



## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105287; File No. SR-LCH SA-2026-003]

### Self-Regulatory Organizations; LCH SA; Notice of Filing of Proposed Rule Change Relating to the Extension of Eligible Collateral to US Treasury

April 22, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“**Act**”),<sup>1</sup> and Rule 19b-4,<sup>2</sup> notice is hereby given that on April 14, 2026, 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, as described in Items I, II and III below, which Items have been prepared by the clearing agency. 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 extend the list of eligible collateral CDSClear Clearing Members<sup>3</sup> may post to satisfy margin requirements to include U.S. Treasury Notes (“**Notes**”), Bonds, Floating Rate Notes (“**FRNs**”) and Treasury Inflation Protected Securities (“**TIPS**”) (the “**Proposed Rule Change**”).<sup>4</sup>

The text of the Proposed Rule Change has been annexed as Exhibit 5 to File No. SR-LCH SA-2026-003.

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

<sup>2</sup> 17 C.F.R. § 240.19b-4.

<sup>3</sup> LCH SA will also expand eligibility to members of its RepoClear and DigitalAssetClear Clearing Services.

<sup>4</sup> All capitalized terms not defined herein have the same meaning as in the Rule Book or Procedures, as applicable, in their version as available on LCH SA's website: <https://www.lch.com/resources/rulebooks/lch-sa>.

The implementation of the Proposed Rule Change 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 Risk Policies and discussed any comments it received on the Risk Policies. 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. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

LCH SA is proposing to extend the list of eligible collateral CDSClear Clearing Members may post as margin to include Notes, Bonds, FRNs and TIPS. LCH SA is proposing to expand eligibility to further support the expansion of its CDSClear business, including by addressing Clearing Member collateral management needs. In addition to U.S. Treasury Bills ("**T-bills**"), Notes, Bonds, FRNs and TIPS are backed by the full faith and credit of the United States government and already accepted as eligible collateral by LCH SA's sister clearing house, LCH Limited, part of the LCH group of companies within the London Stock Exchange Group ("**LSEG**"). LCH SA already accepts T-bills as eligible margin collateral and is now proposing to extend the list of eligible U.S. Treasury securities for CDSClear Clearing Members to satisfy margin requirements. Extending the list of eligible U.S. Treasury securities aligns with Clearing

Member feedback to expand the collateral pool of high-quality liquid assets and further supports the expansion of the CDSClear business in the United States.<sup>5</sup>

LCH SA accepts as non-cash collateral only highly liquid securities with low credit and market risk and establishes haircuts and concentration limits to manage collateral liquidation in the event of a Clearing Member default.<sup>6</sup> To complement its current pool of non-cash securities eligible as margin collateral, LCH SA is proposing to allow CDSClear Clearing Members to post Notes, Bonds, FRNs and TIPS with a minimum remaining time to maturity of three days and a maximum remaining time to maturity of 30 years. In addition, LCH SA is proposing to amend its concentration limit applicable at the International Securities Identification Number (“ISIN”) level for all eligible issuers with an Internal Credit Score (“ICS”) equal to between 1 and 4. LCH SA is also proposing amending the limit from 25% to 20% of the ISIN’s outstanding amount as updated in the collateral risk framework section 5.8.4. LCH SA is proposing to amend the concentration limit to address a model validation recommendation from LCH SA’s independent model validation team.

### **1) Eligibility Criteria**

LCH SA is proposing to require that to be eligible, such Notes, Bonds, FRNs and TIPS have at least a minimum amount outstanding of \$500mn per issuance. Separately, LCH SA is proposing to establish a concentration limit by asset type, specifically for TIPS of \$2bn at the individual Clearing Member level and at the Clearing Member Group level. LCH SA performed a liquidation analysis of Notes, Bonds, FRNs and TIPS using a hypothetical non-cash securities portfolio and found it appropriate to cap the total amount

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<sup>5</sup> The Margin Eligible Securities Collateral and Haircut Schedule contains information on all acceptable margin collateral and is available at [https://www.lseg.com/content/dam/post-trade/en\\_us/documents/lch/collateral-management/lch-sa/acceptable-collateral-haircuts-lch-sa.pdf](https://www.lseg.com/content/dam/post-trade/en_us/documents/lch/collateral-management/lch-sa/acceptable-collateral-haircuts-lch-sa.pdf).

<sup>6</sup> General information regarding eligible non-cash securities collateral can be found here: <https://www.lseg.com/en/post-trade/clearing/collateral-management/sa-collateral-management/sa-acceptable-collateral/sa-acceptable-securities>.

of TIPS eligible to be pledged for each Clearing Member and each Clearing Member Group. In case of default, LCH SA utilizes a number of counterparties to liquidate the non-cash securities collateral in order to manage the risk of the defaulting member. Note that when selling the securities, even if the underlying is not a € denominated bond, LCH requests a quote in € by its counterparties and therefore LCH will directly receive € cash. To test its default management capacity, the CCP performed a simulation of non-cash collateral liquidation for a conservatively defined hypothetical portfolios. The exercise demonstrated that the proposed concentration limit for TIPS per individual Clearing Member and per Clearing Member Group was appropriate as indicated by the fact that the liquidation cost inferred from bids received from the counterparties involved in the exercise were lower than the haircut amount established by the CCP.

In addition, to enhance LCH SA's risk framework, LCH SA is incorporating the possibility of applying a relative concentration limit as a percentage of the margin requirement at a Clearing Member level and applicable to the full set of U.S. securities. As would be described in the collateral risk framework, in new section 5.8.8, at go live this limit will be set to 100% – which means it is not intended to be binding because Clearing Members could meet 100% of their collateral requirement using the full set of U.S. securities– but such limit may be utilized by LCH SA to reduce its exposure to U.S. securities if liquidity or other risk considerations require LCH SA to do so. LCH SA maintains internal liquidity monitoring and escalation arrangements designed to support timely management of liquidity risks. In the event that LCH SA identifies an actual or potential liquidity shortfall, LCH SA may, consistent with its Rule Book and applicable procedures, consider a range of liquidity management actions under appropriate senior management oversight. The Collateral Risk Framework is being revised to clarify that the process pursuant to which LCH may determine to apply a limit other than 100% is set forth in the dedicated SLR Procedure relating to liquidity monitoring.

Among the tools that may be considered (as permitted under the relevant Rule Book<sup>7</sup> and Procedures) is the ability to modify collateral concentration limits following notification to impacted Clearing Members and, where applicable, publication of a notice.

To further mitigate concentration risk, LCH SA is proposing to establish a per issue (*i.e.*, per ISIN) concentration limit of 20% at the individual Clearing Member and Clearing Member Group level.

Further, LCH SA intends to allow both floating rate notes (*i.e.*, FRNs) and fixed rates (*i.e.*, other U.S. Treasuries). LCH SA will continue to exclude from eligibility zero coupon instruments (with the exception of T-bills), “stripped” bonds or perpetual bonds.<sup>8</sup> For further clarity<sup>9</sup>, any securities subject to specific corporate events (*e.g.*, sinkable, puttable and callable) will also remain ineligible. These eligibility restrictions are not new and do not introduce new conditions as part of this Proposed Rule Change; they reflect existing eligibility limitations already set out in the Margin Eligible Securities Collateral and Haircut Schedule made available to Clearing Members.

## 2) Proposed Haircuts

LCH SA will amend the Margin Eligible Securities Collateral and Haircut Schedule (the “**Haircut Schedule**”) as part of the Proposed Rule Change. Specifically, LCH SA will add United States Treasury Notes/Bonds, United States Treasury Floating Rate Notes and United States Treasury Inflation Protected Securities to the list of eligible

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<sup>7</sup> Instruction IV.4.1 Art 8 for Repoclear SA, Instruction IV.4.1 Art 8 for DigitalAssetClear, *CDS Clearing Procedure 3 section 3.9* for CDSClear + notice published on website

<sup>8</sup> For example, Separate Trading of Registered Interest and Principal of Securities provide investors with the option to hold and trade the individual interest and principal components of eligible Notes, Bonds and TIPS separately.

securities and apply the following haircuts by maturity bucket for the new collateral security types:

- 3 business days and  $\leq 0,5$  year | 0.50% | 0.75%
- $> 0.5$  and  $\leq 1$  year | 0.75% | 1.25%
- $> 1$  and  $\leq 3$  years | 1.50% | 2.50%
- $> 3$  and  $\leq 5$  years | 2.50% | 4.00%
- $> 5$  and  $\leq 7$  years | 3.50% | 4.75%
- $> 7$  and  $\leq 10$  years | 5.00% | 6.25%
- $> 10$  and  $\leq 15$  years | 7.50% | 9.25%
- $> 15$  and  $\leq 30$  years | 16.25% | 16.25%

For clarification, LCH SA has already established haircuts for each maturity bucket for Notes, Bonds and FRNs because the current haircut methodology in force leverages the U.S. zero coupon curve to define haircut levels for each specified maturity, including that for U.S. T-bills, which are currently eligible as margin collateral. With the inclusion of TIPS as an acceptable collateral type, LCH SA is proposing separate haircuts per maturity bucket, as they would be calibrated on the basis of a dedicated real interest rate curve. Therefore, the proposed haircuts for “Inflation Protected Securities” will be applied as represented in the second percentage column of the list above.

### **3) Revisions to List of Acceptable Securities Collateral and Haircut Schedule**

As part of the Proposed Rule Change, LCH SA is proposing to amend its website listing eligible collateral concentration limits. As previously noted, LCH SA is proposing a concentration limit of \$2bn for TIPS at the individual Clearing Member and Clearing Member Group levels. The website will therefore be amended to incorporate the \$2bn

concentration limit at Clearing Member level and separately at a group level across all Clearing Members.

In addition, as updated in the Collateral Risk Framework section 5.8.4, LCH SA is proposing to amend its concentration limit applicable at the ISIN level for all eligible issuers with an ICS at or between 1 and 4. LCH SA will also set the limit at 20% instead of 25% of the ISIN's outstanding amount. The amendment of the concentration limit is being proposed to address a model validation action raised by the independent model validation team. In addition, LCH SA will update the concentration limit of Spain from 10% to 20% to align with its updated ICS and the concentration limit of International Bank for Reconstruction and Development Bonds (“**IBRDs**”) from 10% to 15% as described in the Collateral Risk Framework section 5.8.7.<sup>10</sup> Finally, the text describing the application of the 15% of margin requirement concentration limit applicable to non-euro non-cash collateral is being revised to correct a typographical error and to clarify that the non-euro securities covered by this limit consist of government securities issued by Norway, Sweden, Denmark, Switzerland, Canada, Australia, and Japan.

Please note that LCH provides to its members the Outstanding Amount limit for each issuer in the Knowledge Center.

## 2. Statutory Basis

LCH SA believes that the Proposed Rule Change is consistent with the requirements of Section 17A of the Exchange Act<sup>11</sup> and the regulations thereunder, including the clearing agency standards under Exchange Act Rule 17ad-22.<sup>12</sup> Section

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<sup>10</sup> See Self-Regulatory Organizations; LCH SA; Notice of Filing of Proposed Rule Change Relating to Collateral Concentration Limits, Exchange Act Release No. 102905 (Apr. 22, 2025), 90 FR 17662 (Apr. 28, 2025).

<sup>11</sup> 15 U.S.C. 78q-1.

<sup>12</sup> 17 CFR 240.17ad-22.

17A(b)(3)(F) of the Exchange Act<sup>13</sup> requires, among other things, that rules of the clearing agency are designed to promote the prompt and accurate clearance and settlement of securities transactions, 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, and to protect investors and the public interest.

LCH SA is proposing to extend the list of eligible collateral to include Notes, Bonds, FRNs and TIPS as described, primarily to expand eligibility to further support the expansion of its CDSClear business and thus supporting Clearing Member collateral management needs. The expansion of the list of additional U.S. government securities will provide CDSClear Clearing Members with more optionality regarding the types of non-cash collateral Members may post to satisfy margin requirements, thus facilitating the prompt and accurate clearance and settlement of CDSClear products cleared by LCH SA. In addition, LCH SA already accepts T-bills as eligible collateral and is now proposing to expand eligibility to include U.S. government securities with longer-dated maturities Treasury Notes and Treasury Bonds, or those with floating rates or with principal amounts periodically adjusted based on changes in the U.S. Consumer Price Index (inflation). Similar to T-bills, LCH SA will utilize its existing set of counterparties to safeguard the additional securities in its custody and to liquidate, should it need to raise liquidity to manage a clearing member default. Finally, Notes, Bonds, FRNs and TIPS are backed by the full faith and credit of the United States government and may be utilized to raise liquidity in the event of a clearing member default. LCH SA therefore believes the Proposed Rule Change is consistent with Section 17A(b)(3)(F) of the Exchange Act.<sup>14</sup>

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<sup>13</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>14</sup> 15 U.S.C. 78q-1(b)(3)(F).

LCH SA also believes that the Proposed Rule Change is consistent with the requirements of Exchange Act Rule 17Ad-22(e)(5)<sup>15</sup>. Rule 17Ad-22(e)(5) provides, *inter alia*, that a covered clearing agency limit the assets it accepts as collateral to those with low credit, liquidity, and market risks, and set and enforce appropriately conservative haircuts and concentration limits if the covered clearing agency requires collateral to manage its or its participants' credit exposure; and require a review of the sufficiency of its collateral haircuts and concentration limits to be performed not less than annually.<sup>16</sup> LCH SA currently limits the non-cash collateral it accepts to satisfy margin requirements to government, supranational and agency securities with low credit, liquidity and market risks. The Proposed Rule Change will expand eligibility to additional U.S. government securities that also have low credit, liquidity and market risks. Likewise, LCH SA is proposing conservative haircuts aligned with the current Haircut Schedule for U.S. government securities. As part of the Proposed Rule Change, LCH SA will apply higher haircuts for TIPS to align with the liquidity profile of such securities and will establish a fixed dollar concentration at the individual Clearing Member and Clearing Member Group level. LCH SA will also review the established haircuts and concentration limits<sup>17</sup> of the additional U.S. government securities in its assessment of its non-cash collateral haircuts on an ongoing basis. Therefore, LCH SA believes that the Proposed Rule Change is consistent with Rule 17Ad-22(e)(5)<sup>18</sup>.

B. Clearing Agency's Statement on Burden on Competition

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<sup>15</sup> 17 CFR 240.17ad-22(e)(5).

<sup>16</sup> Id.

<sup>17</sup> LCH SA reviews the sufficiency of its collateral haircuts monthly in accordance with its Collateral Risk Policy and Exchange Act rule 17ad-22(e)(5). Collateral haircuts are subject to daily stress testing and any exceptions are escalated to LCH SA's ERCo. Changes to collateral haircuts require ERCo approval and material changes to haircuts are notified to the LCH SA RiskCo.

<sup>18</sup> Id.

Section 17A(b)(3)(I) of the Act 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.<sup>19</sup> LCH SA does not believe that the Proposed Rule Change would impose burdens on competition that are not necessary or appropriate in furtherance of the purposes of the Act. The Proposed Rule Change would extend the list of eligible collateral CDSClear Clearing Members may post as margin to include Notes, Bonds, FRNs and TIPS. LCH SA is proposing to expand eligibility to further support the expansion of its CDSClear business, including by addressing Clearing Member collateral management needs. By extending the list of eligible collateral to include additional U.S. government securities to support CDSClear Clearing Member collateral management needs, LCH SA does not believe that the Proposed Rule Change would impose a 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 were not and are not intended to be solicited with respect to the Proposed Rule Change and none have been received by LCH SA.

**III. Date of Effectiveness of the Proposed Rule Change**

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**

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<sup>19</sup> 15 U.S.C. 78q-1(b)(3)(I).

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-regulations/self-regulatory-organization-rulemaking>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-LCH SA-2026-003 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-2026-003. 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 (<http://www.sec.gov/rules-regulations/self-regulatory-organization-rulemaking>). Copies of such filing will 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-2026-003 and should be submitted on or before [INSERT DATE 21 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>20</sup>

**Sherry R. Haywood,**

*Asistant Secretary.*

[FR Doc. 2026-08109 Filed: 4/24/2026 8:45 am; Publication Date: 4/27/2026]