

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-98217; File No. SR-ICEEU-2023-011)

August 24, 2023

Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing of Proposed Rule Change, as Modified by Amendment No. 1, Relating to Amendments to the Wind Down Framework and Plan

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on August 11, 2023, 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 primarily prepared by ICE Clear Europe. On August 22, 2023, ICE Clear Europe filed Amendment No. 1 to the proposed rule change to make certain changes to the Exhibit 5.³ The Commission is publishing this notice to solicit comments on the proposed rule change, as modified by Amendment No. 1 (hereafter “the proposed rule change”), from interested persons.

I. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change

ICE Clear Europe proposes to amend its Wind Down Framework and Plan (to be renamed the “Wind Down Plan”) (the “Plan”)⁴ to address the operation of a wind-down

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Amendment No. 1 updates the Exhibit 5 to correct the presentation of three of the proposed changes to the Wind Down Framework and Plan that were filed with the Commission on August 11, 2023. The proposed rule change includes an Exhibit 4. Exhibit 4 shows the change that Amendment No. 1 makes to the Exhibit 5.

⁴ Capitalized terms used but not defined herein have the meanings specified in the Wind Down Framework and Plan or, if not defined therein, the ICE Clear Europe Clearing Rules.

planning committee, update certain procedures and make certain other clarifications relating to the potential winding down for the Clearing House.

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 Wind Down Framework and Plan to make certain updates and enhancements. The proposed changes would rename the plan as the “Wind Down Plan” and make conforming changes throughout. The amendments would remove the Overview section and the Context section as those sections contain background information that is not necessary to the Plan as well as certain unnecessary references to regulatory requirements and particular regulators in certain jurisdictions. A new executive summary section would restate the purposes and objectives of the Plan as setting out relevant information, steps to take and options available with respect to winding down the business and compliance with all relevant regulatory obligations with respect to wind-down. The amendment would remove as unnecessary a non-exclusive description of certain circumstances that might necessitate wind-down and a statement of

the benefits of the successful operation of the Clearing House's Recovery Plan. A reference to certain specific approval requirements under EMIR that are no longer applicable to ICE Clear Europe has been removed, and reference to other EMIR requirements would be clarified to refer to such legislation as on-shored in the United Kingdom under applicable legislation following the withdrawal of the United Kingdom from the European Union.

The summary of the Plan would be revised to provide that in considering exiting of contractual obligations in the case of wind-down, the Clearing House would also consider other services that it may be providing (including intra-group services). The discussion of the structure of the Plan would remove as unnecessary a statement that the Plan reflects feedback that was received from certain regulators. A reference to consultation with other relevant stakeholders before making final decisions in connection with execution of the Plan would be revised to state that such consultation is likely rather than necessary in all cases, to reflect that different forms and extents of consultation with particular stakeholders may be appropriate for different circumstances and proposed actions. The proposed amendments would move into the summary a section relating to the execution of the plan, which discusses the establishment and responsibilities of the Wind Down Planning Committee. The amendments would describe the potential membership of the committee, which would be considered to include a chair by a non-executive director and senior officers and other advisors as appropriate.

In the discussion of planning options, certain non-substantive clarifications would be made as to the choice between transfer of clearing to another CCP or termination of clearing. References to "Continuing CDS Rule Provisions" applying, including in lieu

of Rule 105(c) of the Clearing Rules, in the context of CDS product category termination would be removed as such provisions have been previously deleted from the Rules. The discussion of analysis, consultation and planning would update the composition of the Planning Committee (as discussed above) and clarify that the impact of plans on stakeholders other than members should be considered. The amendments would also clarify that in considering alternative CCPs, the committee would consider such matters as jurisdictional complications, materially differing membership requirements and the factoring of relevant regulatory processes into the proposed timelines. The amendments would remove a consideration as to whether members would accept a particular contract not being available for clearing at the time of transfer, as the Clearing House believes transfer would likely not be feasible in that scenario. Similarly, for the termination option, the amendments would add a reference to consideration of whether regulators would likely accept the termination and the timeline for the related regulatory process.

The amendments would also state that the Clearing House would assess the impact of services received and provided and describe certain of the factors that are relevant, including timing and cost. The amendments would also state an assumption that ICE Clear Europe can continue to call and receive margin and otherwise operate during the wind-down period. However, the amended Plan would acknowledge that in the event of an unplanned disruption from a Clearing Member default, or in the event of a material nondefault event or loss, revised timelines and other actions may be required.

The amendments would make a number of clarifications to the discussion of execution plans in the context of the transfer of F&O clearing. Changes to the list of assumptions and activities of the Execution Plans as well as timelines for transfer would

note jurisdictional considerations and the fact that ICE Clear Europe currently clears a diverse profile of products (which may necessitate transfer of different products to different alternative CCPs). In this regard, the amendments would remove an assumption that there would be a maximum of two recipient clearing house for situations. In the situation where the transferee clearing house does not clear a relevant contract, and development of such clearing is not possible within an acceptable timeframe, the amendments would remove a statement suggesting that transfer would be delayed until clearing is available. ICE Clear Europe does not believe such a delay would be feasible, and accordingly the relevant positions in that contract would be terminated. References to the novation agreement to be used in a transfer would be amended to address transfer of related collateral in addition to positions. Similarly, the amended Plan would, in the scenario of a transfer to another clearing house, address the testing of collateral migration (in addition to position migration) and provide for the transfer of all relevant collateral (not only margin) to the recipient clearing house, in addition to the clearing members positions. Additional changes would update references to Clearing House position management and other systems such as FEC and ECS (or successors to such systems). The anticipated timeline for the transfer of F&O markets clearing to recipient clearing houses would be revised to be approximately six months (instead of no more than six months), in recognition of the difficulty of predicting a maximum timeline. In addition, the Clearing House has acknowledged that the timeline may be affected because the diverse product groups currently cleared, may need to involve more than one recipient clearing house in a transfer. Amendments would make other minor non-substantive changes.

In the context of termination, the amendments would clarify certain arrangements around notice to Clearing Members, consistent with the Rules. The amendments would contemplate a Withdrawal Date to be designated by the Clearing House pursuant to the Rules, rather than assuming a period of 5 months, to allow for more flexibility for the timeframe to reflect the particular circumstances of the termination. (In ICE Clear Europe's view, the time period will not necessarily be exactly five months, and that time period would better be described as an approximation.) The proposed amendments would also adopt a revised maturity profile for different product groups based on expiration date. The maturity profile may be materially different between product groups; thus it is appropriate for the Plan to consider the profile based on the relevant group. The amendments would revise percentage of the total open contracts expected to wind down naturally via an expiration date within three months from 35% to 30% based on the revised maturity profile. The changes would also clarify that new trades would be accepted until the Withdrawal Date, with the expectation that they serve to reduce risk and reduce open interest. The amendments would provide additional clarifications about the process of terminating an open position at a Withdrawal Date, in accordance with the Rules. The amendments will also clarify the process by which clearing members can close out open positions themselves prior to the Withdrawal Date, as well as clarify that all related margin (and not merely initial margin) would be returned at contract termination, consistent with the Rules and Procedures. With respect to the timeline for termination, the amendments would clarify that the anticipated timeline is approximately (rather than exactly) five months, reflecting the fact that the actual timeline may depend on the particular positions of Clearing Members at the time. As discussed above, the

amendments would note that a differing maturity profile for contracts may require a different approach or timeline by product group (even though the termination process is common across all maturities and product groups). Conforming and clarifying changes would be made to the lists of assumptions and activities and the timeline in this section.

Similar clarifications would be made to sections of the Plan relating to transfer and/or termination of the CDS clearing business. These would include references to consideration of jurisdictional issues, recognition that in the case of transfer an alternative CCP may have different membership requirements, recognition of the regulatory and new product approval processes that may apply, clarification that termination through re-bilateralisation may (rather than will) occur if an alternative CCP is not available in an acceptable timeframe, clarification that in certain transfer scenarios backloading of terminated contracts once a new CCP is ready could (rather than would) be done, and clarification that all relevant collateral (and not just margin) will be transferred to recipient clearing house, among others. The amendments would also revise the expected timeline for a transfer to be approximately 6 months, rather than no more than six months, in recognition of the difficulty of predicting a maximum timeline. The amendments would note that the timeline is likely to be affected by whether the open positions can be transferred to a single clearing house, or whether a transfer to multiple clearing houses would be required. In several places, the timeline for termination, wind-down or re-bilateralisation of CDS clearing would similarly be described as approximately five months rather than exactly five months. In the discussion of continuation of CDS clearing services until the time of termination, a clarification would

be made that such clearing would continue on the basis of reducing open interest (as opposed to reducing volume).

In the discussion of terminating service arrangements, the notice timeline would be revised to be approximately (rather than exactly) 6 months and also to state that appropriate notice would be given for termination of employee contracts. The amendments would note that the list of relevant services and contracts is a summary, and that the Clearing House maintains a more complete inventory of this service arrangements that should be referenced in wind-down planning. As amended, the Plan would also note that IT services and licenses are largely provided by other ICE Clear Europe affiliates and that IT services provided by third parties generally are not expected to have a material impact to wind-down planning. The changes to the summary table would consolidate the treatment of several clearing services agreements with different affiliated ICE markets into a single category for consistency. The amendments would also clarify that exit provisions regarding the use of buildings and building facilities provided by affiliates are not part of intra-group agreements, but would rather be managed by the relevant boards and management of the entities involved. Other changes would include the addition of the Clearing and Settlement Services Agreement with Intercontinental Exchange Holdings, the replacement of Dutch National Bank with European Central Bank to reflect the use of the latter as a concentration bank, the change in reference to the “relevant ICE Exchanges,” and the change in the Clearing and Settlement Services Agreements notice time period from 12 months to 24 months. Certain non-substantive drafting clarifications would also be made.

ICE Clear Europe has also proposed to update the description of the Clearing House's current liquidity profile in order to be consistent with (and explicitly reference) the Clearing House's current Liquidity and Investment Management Policy. (Relevant sections of the Liquidity and Investment Policy define the objective and key strategy for the investment of Cash. As per the policy, ICE Clear Europe aims to only invest in cash or highly liquid financial instruments with minimal market and credit risk and which are capable of being liquidated quickly and with minimal losses). Among other changes, the amendments would clarify that collateral held as cash from Clearing Members should be immediately accessible or available at short notice, with the vast majority of funds being invested in high-quality short-term instruments in accordance. (Specific references to a maximum maturity and weighted average life would be removed). Outright purchases should be limited to high quality and liquid government debt that can be liquidated on short notice in the secondary market. Amendments would also address availability of non-cash assets for liquidity needs, consistent with liquidity policies, and reference the Clearing House's liquidity stress testing.

Consistent with the changes discussed above, the overall conclusions for the Plan would be revised to reflect that the lengthiest time anticipated for wind-down would be approximately (rather than exactly) six months. Additionally, the proposed amendments would note that this estimate could be affected by various external factors, including the potential need to transfer positions to multiple clearing venues given the Clearing House's product scope, which could be more complicated (and take more time) than a transfer to a single venue. The impact of regulatory approvals and processes could also affect the timeline.

The discussion of governance and oversight in the Plan would be replaced with a new Document Governance and Exception Handling section that is consistent with other Clearing House policies recently adopted or modified⁵. This section would describe the responsibilities for the document owners in accordance with ICEU’s governance processes, as well as breach management, exception handling, and document governance.

The proposed changes also make a number of non-substantive changes to the Plan throughout such as formatting and typographical and similar corrections.

(b) Statutory Basis

ICE Clear Europe believes that the proposed amendments to the Plan are consistent with the requirements of Section 17A of the Securities Exchange Act of 1934⁶ (“Act”) and the regulations thereunder applicable to it. In particular, Section 17A(b)(3)(F) of the Act⁷ 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 Plan are intended to update and clarify the Plan, including to address more clearly the operation of the planning committee. The

⁵ See, e.g., The Counterparty Credit Risk Policy and Procedures as described in Exchange Act Release No. 34-97169, SR ICEEU-2023-004 (March 20, 2023) 88 FR 17886 (March 24, 2023); the Investment Management Procedures as described in Exchange Act Release No. 34-97528, SR ICEEU-2023-009 (May 19, 2023) 88 FR 33949 (May 25, 2023); the Futures and Options Default Management Policy as described in Exchange Act Release No. 34-97383, SR ICEEU-2023-012 (Apr. 26, 2023) 88 FR 27539 (May 2, 2023).

⁶ 15 U.S.C. 78q-1.

⁷ 15 U.S.C. 78q-1(b)(3)(F).

amendments would also update expected procedures relating to transfer or termination of the F&O and CDS clearing businesses, respectively, in order to provide appropriate flexibility and better take into account certain characteristics of the products cleared. The amendments will help the Clearing House facilitate an orderly transition or shut-down of a clearing business in the event it is unable to continue operations. As a result, in ICE Clear Europe’s view, the amendments would be consistent with the prompt and accurate clearance and settlement of the contracts, the safeguarding of funds or securities in the custody or control of the clearing agency or for which it is responsible, and the protection of investors and the public interest, consistent with the requirements of Section 17A(b)(3)(F) of the Act.⁸

Rule 17Ad-22(e)(2) provides that “[e]ach covered clearing agency shall establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable [...] provide for governance arrangements that are clear and transparent”⁹ and “[s]pecify clear and direct lines of responsibility.”¹⁰ The amendments to the Plan would more clearly state the responsibilities of the Clearing House’s planning committee, management and the Board in relation to the Plan. In ICE Clear Europe’s view, the amendments are therefore consistent with the requirements of Rule 17Ad-22(e)(2).¹¹

The proposed amendments are also consistent with Rule 17Ad-22(e)(17)(i), which provides that “[e]ach covered clearing agency shall establish, implement, maintain and

⁸ 15 U.S.C. 78q-1(b)(3)(F).

⁹ 17 CFR 240.17 Ad-22(e)(2)(i).

¹⁰ 17 CFR 240.17 Ad-22(e)(2)(v).

¹¹ 17 CFR 240.17 Ad-22(e)(2).

enforce written policies and procedures reasonably designed to, as applicable [...] manage the covered clearing agency's operational risks by identifying the plausible sources of operational risk, both internal and external, and mitigating their impact through the use of appropriate systems, policies, procedures, and controls."¹² As discussed above, the amendments update and clarify various aspects of the wind-down Plan to enhance the planning process and take into account the characteristics of the cleared products in planning procedures for transfer or termination. These amendments are intended to help mitigate the impact to market participants of a potential wind-down. In ICE Clear Europe's view, the amendments are therefore consistent with the requirements of Rule 17Ad-22(e)(17)(i).¹³

(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 proposed amendments are being adopted to update and clarify the Plan, all of which relate to the Clearing House's processes for the wind down of the Clearing House in the unlikely event that the recovery plan does not succeed in restoring normal operations after significant loss events or the Clearing House decides for business reasons it no longer wishes to operate. ICE Clear Europe does not believe the amendments would affect in the ordinary course of business the costs of clearing, the ability of market participants to access clearing, or the market for clearing services generally. Therefore, ICE Clear Europe does not believe the proposed rule change

¹² 17 CFR 240.17 Ad-22(e)(17)(i).

¹³ 17 CFR 240.17 Ad-22(e)(17)(i).

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 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

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 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 email to rule-comments@sec.gov. Please include file number SR-ICEEU-2023-011 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-2023-011. This file number should be included on the subject line if email 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 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 am and 3 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>.

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 material that is obscene or subject to copyright protection. All submissions should refer to File Number SR-ICEEU-2023-011 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.¹⁴

Sherry R. Haywood,

Assistant Secretary.

¹⁴ 17 CFR 200.30-3(a)(12).