SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-101790; File No. SR-LCH SA-2024-005)

December 2, 2024

Self-Regulatory Organizations; LCH SA; Notice of Filing of Proposed Rule Change Relating to Dealer Status

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),[1] and Rule 19b-4,[2] notice is hereby given that on November 21, 2024, 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**"), 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 amend its: (i) CDS Clearing Rule Book ("**Rule Book**"), and (ii) CDS Clearing Procedures ("**Procedures**") (collectively the "**CDS Clearing Rules**")[3] to incorporate new terms and to make conforming, clarifying, and clean-up changes in order to enable affiliates of a Clearing Member, which would be referred to as "**CDS Dealers**", to present Original Transactions to LCH SA for clearing, novation and registration in the name of a Clearing Member without having to be admitted as either a

---

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

2 17 CFR 240.19b-4.

3 The version of the Rule Book and Sections 1 and 5 of the Procedures which includes the Proposed Rule Change reflects a separate proposed rule change previously submitted to the Securities and Exchange Commission (SEC) under the Filing No. SR-LCH SA-2024-002 recently approved by the SEC.

Clearing Member or being a Client of a Clearing Member.[4] The text of the Proposed Rule Change has been annexed as Exhibit 5 to File No. SR-LCH SA-2024-005. 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 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. *Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change*

1. *Purpose*

LCH SA is proposing to amend its CDS Clearing Rules to enable affiliates of Clearing Members that are registered as CCMs with LCH SA to present Original Transactions to LCH SA for clearing, novation and registration in the name of a Clearing Member that is a CCM[5] without having to be admitted as either a Clearing Member or being a Client of a Clearing Member. A CCM's affiliate will need to be admitted as a CDS Dealer by LCH SA to a register of CDS Dealers before submitting any Original

---

[4] 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.

[5] Pursuant to Section 1.1.1 of the Rule Book, a CCM means any legal entity admitted as a clearing member in accordance with the CDS Clearing Rules and party to the CDS Admission Agreement, provided that if such entity is an FCM/BD, it has satisfied LCH SA that it is able to provide the CDS Client Clearing Services in accordance with Title V prior to offering such services.

Transaction, under which such affiliate is acting as agent for and on behalf of its CCM or as principal,[6] to LCH SA through an Approved Trade Source System.[7] Under the current Rule Book, an affiliate of a Clearing Member may submit Original Transactions for clearing with LCH SA only if such affiliate is itself admitted as a Clearing Member of LCH SA or if it is a Client of a Clearing Member.

The new status of CDS Dealer will allow affiliates of a CCM, that is either a General Member or a Select Member, registered as such CDS Dealers to present Original Transactions to LCH SA for clearing, novation and registration in the name of a Clearing Member. This new status will provide flexibility to Clearing Members in how they operate their execution and booking arrangements within their respective group, without the need to have multiple Clearing Members within such group or to onboard their affiliates as Clients. Specifically, it will enable Clearing Members to operate more efficiently by servicing their clients via the existing execution entities and, where applicable, documentation required but allows consolidation of clearing positions and margin within a single membership.

A CDS Dealer will be required to enter into a tripartite agreement with LCH SA and a Clearing Member within its corporate group (the "**CDS Dealer Clearing Agreement**"). Under this agreement, the CDS Dealer will agree to be bound by the CDS Clearing Rules.

---

6 In accordance with amended Section 1.2 of the Procedures. Thus, a CDS Dealer will not be permitted to submit any Original Transaction under which it is acting on behalf of anyone other than itself or its affiliated CCM to LCH SA for clearing.

7 Pursuant to Section 1.1.1 of the Rule Book, the list of the Approved Trade Source Systems that can be used for the purposes of submitting Original Transactions to LCH SA for clearing is published in a Clearing Notice, which is available here: https://www.lch.com/system/files/media_root/Clearing%20Notice_ATSS_no_2021-001_04.01.2021.pdf.

An Original Transaction presented by a CDS Dealer to LCH SA for clearing will give rise to the novation of such Original Transaction into a Cleared Transaction between LCH SA and the Clearing Member with which such CDS Dealer is party to a CDS Dealer Clearing Agreement, that will be registered in the House Trade Account of such Clearing Member; hence these Cleared Transactions under which the Clearing Member is acting as principal will be registered in the House Trade Account in which the Cleared Transactions resulting from the novation of Original Transactions presented by the Clearing Member on its own behalf are also registered.

For illustrative purposes, Exhibit 3 provides an example of a simplified operational framework under the current model as compared to the proposed model for house and client transactions. Under the current operational framework reflected in "Example 1A: House v. House Standard Trade", a CCM may present Original Transactions to LCH SA for clearing, novation and registration in the House Trade Account of such CCM. In addition, an affiliate of a CCM may also present Original Transactions to LCH SA for clearing only if such affiliate is itself admitted as a Clearing Member of LCH SA or if it is a Client of a Clearing Member. Under the proposed framework reflected in "Example 1B: House v. Dealer Trade", a CDS Dealer (as an affiliate of the CCM) will be able to present Original Transactions to LCH SA for clearing and novation, with the resulting trade registered in the House Trade Account of the CCM that is party to the CDS Dealer Clearing Agreement. The resulting Cleared Transaction will exist between LCH SA and the CCM as party to the CDS Dealer Clearing Agreement.

A client trade under the current framework is operationally similar to Example 1A in Exhibit 3. Under "Example 2A: Client v. House Standard Trade", a client may present an Original Transaction to LCH SA for clearing, novation and registration to LCH SA via a clearing broker. The resulting Cleared Transaction will exist between LCH SA and the client (via the clearing broker). Under the proposed framework reflected in "Example 2B: Client v. Dealer Trade", a CDS Dealer (as an affiliate of the CCM) may present an Original Transaction to LCH SA for clearing and novation, with the resulting transaction registered in the House Trade Account of the CCM. The CCM and not the CDS Dealer is therefore party to the Cleared Transaction with LCH SA. There are no changes to the operational structure of the transaction to the client in Example 2B.

The criteria to be met by a CDS Dealer differ from the ones that shall be met by a Clearing Member. For example, the clearing membership criteria are designed to ensure that Clearing Members have sufficient financial resources and operational capacity to meet the obligations arising from participation in a central counterparty. In contrast, the criteria for a CDS Dealer to meet is primarily meant to ensure that LCH SA is able to receive trades directly from such CDS Dealer for clearing. Once the trade is cleared and registered in the house trade account of the Clearing Member, the resulting clearing trade will be a house cleared trade as any other trade directly submitted by the Clearing Member for its own account.

Under the Proposed Rule Change, LCH SA will not have any direct exposure to the CDS Dealer, and this proposed change will only introduce a new source of trades from the Clearing Member. Given that an Original Transaction presented by the CDS Dealer is only between LCH SA and the Clearing Member, LCH SA's credit risk

framework and the membership criteria will only apply to the Clearing Member. In addition, LCH SA does not anticipate any increase in operational risk resulting from an increase in the number of cleared transactions brought by CDS Dealers, as it will be able to leverage its current process for managing trade flows for existing Clearing Members.

1. Proposed Revisions to the Rule Book and Procedures

i. *Rule Book*

LCH SA proposes to add additional defined terms and make amendments to existing defined terms contained within Title I, Chapter 1, Section 1.1.1 of the Rule Book.

The term "CDS Dealer" will be added to define the new status that LCH SA is proposing to implement under the Proposed Change Rule and means a Person admitted by LCH SA to the Register of CDS Dealers and who has not been removed from the Register of CDS Dealers and for the avoidance of any doubt, a CDS Dealer is not a Clearing Member. As further described below, a CDS Dealer will be required to comply with the criteria as provided for in Section 1.2 of the Procedures, pursuant to which it shall belong to the same Financial Group as its Clearing Member.

The term of "Register of CDS Dealers" will be added to refer to the register which lists the CDS Dealers regarded by LCH SA as for the time being eligible to submit Original Transactions for registration as CCM Cleared Transactions by LCH SA.

The term "CDS Dealer Clearing Agreement" will be added to refer to the written agreement that a CDS Dealer will be required to execute with LCH SA and a CCM.

The term "ATSS Participant" will be modified to add a reference to a CDS Dealer as such a CDS Dealer will be required to be a participant of an Approved Trade Source System for the purpose of submitting Original Transactions, as part of the intraday and/or

the backloading process, to LCH SA for clearing and will therefore be considered as an ATSS Participant.

The term "CCM Client" will be amended to expressly indicate, for the avoidance of any doubt, that a CDS Dealer shall not be considered as a CCM Client.

The term "CCM House Margin Account" will be modified to correct a typographical error by removing "CCM" before "House Cleared Transactions" as "CCM House Cleared Transactions" is not a defined term.

The term "Clearing Notice" will be amended to add references to the CDS Dealers as the topics covered by such Clearing Notices will also be relevant to CDS Dealers (for instance, the occurrence of an event of default occurring in respect of a Clearing Member or LCH SA).

The term "Data Protection Law" will be updated to refer to the latest EU and French regulations applicable under French law in respect of data protection matters.

The term "House Trade Account" will be amended to make an express reference to Cleared Transactions resulting from the novation of Original Transactions presented by a CDS Dealer to LCH SA for clearing that will be registered in the House Trade Account of the Clearing Member with which that CDS Dealer is party to a CDS Dealer Clearing Agreement.

The term "House Trade Leg" will be amended to include trade legs of a CDS or Index Swaption in respect of which a CDS Dealer acts as protection seller or buyer or Index Swaption buyer or seller, respectively, so that such trade legs will be covered in the definition of "Original Transaction".

The term "Index Swaption Clearing Service" will be modified to provide that, in addition to Clearing Members, CDS Dealers and Clients will be able to submit Index Swaptions for clearing by LCH SA.

The term "Procedures" will be modified to specify that Procedures will also provide for the procedure for application for admission to the Register of CDS Dealers and regulation of CDS Dealers admitted to such register.

Beyond definitional changes, a new Article 1.1.3.10 will be added to Section 1.1.3 (*Interpretation and references*) to make clear that nothing in the CDS Clearing Documentation shall give rise to a requirement for LCH SA to take any action which would contravene the provisions of Applicable Law or its continuing regulatory obligations. Indeed, each of the CDS Clearing Document is subject to, and interpreted in accordance with, the relevant Applicable Law. This amendment is not linked to the introduction of the CDS Dealer status but shall apply to the interpretation of each provision of the CDS Clearing Documentation for the avoidance of doubt.

LCH SA also proposes to amend Article 1.2.4.1 to specify that the time fixed by the CDS Clearing Documentation for the doing of any acts in relation to LCH SA may be extended or waived by LCH SA in its discretion, in respect of acts done by a CDS Dealer, similarly to what is currently provided in respect of acts done by a Clearing Member.

LCH SA proposes to amend Article 1.2.5.1 to extend to CDS Dealers the provision relating to the conditions in which LCH SA delivers a notice, order or communication to Clearing Members.

LCH SA proposes to amend Section 1.2.10 to extend the applicable liability provisions which currently apply to LCH SA and its Clearing Members, to the CDS Dealers as well and pursuant to which a CDS Dealer shall be liable for any direct Damage incurred by LCH SA as a consequence of the CDS Dealer's breach of any of its obligation under the CDS Clearing Documentation or the terms of a Cleared Transaction (Article 1.2.10.1). Amended Article 1.2.10.2 will be amended to specify that a CDS Dealer, as this is currently the case for a Clearing Member, will not be held liable for any special, indirect or consequential Damage or any Damage which results from abnormal or fraudulent use of the CDS Clearing System by third parties, or for any Damage resulting from acts or omissions of third parties, other than members of its respective Financial Group. LCH SA also proposes to add a reference to CDS Dealers to the cases where LCH SA is not liable for damages arising out of or in connection with certain situations involving the CDS Dealers, that are mentioned in Article 1.2.10.3.

LCH SA will process personal data concerning representatives, managers, employees or any other individuals acting on behalf of CDS Dealers, therefore requiring such CDS Dealers to notify each of their relevant Representatives that their personal data is disclosed to LCH SA. Articles 1.2.13.1 and 1.2.13.4 will be modified accordingly to reflect the foregoing. In addition, Article 1.2.13.5 will be amended to provide that CDS Dealers consent to the recording of telephone conversations and agree to obtain any necessary consent of, and give any necessary notice of such records to, its relevant personnel, and agree that recordings may be used in evidence.

References to CDS Dealers are proposed to be added in Article 2.2.7.7 to provide that such CDS Dealers use the services offered by Approved Trade Source Systems in

accordance with their own contractual arrangements and that LCH SA will not be responsible for verifying the content of such contractual arrangements, as this is currently the case for Clearing Members. CDS Dealers will need to be participants of an Approved Trade Source System at least to be able to submit Original Transactions to LCH SA for clearing.

LCH SA is proposing to amend Article 2.3.1.1 to request each Clearing Member to notify LCH SA in case of any material breach of the CDS Clearing Documentation by any of the CDS Dealers with which such a Clearing Member is party to a CDS Dealer Clearing Agreement.

LCH SA proposes to amend Article 2.3.1.5 (ii) so that Clearing Members will not be in breach of any obligation to provide information to LCH SA if they are prevented from providing such information due to the refusal of a CDS Dealer – as this is currently the case for Clients – to provide the relevant Clearing Member with the required information (provided the Clearing Member has undertaken reasonable due diligence and provides LCH SA with documented proof of its inability to obtain relevant information from the CDS Dealer despite such due diligence).

LCH SA is proposing to create a new Chapter 5 in Title II relating to the status of a CDS Dealer. This chapter sets out the role of a CDS Dealer, consisting in the ability to present Original Transactions to LCH SA for clearing, novation and registration in the name of the Clearing Member with which the relevant CDS Dealer is party to a CDS Dealer Clearing Agreement in the CDS Clearing System pursuant to the CDS Clearing Documentation. New Chapter 5 provides that once a CDS Dealer is admitted to the Register of CDS Dealers, such CDS Dealer shall automatically and without further

formalities be subject to, and bound by, the CDS Clearing Documentation. This new Chapter 5 also refers to Section 1 of the Procedures, which specifies the conditions under which an applicant may be considered for admission into the Register of CDS Dealers as a CDS Dealer, including that the applicant for CDS Dealer status must have a clearing arrangement in place with a Clearing Member within their Financial Group, as well as the ongoing obligations applicable to a CDS Dealer. Finally, LCH SA is proposing to provide in new Chapter 5 that it may suspend or remove a CDS Dealer from the Register of CDS Dealers and the consequences of any such suspension which are, for a suspended CDS Dealer, to remain bound by all of its obligations under the CDS Clearing Documentations and its CDS Dealer Clearing Agreement and to be removed from the Register of CDS Dealers if such CDS Dealers has been suspended for a period of more than three months. If the membership of a Clearing Member which has signed a CDS Dealer Clearing Agreement with a CDS Dealer is suspended or terminated, its CDS Dealer will be automatically suspended, or removed, from the Register of CDS Dealers.

LCH SA is proposing to amend Articles 3.1.6.1(iii) and (iv) (describing the consequences of the novation of Original Transactions that are either CDS or Index Swaptions) to provide that the Clearing Member with which a CDS Dealer is party to a CDS Dealer Clearing Agreement will become party to the relevant Cleared Transaction novated from an Original Transaction presented by such CDS Dealer for clearing by LCH SA.

Article 3.1.6.4, which currently provides for the assumptions made by LCH SA in respect of any Original Transaction received for clearing, will be amended to also cover Original Transactions submitted by CDS Dealers and therefore such CDS Dealer (like a

Clearing Member) will acknowledge and agree that certain notices on any event that may be delivered in respect of an Original Transaction, such as a Credit Event Notice, in relation to an Original Transaction accepted for clearing by LCH SA shall be deemed never to have been delivered at the Novation Time.

LCH SA also proposes to amend Article 3.1.6.6 to extend the application of such Article to CDS Dealers in respect of their ability to submit Original Transactions through a particular Approved Trade Source System that may be suspended from time to time.

LCH SA proposes to replace "Clearing Member concerned" with "Clearing Member in whose Trade Accounts such Cleared Transactions are registered" in Article 3.1.6.7 to include Cleared Transactions novated from Original Transactions presented by a CDS Dealer for clearing by LCH SA in the Cleared Transactions registered on the basis of incorrect or corrupted data in respect of which a Clearing Member agrees to be bound. Further, under the proposed amended version of the same article, LCH SA will not be liable to CDS Dealers with regard to the registration of such Cleared Transactions.

Article 3.1.9.1 will be amended to provide that, in the context of the CDS Default Management Process applicable to the default of a Clearing Member, the notice that is published by LCH SA will notify CDS Dealers, in addition to all Clearing Members, that it will not novate any Original Transactions submitted to LCH SA for clearing on the Clearing Day on which LCH SA requests that an adjustment be made to the Loss Distribution Cap Amount for one or more Non-Defaulting Clearing Member(s) and until each affected Non-Defaulting Clearing Member has agreed to such adjustment. LCH SA is proposing to add a reference to CDS Dealers in Article 3.1.9.4 so that LCH SA will

also inform CDS Dealers of the arising of an Early Termination Trigger Date. LCH SA proposes to remove the reference to Clearing Members at the end of the same article in order not to imply that only Clearing Members are able to submit Original Transactions to LCH SA for clearing, as CDS Dealers will also be authorized to do so.

LCH SA proposes to add a reference to CDS Dealers in Articles 3.1.10.1 and 3.1.10.2 to provide that LCH SA will arrange for the removal of Backloading Transactions and Intraday Transactions from the TIW on behalf of the relevant CDS Dealers (in addition to the Clearing Members and Clients).

LCH SA proposes to amend Article 4.2.7.2 so that Clearing Members will be authorized to provide Markit LCH Settlement Prices to CDS Dealers, as it is currently the case for Clients of Clearing Members.

LCH SA is proposing to amend Article 4.3.2.3 which currently provides for the non-exhaustive list of measures that LCH SA may take, following the issuance of a Default Notice in respect of a Defaulting Clearing Member, to allow LCH SA to suspend the ability of the CDS Dealers with whom a Defaulting Clearing Member is party to a CDS Dealer Clearing Agreement to submit new Original Transactions for clearing (in indent (iv)).

Under the current Rule Book, Article 5.1.1.1 provides that, pursuant to EMIR, an Affiliate of a CCM shall be treated as a CCM Client. LCH SA proposes to delete this sentence and specify at the beginning of the same article that a CCM Client may include an Affiliate of a CCM, considering that under the Proposed Rule Change an Affiliate of a CCM may also be a CDS Dealer which may submit Original Transactions to LCH SA for

clearing that will result in the registration of Cleared Transactions in the House Trade Account of the Clearing Member (excluding any Client Trade Account).

ii. *Procedures*

(A) *Section 1*

LCH SA is proposing to rename Section 1 of the Procedures (*Membership*) "Clearing Member and CDS Dealer Status" since this Section will also cover the application process for the CDS Dealer status.

Paragraph 1.1 will be amended to explicitly indicate that such paragraph relates to the application procedure for Clearing Member status and therefore to distinguish it from the new application procedure for CDS Dealer status set out in new Paragraph 1.2. Such new application procedure is also different from the process applicable for the onboarding the Clearing Member's clients since the Cleared Transactions resulting from the novation of the Original Transactions submitted by the CDS Dealer are registered in the House Trade Account of a CDS Dealer's Clearing Member and not in a Client Trade Account. Where necessary, references to the status of Clearing Member will be added in Paragraph 1.1. Further, a minor amendment is being made to correct a typographical error by replacing the reference to the "Access Agreement" which is not defined in the CDS Clearing Rules with a reference to an agreement providing an Applicant with a technical access to LCH SA that must be executed by the Applicant and LCH SA.

LCH SA proposes to delete the reference to "Regulatory Body" in Paragraph 1.1(d)(iii) as this term is not defined in the Rule Book and the reference to existing defined term "Competent Authority" is sufficient. A new Paragraph 1.2 will be added providing for the new application procedure for CDS Dealer status. It will mainly

replicate the application procedure that applies to applicants for the Clearing Member status; hence this new Paragraph 1.2(a) will address the form in which such an application must be made with LCH SA and will provide that CDS Dealers that have been approved by LCH SA shall, within six months of notification of their approval, fulfil all conditions attached to their approval (if any). Paragraph 1.2(b) will also describe the actions LCH SA will be authorized to take in respect of an applicant for CDS Dealer status as part of the due diligence and application review process. As for any applicant that wishes to be admitted as a Clearing Member, LCH SA will be permitted to: (i) make enquiries of any nature about the applicant for the CDS Dealer status and any Person connected or associated with the applicant; (ii) ask the applicant to supply additional information and take whatever steps are necessary to verify information (which may include an on-site visit); (iii) disclose information to a Competent Authority, LCH SA's insurers in connection with any form of insurance, or otherwise in accordance with the CDS Clearing Documentation and the CDS Dealer Clearing Agreement; (iv) and to endeavor to process, consider and decide upon an application in a timely fashion, but owes no duty or obligation to the applicant for the CDS Dealer status to do so, contrary to an application for the clearing membership for which there is an indicative timeline provided for in Section 1.1 of the Procedures to comply with the regulatory transparency requirements that LCH SA shall comply with[8]. It should be noted that, contrary to the applicable process for any applicant for the Clearing Member status, there will be no requirement for an applicant for the CDS Dealer status to carry out any operational test

[8] Especially, in accordance with Article 37 of Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories.

linked to its capacity of using the CDS Clearing Service; indeed, the CDS Dealer is a party to the Cleared Transactions resulting from the novation of Original Transactions submitted by the CDS Dealer to LCH SA for clearing.

Paragraph 1.2(c) will set out the following criteria that an applicant for CDS Dealer status must satisfy in order to be considered for admission to the Register of CDS Dealers[9]:

(i) be validly incorporated and existing under the laws of its jurisdiction of incorporation and (if relevant in such jurisdiction) be in good standing;

(ii) execute and maintain a CDS Dealer Clearing Agreement and comply with the provisions hereof;

(iii) undertake to accept and comply with the CDS Clearing Documentation by executing the CDS Dealer Clearing Agreement;

(iv) accept to comply with all Applicable Law relating to its status as a CDS Dealer and the performance of its obligations pursuant to the CDS Clearing Documentation;

(v) ensure that all fees and other amounts required by LCH SA are paid in accordance with the CDS Clearing Documentation and/or the CDS Dealer Clearing Agreement;

[9] The criteria to be met by a CDS Dealer differ from the ones that shall be met by a Clearing Member. Indeed, the clearing membership related criteria are designed to ensure that clearing members have sufficient financial resources and operational capacity to meet the obligations arising from participation in a central counterparty, which is not the case for a CDS Dealer for which the criteria shall ensure that LCH SA is able to receive trades directly from them for clearing. Once the trade is cleared and registered in the house trade account of the Clearing Member, the resulting clearing trade will be a house cleared trade as any other trade directly submitted by the Clearing Member for its own account.

(vi) be an ATSS Participant for the purpose of submitting Original Transactions for clearing by LCH SA;

(vii) provided the applicant specifies any number of branches, with agreement from its corresponding Clearing Member from which it proposes to submit Original Transactions for clearing by LCH SA, such branches shall be of the same legal entity as the CDS Dealer; and

(viii) have a clearing arrangement governing the submission of Original Transactions in place with a Clearing Member, with which that applicant for the CDS Dealer status is party to a CDS Dealer Clearing Agreement, within their Financial Group; this arrangement will take the form of either a give up agreement or an agency agreement.

The CDS Dealer shall also comply with the provisions of the CDS Dealer Clearing Agreement to which it is a party.

Finally, the scope of Paragraph 1.3 (*Change Procedure*) will be clarified by adding a reference to the clearing membership (and therefore excluding CDS Dealer status).

(B) *Section 4*

LCH SA is proposing to amend the criteria constituting the Eligibility Requirements for an Original Transaction set out in Paragraph 4.1(c) in order to:
(i) specify that the Eligibility Requirements relating to the Clearing Member apply to the Clearing Member in whose Account Structure the Cleared Transaction corresponding to an Original Transaction is to be registered so that it also applies to a Clearing Member whose CDS Dealers and/or Clients submit Original Transactions to LCH SA for clearing;

(ii) add the new criteria pursuant to which a CDS Dealer presenting an Original Transaction shall not be suspended or removed from the Register of CDS Dealers as an new indent (ii); and (iii) indicate that LCH SA shall be permitted to clear such Original Transaction, including when it will have been presented by a CDS Dealer.

Paragraphs 4.2(f)(ii), 4.3(e)(ii), 4.4(e)(ii) currently provide that, if and for so long as any Clearing Member has one or more Open Position(s) registered in any of its Margin Accounts, the Clearing Member may submit for clearing an Original Transaction which no longer meets the applicable Eligibility Requirements if such Original Transaction is a risk reducing transaction. These paragraphs will be amended to indicate that CDS Dealers will also be authorized to submit such risk reducing transactions; we have also taken the opportunity to add a reference to Clients for the sake of clarity.[10]

(C) *Section 5*

LCH SA is proposing to amend Paragraph 5.13 which currently deals with the process applicable to the Original Transactions cleared in error to provide that a Clearing Member will be also able to reverse an Original Transaction presented for clearing by a CDS Dealer in error by submitting an equal but opposite transaction to LCH SA for clearing and then using the compression functionality, in the same way as for any Original Transaction that a Clearing Member has submitted to LCH SA for clearing in error.

[10] For the avoidance of doubt, this amendment is not linked to the CDS Dealer initiative.

2. Technical Amendments

The amendments to the Procedures and Rule Book also contain typographical corrections, clean-up changes, cross references corrections and similar technical corrections as well as various conforming references to the new or revised defined terms:

(i) in respect of the Rule Book, the term "Trading Venue Transaction", Articles 2.2.3.1, 2.2.1.1(iv), 2.2.2.1(iv), 2.4.1.1, 4.2.7.7., 5.1.1.3(xviii), the second paragraph of Article 5.3.3.2 and Articles 5.3.5.1, 5.3.5.2, 5.3.5.4 and 6.1.1.3(xvi). We have also taken the opportunity to replace any reference to a "person" with the defined term "Person" for consistency purposes in Article 1.0.1.2, Section 1.1.1, Articles 1.2.12.1, 1.2.12.2, 2.1.1.2, 4.2.7.5, 6.1.1.2 and the Annex of Appendix 1;

(ii) in respect of Section 1 of the Procedures, the numbering of certain sub-paragraphs of Paragraph 1.1 and the paragraphs following the new Paragraph 1.2 and the use of the defined term "Person"; and

(iii) in respect of Section 5 of the Procedures, Paragraphs 5.2(a)(iii), 5.5(a), 5.18.3, 5.18.4, 5.18.5(a), 5.6(a) and 5.8(a) with the use of the defined term "Website" instead of referring to "LCH website". Paragraph 5.16(a)(iii)(G)(1) is also being amended to remove reference to the "CDSClear Margin And Product Flows Document", as this is duplicative.

2. *Statutory Basis*

LCH SA believes that the Proposed Rule Change is consistent with the requirements of Section 17A of the Exchange Act[11] and the regulations thereunder,

[11] 15 U.S.C. 78q-1.

including the clearing agency standards under Exchange Act Rule 17Ad-22.[12] Section 17A(b)(3)(F) of the Exchange Act[13] 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, to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions, and are not designed to permit the unfair discrimination in the admission of participants or among participants in the use of the clearing agency. LCH SA also notes that the Congressional findings set forth under Section 17A indicate that Section 17A was enacted to, among other things, reduce unnecessary costs on investors.

As discussed above, LCH SA is proposing to amend its CDS Clearing Rules to enable affiliates of a Clearing Member admitted by LCH SA to the Register of CDS Dealers to present Original Transactions to LCH SA for clearing, novation and registration in the name of a Clearing Member without having to be admitted as either a Clearing Member or being a Client of a Clearing Member. By allowing affiliates of a Clearing Member to present Original Transactions to LCH SA for clearing in this manner, the Proposed Rule Change will broaden the solutions for Clearing Members and their affiliates and enable further optimization of their clearing activities, thus reducing the overall cost of clearing which is consistent with the unnecessary clearing costs reduction policy underlying the adoption of Section 17A of the Exchange Act. Further, the Proposed Rule Change will promote flexibility and permit Clearing Members and

---

[12] 17 CFR 240.17Ad-22.

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

their affiliates to manage and mitigate risks in a manner that is more closely tailored to their needs and the needs of their customers. The Proposed Rule Change will also facilitate a more efficient access to cleared markets by CDS Dealers, which may result in a larger number of cleared transactions that are carried out in a clear and transparent manner. LCH SA does not anticipate any increase in operational risk resulting from an increase in the number of cleared transactions, as it will be able to leverage its current process for managing trade flows for existing Clearing Members. The Proposed Rule Change may also contribute to more efficient and systematic clearing of more products by Clearing Members, thus contributing to the prompt and accurate clearance process and settlement of securities transactions and derivative agreements, contracts, and transactions, which will be in the public interest and consistent with Section 17A of the Exchange Act and the rules promulgated thereunder. Specifically, clearing Members will be able to consolidate their cleared positions and margin within a single membership under the Proposed Rule Change. In addition, Clearing Members will have the benefit of a single netting pool for all trades cleared. This provides efficiency of margin offset, while also reducing funding requirements of a separate default fund contribution if joining as a standalone Clearing Member Further, the Proposed Rule Change will not have any impact on the existing risk methodology applied by LCH SA or on LCH SA's existing policies and procedures for assuring the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible, which is also consistent with Section 17A of the Exchange Act and the rules promulgated thereunder. LCH SA will continue to apply its existing risk methodology and the policies and procedures, thereunder to Clearing Members, regardless of whether such Clearing

Members provide clearing services for CDS Dealers, primarily because executed trades made by CDS Dealers will be between LCH SA and the respective Clearing Member. Clearing Members will still be required to comply with the Membership Requirements set forth in Article 2.2.1.1. of the Procedures, which include, *inter alia*, minimum capital requirements and maintaining a minimum internal credit score.

LCH SA also believes that the Proposed Rule Change is consistent with the requirements of Exchange Act Rule 17Ad-22(e)(18)[14] and (e)(19)[15]. Rule 17Ad-22(e)(18)(i) provides, *inter alia*, that a covered clearing agency establish objective, risk-based, and publicly disclosed criteria for participation, which permits fair and open access by direct and, where relevant, indirect participants and other financial market utilities.[16] Rule 17Ad-22(e)(19) provides, *inter alia*, that a covered clearing agency identify, monitor, and manage the material risks arising from arrangements in which firms that are indirect participants in the covered clearing agency rely on the services provided by direct participants to access the covered clearing agency's payment, clearing, or settlement facilities.[17]

By enabling affiliates of a Clearing Member admitted by LCH SA to the Register of CDS Dealers to present Original Transactions to LCH SA for clearing, novation and registration in the name of a Clearing Member without having to be admitted as either a Clearing Member or being a Client of a Clearing Member, LCH SA is increasing access to its clearing and settlement services. In doing so, LCH SA is proposing amendments to

---

[14] 17 CFR 240.17Ad-22(e)(18).

[15] 17 CFR 240.17Ad-22(e)(19).

[16] 17 CFR 240.17Ad-22(e)(18).

[17] 17 CFR 240.17Ad-22(e)(19).

its Procedures for the admission of CDS Dealers that are based on reasonable risk-related participation requirements that are tailored to and commensurate with the specific risks of such an arrangement, and are publicly disclosed. LCH SA is also proposing to amend its Procedures to describe the actions it will be authorized to take in respect of an applicant for CDS Dealer status as part of the due diligence and application review process. This process will align with the existing review process for onboarding Clearing Member applicants. Furthermore, CDS Dealers will be required to enter into a CDS Dealer Clearing Agreement whereby they will be bound by the CDS Clearing Rules. The CDS Dealer Clearing Agreement will provide LCH SA with the ability to gather information about CDS Dealers to identify, monitor, and manage any material risks arising from the arrangement, including by allowing LCH SA to make enquiries of any nature regarding the CDS Dealer and asking the CDS Dealer to supply additional information for purposes of assessing whether such CDS Dealer meets the criteria to remain on the Register of CDS Dealers. As such, LCH SA believes that the Proposed Rule Change is consistent with Rule 17Ad-22(e)(18)[18] and (e)(19)[19].

B. *Clearing Agency's Statement on Burden on Competition*

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.[20] 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 provide flexibility of clearing

---

[18] 17 CFR 240.17Ad-22(e)(18).

[19] 17 CFR 240.17Ad-22(e)(19).

[20] 15 U.S.C. 78q-1(b)(3)(I).

services access to affiliates of Clearing Members but would not otherwise affect the ability of Clearing Members or other market participants generally to engage in cleared transactions or to access LCH SA's clearing services. Therefore, 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 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*

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, security-based swap submission, or advance notice 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 email to rule-comments@sec.gov. Please include file number SR-LCH SA-2024-005 on the subject line.

Paper Comments:

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

All submissions should refer to file number SR-LCH SA-2024-005. 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 the filing also will be available for inspection and copying at the principal office of LCH SA and on LCH SA's website at: https://www.lch.com/resources/rulebooks/proposed-rule-changes.

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-2024-005 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.[21]

Sherry R. Haywood,

Assistant Secretary.

[21] 17 CFR 200.30-3(a)(12).