



SECURITIES AND EXCHANGE COMMISSION
[Release No. 34-102708; File No. SR-LCH SA-2025-002]

Self-Regulatory Organizations; LCH SA; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Cash Spreads and Fees on Securities Collateral

March 21, 2025.

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 March 18, 2025, Banque Centrale de Compensation, which conducts business under the name LCH SA (“**LCH SA**”), filed with the Securities and Exchange Commission (“**Commission**”) the proposed rule change (“**Proposed Rule Change**”) described in Items I, II and III below, which Items have been primarily prepared by LCH SA. LCH SA has designated this proposal for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f) thereunder.⁴ 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

LCH SA is proposing to amend the fees it charges clearing members for cash and securities collateral posted as initial margin for its clearing services including CDSClear (the “**Proposed Rule Change**”).

The text of the Proposed Rule Change has been annexed [SIC] as Exhibit 5 to File No. SR-LCH SA-2025-002.⁵ The implementation of the Proposed Rule Change is

¹ 15 U.S.C. 78s(b)(1).

² 17 C.F.R. § 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 C.F.R. § 240.19b-4(f).

⁵ All capitalized terms not defined herein have the same definition as in the CDS Clearing Rule Book available at https://www.lch.com/system/files/media_root/CDSClear_Rule_Book_01.02.2024.pdf.

expected on April 1st, 2025 but will be contingent on LCH SA's receipt of all necessary regulatory approvals.

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

In its filing with the Commission, LCH SA 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. LCH SA 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

1. Purpose

LCH SA currently applies a spread for clearing member cash collateral and charges fees on securities collateral posted to cover initial margin requirements for its CDSClear business. Cash collateral spreads are primarily based on underlying market conditions for a given currency and are subtracted from a reference index to determine a total rate to be applied to CDSClear house and client accounts. Securities collateral fees are primarily based on a combination of factors, including, but not limited to operational costs to manage a specific non-cash collateral type, the liquidation profile and subsequent impact on LCH SA's liquidity coverage ratio of the securities collateral and commercial considerations such as competitive landscape. The securities collateral fees charged to clearing members varies based on the instrument type (*e.g.*, government securities), whether the securities collateral is posted on behalf of the CDSClear house account or on behalf of CDSClear clients and the method of posting the collateral (*i.e.*, full title transfer, pledge or tri-party). The purpose of the Proposed Rule Change is for LCH SA to amend the cash spreads and securities collateral fees for margin collateral posted by clearing members.

i. Cash Collateral Fees

LCH SA currently accepts EUR, GBP and USD cash to satisfy initial margin requirements for its CDSClear business and applies the following cash collateral spreads for CDSClear house and client accounts:

| Currency | Unsecured Overnight Index | Cash Collateral Fee/Spread (bps) | | |
|----------|---------------------------|----------------------------------|------------------|---------------|
| | | All Markets | CDSClear Clients | Default Funds |
| EUR | €STR | 19.5 | 6.5 | 11.5 |
| GBP | SONIA | 33 | 20 | |
| USD | FEDFUND | 28 | 15 | |

In order to ensure the continuation of dynamic collateral pricing and to incentivize an appropriate collateral mix, LCH SA is proposing to decrease the cash collateral spread for EUR by 2bps from 19.5 to 17.5. An increased proportion of cash collateral on deposit would be expected to marginally enhance LCH SA’s Liquidity Coverage Ratio (“LCR”) and further enhance its liquidity risk profile by incentivizing clearing members to increase the amount of cash to satisfy margin requirements. The additional cash corresponding to the haircut amount applied to non-cash securities will add to LCH SA’s total liquid resources, which can be used for the settlement of daily payment obligations, including with respect to the default of the participant family generating the largest aggregate payment obligation for LCH SA.

ii. Securities Collateral Fees

In order to ensure the continuation of dynamic collateral pricing and to incentivize an appropriate collateral mix, LCH SA is also proposing to amend the fees it charges clearing members for securities collateral posted as initial margin. LCH SA currently applies the following fees for securities collateral for CDSClear house and client accounts:

| | Securities | House | | | Client |
|-------------------|------------|---------------------|--------|----------|------------------|
| | | Full Title Transfer | Pledge | Triparty | CDSClear Clients |
| Government | Australia | 14 | NA | NA | 10 |

| Securities | | | | | |
|-----------------------|---|----|----|------|----|
| | Austria | 12 | 25 | 10.5 | 10 |
| | Belgium | 12 | 25 | 10.5 | 10 |
| | Canada | 14 | NA | NA | 10 |
| | Denmark | 14 | NA | NA | 10 |
| | Finland | 12 | 25 | 10.5 | 10 |
| | France | 12 | 25 | 10.5 | 10 |
| | Germany | 12 | 25 | 10.5 | 10 |
| | Italy | 12 | 25 | 10.5 | 10 |
| | Japan | 14 | NA | NA | 10 |
| | Netherlands | 12 | 25 | 10.5 | 10 |
| | Norway | 14 | NA | NA | 10 |
| | Portugal | 12 | NA | 10.5 | 10 |
| | Spain | 12 | 25 | 10.5 | 10 |
| | Sweden | 14 | NA | NA | 10 |
| | Switzerland | 14 | NA | NA | 10 |
| | UK | 12 | 25 | NA | 10 |
| | USA | 12 | 25 | NA | 10 |
| Supranationals | European Financial Stability Facility | 14 | 25 | 12.5 | 10 |
| | European Stability Mechanism | 14 | 25 | 12.5 | 10 |
| | European Investment Bank | 14 | 25 | 12.5 | 10 |
| | European Union Investment Bank for Reconstruction and Development | 14 | 25 | 12.5 | 10 |
| Agencies | Rentenbank | 14 | 25 | 12.5 | 10 |
| | Kreditanstalt für Wiederaufbau | 14 | 25 | 12.5 | 10 |
| | CADES | 14 | 25 | NA | 10 |
| Equities | All (as listed in Haircut Schedule) | 14 | NA | NA | NA |

LCH SA is proposing to decrease the fees charged for USD treasuries to CDSClear clients only, from 10 to 5bps which will support the expansion of the client clearing activities in the U.S. and also promote competition on this market. Indeed, LCH SA currently receives a small proportion of collateral as USD Treasuries. The proposed fee charged on USD treasuries has been fixed at a competitive level based on clearing members feedback and competitive market considerations.

LCH SA is also proposing to increase by 2bps the fees charged on each securities collateral type (excluding any change to Pledge, CBGs and other CDSClear clients' spreads).

The previous wording "Effective from 1st November 2024" which is not relevant anymore will be removed.

2. Statutory Basis

LCH SA believes that the Proposed Rule Change is consistent with the requirements of Section 17A of the Exchange Act⁶ and the regulations thereunder applicable to LCH SA. Section 17A(b)(3)(D) of the Act⁷ requires that the rules of a clearing agency provide for the equitable allocation of reasonable dues, fees and other charges among its participants.

Considering the current competitive market conditions with the assessment that there won't be any significant impact on the expected CDSClear revenues, LCH SA believes the proposed amendments to the fees applied to cash collateral and securities collateral for the CDSClear business are reasonable.

In addition, LCH SA believes the Proposed Rule Change is equitable for all participants as all CDSClear members will continue to have the choice to post either securities collateral or cash collateral to satisfy initial margin requirements. Clearing members wishing to post securities collateral via FTT will continue to face a lower fee than posting via a pledge arrangement. Likewise, clearing members may continue to post securities collateral via the tri-party option at a lower fee rate than FTT or via pledge. LCH SA believes the change in securities collateral fees are equitable for all clearing members and enables LCH SA to strengthen its liquidity risk profile.

⁶ 15 U.S.C. 78a *et seq.*

⁷ 15 U.S.C. 78q-1(b)(3)(D).

LCH SA also believes the amendments to the spreads applied to cash collateral and fees applied to securities collateral for the CDSClear business are consistent with the requirements set forth in Exchange Act Rule 17Ad-22(e)(7)(i)⁸. Exchange Act Rule 17Ad-22(e)(7)(i) requires clearing agencies to, *inter alia*, establish, implement, maintain and enforce written policies and procedures reasonably designed to . . . maintain sufficient liquid resources at the minimum in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of foreseeable stress scenarios that includes, but is not limited to, the default of the participant family that would generate the largest aggregate payment obligation for the covered clearing agency in extreme but plausible market conditions.⁹ As mentioned, LCH SA is proposing to increase the fees charged on each securities collateral type posted as initial margin which may create an additional incentive for clearing members to post EUR cash collateral to satisfy initial margin requirements. This will benefit to LCR, improve the LCH SA's liquidity risk profile and meet the requirements of Exchange Act Rule 17Ad-22(e)(7)(i)¹⁰.

For all these reasons, LCH SA believes the Proposed Rule Change is consistent with the requirements of Section 17A(b)(3)(D) of the Act¹¹ in that the amendments to the cash spreads and securities fees are reasonable and equitable among its participants. In addition, LCH SA believes that the Proposed Rule Change is consistent with the requirements of Exchange Act Rule 17Ad-22(e)(7)(i)¹² by enhancing LCH SA's liquidity risk profile.

⁸ *Id.*

⁹ *Id.*

¹⁰ 17 CFR 240.17Ad-22(e)(7)(i).

¹¹ 15 U.S.C. 78q-1(b)(3)(D).

¹² 17 CFR 240.17Ad-22(e)(7)(i).

B. Clearing Agency's Statement on Burden on Competition

Section 17A(b)(3)(I) of the Act¹³ requires that the rules of a clearing agency not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. LCH SA does not believe that the Proposed Rule Change would impose any burden on competition.

The Proposed Rule Change will apply equally to all participants that will continue to have access to the clearing services with the option of posting securities collateral as initial margin or instead post cash collateral. The fee decrease on USD treasuries for CDSClear clients will promote the competition on US client clearing activity.

Therefore, LCH SA does not believe that the Proposed Rule Change would impose any burden on competition 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 Rule Change have not been solicited or received. LCH SA will notify the Commission of any written comments received by LCH SA.

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 and paragraph (f) of Rule 19b-4 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.

¹³ 15 U.S.C. 78q-1(b)(3)(I).

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-LCH SA-2025-002 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-LCH SA-2025-002. 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 a.m. and 3 p.m. Copies of such filings will also be available for inspection and copying at the principal office of LCH SA and on LCH SA's website at <http://www.lch.com/resources/rules-and-regulations/proposed-rule-changes-0>. 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-LCH SA-2025-002 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

J. Matthew DeLesDernier,

Deputy Secretary.

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¹⁴ 17 CFR 200.30-3(a)(12).