered clearing agency”.<sup>10</sup> The amendments to the F&O Default Management Policy are intended to clarify the Clearing House’s policies and practices that relate to default management, for consistency with relevant Rules and Procedures and to make various clarifications and

---

<sup>8</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>9</sup> 17 CFR 240.17Ad-22.

<sup>10</sup> 17 CFR 240.17Ad-22(e)(3)(i).

other improvements. In ICE Clear Europe’s view, the amendments would enhance overall risk management, consistent with the requirements of Rule 17Ad-22(e)(3)(i).<sup>11</sup>

Rule 17Ad-22(e)(2) provides that “[e]ach covered clearing agency shall establish, implement, maintain and enforce written policies and procedures reasonable designed to, as applicable [...] provide for governance arrangements that are clear and transparent”<sup>12</sup> and “[s]pecify clear and direct lines of responsibility”<sup>13</sup>. The amendments to the F&O Default Management Policy would clarify certain responsibilities of the Clearing House’s committees and personnel in relation to default management. The amendments would also remove unused provisions related to the IRS Default Management Committee. In ICE Clear Europe’s view, the amendments are therefore consistent with the requirements of Rule 17Ad-22(e)(2).<sup>14</sup>

In addition, ICE Clear Europe believes the amendments satisfy Rule 17Ad-22(e)(13)<sup>15</sup>, which provides that “[e]ach covered clearing agency shall establish, implement, maintain and enforce written policies and procedures reasonable designed to, as applicable [...] ensure that 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 by, at a minimum, requiring the covered clearing

---

<sup>11</sup> 17 CFR 240.17Ad-22(e)(3)(i).

<sup>12</sup> 17 CFR 240.17Ad-22(e)(2)(i).

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

<sup>14</sup> 17 CFR 240.17Ad-22(e)(2).

<sup>15</sup> 17 C.F.R. § 240.17Ad-22(e)(13).

agency’s 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.” As discussed above, the proposed amendments would enhance ICE Clear Europe’s overall default management processes, including those relating to hedging and liquidation of the defaulter’s positions. In addition, the amendments would enhance default testing practices, including to provide explicitly for annual compulsory participation by Clearing Members and further describe the purposes of such testing. Other amendments would ensure the Policy remains consistent with the F&O Auction Terms. Overall, the amendments will thus ensure that the Clearing House has clear processes in place to manage Clearing Member defaults and be able to continue to meet the Clearing House’s obligations in default scenarios. The amendments overall strengthen ICE Clear Europe’s ability to contain losses in a manner consistent with the requirements of Rule 17Ad-22(e)(13).<sup>16</sup>

(B) Clearing Agency’s Statement on Burden on Competition

ICE Clear Europe does not believe the proposed amendments would have any impact, or impose any burden, on competition not necessary or appropriate in furtherance of the purposes of the Act. The amendments are being adopted to update and clarify the Clearing House’s F&O Default Management Policy, which relates to the Clearing House’s internal processes for addressing risks posed by F&O Clearing Member defaults. The amendments do not change the obligations of Clearing Members under the Rules or Procedures. Accordingly, ICE Clear Europe does not believe the amendments would

---

<sup>16</sup> 17 C.F.R. § 240.17Ad-22(e)(13).

affect the costs of clearing, the ability of market participants to access clearing, or the market for clearing services generally. Although the Policy does state certain obligations of Clearing Members to participate in annual default testing, ICE Clear Europe believes this is appropriate in light of regulatory requirements and the importance of such testing to the default management process. Therefore, ICE Clear Europe does not believe the proposed rule change imposes any burden on competition that is not necessary or appropriate 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 amendments have not been solicited or received by ICE Clear Europe. ICE Clear Europe will notify the Commission of any written comments received with respect to the proposed rule change.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>17</sup> and paragraph (f) of Rule 19b-4<sup>18</sup> thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

---

<sup>17</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>18</sup> 17 CFR 240.19b-4(f).

#### **IV. Solicitation of Comments**

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

##### Electronic Comments:

- Use the Commission's Internet comment form (<http://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-ICEEU-2021-026 on the subject line.

##### Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-ICEEU-2021-026. 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 (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change 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 10:00 am and

3:00 pm. Copies of such filings will also be available for inspection and copying at the principal office of ICE Clear Europe and on ICE Clear Europe's website at <https://www.theice.com/clear-europe/regulation>. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-ICEEU-2021-026 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

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

J. Matthew DeLesDernier  
Assistant Secretary

---

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