

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-90525; File No. SR-LCH SA-2020-005)

November 27, 2020

Self-Regulatory Organizations; LCH SA; Notice of Filing of Partial Amendment No. 1 and Order Granting Accelerated Approval of Proposed Rule Change, as Modified by Partial Amendment No. 1, Relating to the clearing of options on index credit default swaps in respect of North American indices (more specifically, CDX.NA.IG and CDX.NA.HY)

I. Introduction

On September 24, 2020, Banque Centrale de Compensation, which conducts business under the name LCH SA (“LCH SA”), filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4,² a proposed rule change to permit the clearing of options on index credit default swaps (“CDS”) in respect of North American indices (more specifically, CDX.NA.IG and CDX.NA.HY) (“CDX Swaptions”). The proposed rule change was published for comment in the Federal Register on October 13, 2020.³ The Commission did not receive comments on the proposed rule change. On November 27, 2020, LCH SA filed Partial Amendment No. 1 to the proposed rule change.⁴ The

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Self-Regulatory Organizations; LCH SA; Notice of Filing of Proposed Rule Change Relating to the Clearing of Options on Index Credit Default Swaps in Respect of North American Indices (More Specifically, CDX.NA.IG and CDX.NA.HY), Exchange Act Release No. 90099 (October 6, 2020); 85 Fed. Reg. 64551 (October 13, 2020) (SR-LCH SA-2020-005) (“Notice”).

⁴ Partial Amendment No. 1 amends the LCH SA Reference Guide: CDS Margin Framework to reflect all of the changes discussed herein. Partial Amendment No. 1 also includes Exhibit 4 (Text of the proposed change with the differences from the initial Exhibit 5C).

Commission is publishing this notice to solicit comments on Partial Amendment No. 1 from interested persons and is approving the proposed rule change, as modified by Partial Amendment No. 1 (hereinafter, “proposed rule change”), on an accelerated basis.

II. Description of the Proposed Rule Change

LCH SA is proposing to amend its rules to permit the clearing of CDX Swaptions.⁵ As LCH SA currently clears options in which certain European index CDS are the underlying asset, *i.e.*, CDS on Markit iTraxx[®] Europe Index and iTraxx[®] Crossover Index (“iTraxx Swaptions”), the proposed introduction of CDX Swaptions requires minimal changes to extend LCH SA’s existing risk framework to this new product.⁶ As described below, LCH SA is proposing such changes in its (i) Reference Guide: CDS Margin Framework (“CDSClear Margin Framework”);⁷ (ii) CDS Clearing Supplement (“Supplement”); and (iii) CDS Clearing Procedures (“Procedures”).⁸ In addition, LCH SA proposes to make other changes unrelated to the introduction of CDX Swaptions, including changes to the Vega Margin that will apply to both iTraxx Swaptions and CDX Swaptions, which are also described below.⁹

A. Proposed Changes with respect to CDX Swaptions

1. CDSClear Margin Framework

⁵ The description herein is substantially excerpted from the Notice.

⁶ See Notice, 85 Fed. Reg. at 64552.

⁷ Capitalized terms used but not defined herein have the same definitions as in the CDSClear Margin Framework or Default Fund Methodology, as applicable.

⁸ See Notice, 85 Fed. Reg. at 64552.

⁹ Id.

LCH SA is proposing to amend Paragraph 2.3.4, which concerns the Daily Contributions Assessment, to include CDX Swaptions. The Daily Contributions Assessment is the primary method by which LCH SA obtains Members' daily price contributions to update implied volatilities on options. These price contributions, in turn, would be used by LCH SA for marking the options book, if certain conditions are met. The proposed change to the Daily Contributions Assessment will require Members to make price contributions on CDX Swaptions for all strikes that are multiples of 2.5 basis points for CDX.NA.IG and 0.5 cents for CDX.NA.HY of a given expiry when Members have at least one open position on one strike for that expiry. This change would ensure that daily updates are available for LCH SA's implied volatility measurements. Without this change, LCH SA would rely on Markit's composite prices or use pre-defined rules to fill in missing data in accordance with section 2.3.3.2 (*Missing Data Points*) of the CDSClear Margin Framework, consistent with what LCH does for other options that it currently clears.

LCH SA is also proposing changes in paragraph 4.1.9 of the CDSClear Margin Framework, as outlined below:

- a) LCH SA would add a comment to highlight that although the given example pertains to iTraxx Swaptions, the same logic applies to CDX Swaptions.
- b) In the description of Step 2 regarding the calculation of the cost of vega hedging, LCH SA would specify that the volume of delta neutral Swaption notional that it can unwind in a day will be derived from a clearing member survey.

- c) In the description of Step 3 regarding the contributions to the macro-hedge cost, LCH SA would specify that the volume of principal index 5YR Off-The-Run-1 series Swaption notional that one can reasonably unwind in a day is defined in the previous section on indices. LCH SA would also add CDX Swaptions to the description of the variable beta (" β ") that defines an index sub-family, either Main or Xover for iTraxx and IG or HY for CDX.
- d) In the description of Step 4 regarding the final Liquidity Charge and to aggregate the costs of delta hedging and vega hedging, LCH SA would add a formula to clarify that the existing methodology would also apply and to incorporate the Foreign Exchange rate into the final Liquidity Charge formula to address CDX Swaptions. LCH SA determined that no changes are required to its liquidity and concentration risk margin methodology, as set forth in the CDSClear Margin Framework, in connection with clearing CDX Swaptions.¹⁰

Currently, in the event of a clearing member default and the calculation of a liquidity charge, LCH SA attempts to source hedges from the CDS part of the defaulting member's portfolio using a delta-hedging algorithm to ensure minimal hedging costs before sourcing the hedges from the market.¹¹ In this connection, LCH SA proposes to

¹⁰ See Notice, 85 Fed. Reg. at 64552.

¹¹ Id. (noting that in the event of a clearing member default, market feedback indicates that it is optimal from a friction cost standpoint for swaptions to be liquidated as a delta-hedged package intended to trade and hedge an option along with an index).

amend Section 4.1.9 to reflect use of a member survey to determine the volume of the delta neutral package of the selected option that can be reasonably unwound per day. LCH SA is also proposing additional language to confirm how currency conversion from USD to EUR will apply in circumstances where options priced in USD form part of the delta-hedged package.

Paragraph 4.2 sets forth the accrued coupon liquidation risk margin (*i.e.*, margin covering the risk that a protection buyer will not be paying any accrued coupon via the Variation Margin (“VM”) between the time it defaults and the end of the liquidation of its portfolio) for both CDS and CDS Options. The accrued coupon liquidation risk margin with respect to CDS Options remains the same, but would be amended to reflect that any such amount for CDX Swaptions contracts is converted from USD to EUR.

As a result of the foregoing proposed changes, LCH SA would update the Content table and the summary of changes and make corresponding changes to provision numbering throughout the CDSClear Margin Framework.

2. Supplement

To allow for the clearing of CDX Swaptions, LCH SA is proposing a number of changes in Part C of the Supplement to add or modify a number of relevant definitions. Specifically, in Section 1.2 (*Terms defined in the CDS Clearing Supplement*):

- a) The proposed definition of the term “CDX Swaption Standard Terms Supplement” would refer to the applicable documentation for the CDX Swaptions, as published by Markit North America, Inc. and as amended by the Supplement.

- b) The definition of the term “Index Swaption Cleared Transaction Confirmation” would refer to the applicable form of confirmation for CDX Swaptions in new indent (b), and would make some minor corrections in new indent (a) and in the last paragraph of the definition.
- c) The proposed definition of the term “Submission Deadline” would provide for both the Markit iTraxx and CDX exercise windows in respect of different swaptions.
- d) The definition of “Transaction Data” would include a new reference to the Option Type that is relevant for CDX Swaptions.

In addition, LCH SA proposes to replace all references to the standard fixed time of 4:00pm (London time) or 5:00pm (Central European Time), which apply only to iTraxx Swaptions, with the new defined term “Submission Deadline” in Sections 6.3, 6.4, 6.5 (paragraph (c)), 6.10 (paragraph (b)) and Sections 5.3, 5.5 and 5.7 of Appendix VIII (*CCM Client Transaction Requirements*).

For consistency purposes, LCH SA would amend Section 7.2 (*Creation of Initial Single Name Cleared Transactions for Settlement purposes in respect of Credit Events other than M(M)R Restructuring*) to include references to the relevant paragraph of the CDX Swaption Standard Terms Supplement.

LCH SA would also add references to a CDX as an Underlying Index and the Swaption Type to the Schedules of Appendix I (*Form of Exercise Notice*) and Appendix II (*Form of Abandonment Notice*) to Part C of the Supplement.

In Appendix VIII (*CCM Client Transaction Requirements*) to Part C of the Supplement, LCH SA proposes to amend Section 1 to refer to the CDX Swaption

Standard Terms Supplement and to remove the definition of “STS Supplement.” LCH SA would make a related change in Section 8.2 of this Appendix by replacing the current reference to the “STS Supplement” with a reference to the “iTraxx[®] Swaption Standard Terms Supplement” as this section concerns only iTraxx Swaptions. LCH SA would also add references to the iTraxx[®] Swaption Standard Terms Supplement and the CDX Swaption Standard Terms Supplement or the relevant section of such Supplement, as applicable, and remove any reference to the STS Supplement in Sections 8.3 and 8.4 of this Appendix.

3. Procedures

LCH SA also proposes to modify Section 5 of the Procedures (*CDS Clearing Operations*) to include CDX Swaptions in the scope of the End of Day Price Contribution as set out in Paragraph 5.18.

LCH SA would change references from “CDS” to “CDS and an Index Swaption” in paragraphs 5.18.3 and 5.18.5, for instruments with a CDS Contractual Currency in US Dollar. In paragraph 5.18.4 (*Use of composite spreads/prices*), LCH SA would modify the first sentence to ensure similar clarity. In the same paragraph, LCH SA would expand the scope of the End of Day Contributed Prices in respect of CDS with a Contractual Currency in US Dollar to include Index Swaptions.

In paragraph 5.18.5(b), LCH SA would remove the restriction to Index Swaptions with a CDS Contractual Currency in Euro, and separate the Delta Hedged Swaption Package into two sub-sections in order to allow for the two different timings of iTraxx Swaptions and CDX Swaptions.

B. Other Changes Unrelated to CDX Swaptions

LCH SA is also proposing changes in the CDS Clear Margin Framework and the Supplement that LCH SA represented are unrelated to the CDX Swaptions initiative.

In section 3.9 of the CDS Clear Margin Framework, LCH SA proposes changes to align the methodology for calculating Vega Margin with LCH SA's approach across all products and business segments. Vega Margin captures the risk of volatility changes in the options premium relative to the strikes, *i.e.*, the skew risk and the risk of changes in the volatility of volatility.¹² To address a risk model validation finding, LCH SA is proposing to change its risk model from a parametric model to a historical model, using predefined scenarios to simulate the risk of volatility change. This change in risk model would introduce shocks on the volatility itself rather than solely on the calculation's model parameters, as the current parametric model does. The proposed historical model would use a new methodology that relies on four regular and four stressed historical scenarios for each index family, calibrated based on the worst skew risk and the volatility-of-volatility risk at given confidence levels, as outlined below. Under both models, Vega Margin represents an add-on amount to Spread Margin (*i.e.*, a component of Total Initial Margin that covers the worst losses in the event of unfavorable credit spread and volatility moves) that accounts for potential moves in implied volatility. LCH SA does not expect that the proposed change from a parametric to a historical model will have a significant Profit and Loss ("P&L") impact on the calculation of Vega Margin.¹³

¹² See Notice, 85 Fed. Reg. at 64552.

¹³ Id.

- a) LCH SA will develop the volatility scenarios using historical data since April 3, 2007. For each index family, LCH SA would identify historical scenarios by estimating the largest 5-day shifts in volatility distance, at a given percentile, between At-The-Money strikes and implied volatilities for options with a delta of 10%, 25%, 75% and 90%, to capture the deformation of volatility surface across strikes.
- b) LCH SA would calibrate the skew and smile scenarios related to the option pricing against the worst volatility surface distortion (*i.e.*, the largest changes of the volatility distance as explained above) at a given confidence level. LCH SA would derive these scenarios from volatility shocks at each delta level described above, which LCH SA will use to shift the end of day volatilities, at the corresponding delta levels, to calibrate a set of shifted or Stochastic Volatility Inspired (“SVI”) scenarios as shown in the updated table in paragraph 3.9.2.
- c) LCH SA proposes to adjust the number of scenarios calculated for each index family from eight to four, because of the shocks that the new historical risk model will apply at volatility level.

In addition, LCH SA is proposing the following miscellaneous changes in the CDSClear Margin Framework:

- a) Section 3 provides the Total Initial Margin framework with respect to both CDS and CDS Options. One component of the Total Initial Margin framework is the Short Charge, an amount which accounts for the risk of

default by the underlying constituent entities of the relevant index.¹⁴ While the methodology for calculating Short Charge margin in section 3.1 would remain the same, LCH SA would amend the summary language to specify that it includes the P&L impact of liquidating a defaulting member's portfolio under one or two credit events. Currently, the number of credit events that LCH SA considers is set to two. The Risk Overview table in paragraph 3.2 also would reflect this change. As per the model used for linear U.S. products, the Short Charge amount would also cover the possibility of a default in respect of an exposure representing the average net short exposure of the ten (10) riskiest exposures with the defined recovery rate cap. Since the approach in respect of iTraxx Swaptions only accounts for the risk of default of the entity with the largest net short exposure, LCH SA is amending the language to include the additional default risk that it must take into account in respect of CDX Swaptions on CDX.NA.HY. As a result of these changes, LCH SA would also remove the specific rule to calculate the Financial Short Charge on Financial entities (which covered the default risk by the two largest Financials entities comprising the underlying constituent entities of the relevant index).

- b) LCH SA would remove a reference to a 10-year sample for the Foreign Exchange rate from paragraph 3.4.8.3, because it was not an accurate description of how LCH SA computes the Foreign Exchange rate.

¹⁴ See Notice, 85 Fed. Reg. at 64553.

- c) LCH SA also proposes to correct a typographical error in paragraph 3.8.2 (double parenthesis and period missing).

LCH SA also proposes several miscellaneous changes in the Supplement for purposes of clarification or harmonization, as described below.

Specifically, in Part C of the Supplement, Section 9.1 (*Creation of Matched Pairs*), LCH SA would add a principle governing the size of the Matched Pairs that it would create in the context of a Restructuring or an Exercise to align with equivalent provisions of Parts A and B of the Supplement. LCH SA also proposes to remove the amounts of the Matched Pair from Section 8.1 (*Creation of Matched Pairs*) of Parts A and Part B of the Supplement, because LCH SA proposes that such amounts would be set forth in a new Clearing Notice that outlines the maximum applicable Matched Pair notional amounts. LCH SA represents that this proposed change would allow for greater flexibility in adapting these amounts according to market conditions and evolving open interest.¹⁵

In addition, LCH SA proposes to remove the conditional references to “if” from Section 2.4 and Appendix XIII (Section 2.6) of Part B of the Supplement and from Section 2.3 and Appendix VIII (Section 2.4) of Part C of the Supplement, given that the Protocol Effectiveness Condition as defined in the ISDA 2019 Narrowly Tailored Credit Event (“NTCE”) Protocol published by the International Swaps and Derivatives Association, Inc. (“ISDA”) on August 27, 2019 is now satisfied. For consistency purposes, LCH SA would make an equivalent amendment to Appendix XIII of Part A of

¹⁵ See Notice, 85 Fed. Reg. at 64553.

the Supplement (Section 2.6) in respect of the 2014 ISDA Credit Derivatives Definitions Protocol published by ISDA on August 21, 2014.

LCH SA would also remove references to the Implementation Date as provided for in the 2019 ISDA NTCE Protocol from the definition of the “iTraxx[®] Swaption Standard Terms Supplement” in Section 1.2 of Part C of the Supplement to refer to the current version of this document which was published on March 20, 2017. LCH SA stated that at the time that ISDA had drafted the 2019 ISDA NTCE Protocol-related amendments and submitted them to the regulatory process, there was an initial draft Swaption Standard Terms Supplement that took account of this Protocol.¹⁶ LCH SA also stated that this draft did not progress, and that the most recent, applicable version remains the version published in 2017.¹⁷ Consequently, in Section 2.2 (*Index Swaption Cleared Transaction Confirmation*) of Part C of the Supplement, LCH SA would amend any confirmation in respect of a Swaption by specifying in a new indent (d) that the Standard Terms Date applicable to the underlying transaction of a Swaption will be the most updated version of the Standard Terms Supplement. This change will ensure that the applicable version is the one that has taken into account the 2019 ISDA NTCE Protocol (*i.e.*, the versions applicable to Markit iTraxx and CDX published on the Implementation Date of such Protocol). As a result of this change, LCH SA would renumber the indents in Section 2.2 from (e) to (i).

LCH SA also proposes to make the following corrections to the Supplement:

¹⁶ See Notice, 85 Fed. Reg. at 64554.

¹⁷ Id.

- a) In Sections 7.10 of Parts A and B, LCH SA would replace the reference to a “CDS Clearing Member” with “Clearing Member” to use the correct defined term.
- b) In Sections 9.1 of Parts A and B, paragraph (c), LCH SA would specify that the Self Referencing Transaction is a Clearing Member Self Referencing Transaction to be consistent with the title of Section 9.1.
- c) In Section 1.2 of Part B, in the definition of “Index Cleared Transaction Confirmation,” LCH SA would insert the correct name of the publisher of the documentation for Markit CDX.
- d) In Section 1.2 of Part C, LCH SA would correct a typographical error in the definition of “Swaption Restructuring Cleared Transaction” and remove the word “Eligible” from the definition of “Underlying Index Transaction” as an Eligible Index Swaption is not a defined term.
- e) In Appendix VIII of Part C, LCH SA would remove the definitions from Section 1 as these terms are already defined in Section 1.2 of Part C.

III. Commission Findings

Section 19(b)(2)(C) of the Act directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to the organization.¹⁸ For the reasons given below, the Commission finds that

¹⁸ 15 U.S.C. 78s(b)(2)(C).

the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act¹⁹ and Rule 17Ad-22(e)(6)(i) thereunder.²⁰

A. Consistency with Section 17A(b)(3)(F) of the Act

Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of LCH SA be designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts, and transactions and to assure the safeguarding of securities and funds which are in the custody or control of LCH SA or for which it is responsible.²¹

As described above in Section II.A, LCH SA is proposing to revise its CDSClear Margin Framework, Supplement, and Procedures in order to extend their applicability to CDX Swaptions. For example, the proposed change to the Daily Contributions Assessment in the CDSClear Margin Framework would require Members to make price contributions on CDX Swaptions for all strikes that are multiples of 2.5 basis points for CDX.NA.IG and 0.5 cents for CDX.NA.HY of a given expiry when Members have at least one open position on one strike for that expiry. The revisions to the Supplement would allow the clearing of CDX Swaptions by amending various definitions to make them applicable to CDS Swaptions. The Procedures similarly would be revised to include CDX Swaptions in, for example, the scope of the End of Day Price Contribution. The language in the Short Charge component of the total initial margin has also been amended to include the additional default risk that must be taken into account with CDX

¹⁹ 15 U.S.C. 78q-1(b)(3)(F).

²⁰ 17 CFR 240.17Ad-22(e)(6)(i).

²¹ 15 U.S.C. 78q-1(b)(3)(F).

Swaptions. The Commission understands that, taken together, these changes would amend LCH SA's risk management system and clearing procedures to ensure that LCH SA can appropriately manage the risks of transactions in CDX Swaptions and, in turn, to help ensure that LCH SA has sufficient financial resources. The Commission therefore believes that these changes would promote the prompt and accurate clearance and settlement of CDX Swaptions. Similarly, given that mismanagement of the risks associated with clearing CDX Swaptions could cause LCH SA to realize losses on such transactions and threaten its ability to operate, thereby threatening access to securities and funds in LCH SA's control, the Commission believes that the proposed rule change would help assure the safeguarding of securities and funds which are in the custody or control of LCH SA or for which it is responsible.

LCH SA is also proposing miscellaneous changes that are unrelated to CDX Swaptions. For instance, LCH SA is proposing corrections to various terminology in the Supplement (replacing reference in Section 7.10 of Parts A and B to a "CDS Clearing Member" with the correct defined term "Clearing Member," specifying in Section 9.1 of Parts A and B that the Self Referencing Transaction is a Clearing Member Self Referencing Transaction, removing the term "Eligible" from the definition of "Underlying Index Transaction" in Section 1.2 of Part C as a typographical error), as well as wording changes to reflect the fact that the Protocol Effectiveness Condition with regard to the 2019 ISDA NTCE Protocol published by ISDA on August 27, 2019 is now satisfied along with the various clean-up and typographical changes. The Commission believes that these clarifications strengthen LCH SA's risk management documents with clear and

up-to-date information, which in turn is consistent with protecting investors and the public interest.

LCH SA is also proposing changes to the Vega Margin methodology. Specifically, LCH SA is proposing to transition from a parametric model to a historical model, using predefined scenarios to simulate the risk of volatility change. The Commission believes that this proposed change will enable LCH SA to more accurately capture changes in option value due to volatility and generate margins commensurate with the risks and attributes of CDS and CDS options, which in turn will enhance LCH SA's ability to manage the risks of transactions in CDX Swaptions and ultimately to promptly and accurately settle securities transactions and safeguard funds and securities.

For the reasons stated above, the Commission finds that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act.²²

B. Consistency with Rule 17Ad-22(e)(6)(i)

Rule 17Ad-22(e)(6)(i) requires that LCH SA establish, implement, maintain, and enforce written policies and procedures reasonably designed, as applicable, to cover its credit exposures to its participants by establishing a risk-based margin system that, at a minimum considers, and produces margin levels commensurate with, the risks and particular attributes of each relevant product, portfolio, and market.²³

As noted above, the proposal would amend the CDSClear Margin Framework with respect to the Short Charge component of the total initial margin to include the additional default risk that must be taken into account with options on CDX.NA.HY.

²² 15 U.S.C. 78q-1(b)(3)(F).

²³ 17 CFR 240.17Ad-22(e)(6)(i).

Such a change is necessary because the current approach with iTraxx Swaptions only accounts for the risk of default of the entity with the largest net short exposure, and the CDX Swaptions approach covers the possibility of a default in respect of an exposure representing the average net short exposure of the ten riskiest exposures with the defined recovery rate cap, which is an additional default risk posed by CDX Swaptions. The Commission therefore believes that this proposed change would enhance LCH SA's risk-based margin system by considering and producing margin levels commensurate with the risks and particular attributes of CDX Swaptions.

The Commission also believes that the proposed rule changes to add the new methodology for calculating Vega Margin, based on a historical model approach rather than a parametric model, to account for the skew risk and volatility-of-volatility risk specific to CDS Options would likewise strengthen LCH SA's ability to produce margins commensurate with these products because this proposed approach would be based on known, rather than unobservable, parameters used in assessing the value of an option.

For these reasons, the Commission finds that the proposed rule change is consistent with Rule 17Ad-22(e)(6)(i).²⁴

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, as modified by Partial Amendment No. 1, is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments: •

²⁴ 17 CFR 240.17Ad-22(e)(6)(i).

Use the Commission's Internet comment form

(<http://www.sec.gov/rules/sro.shtml>); or • Send an e-mail to rule-comments@sec.gov.

Please include File Number SR-LCH SA-2020-005 on the subject line.

Paper Comments: •

Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, N.E., Washington, D.C. 20549-1090.

All submissions should refer to File Number SR-LCH SA-2020-005. 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, N.E., Washington, D.C. 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. 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/rulesand-regulations/proposed-rule-changes-0>. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available

publicly. All submissions should refer to File Number SR-LCH SA-2020-005 and should be submitted on or before [Commission to insert date 21 days from publication in the Federal Register].

V. Accelerated Approval of the Proposed Rule Change, as Modified by Partial Amendment No. 1

The Commission finds good cause, pursuant to Section 19(b)(2) of the Act,²⁵ to approve the proposed rule change prior to the 30th day after the date of publication of Partial Amendment No. 1 in the Federal Register. As discussed above, Partial Amendment No. 1 amends the Reference Guide: CDS Margin Framework to reflect all of the changes discussed in this Order. By updating the Reference Guide: CDS Margin Framework to reflect all of the changes being made, Partial Amendment No. 1 ensures that the exhibit 5C accurately reflects all intended rule changes and is designed, in general, to protect investors and the public interest, consistent with Section 17A(b)(3)(F) of the Act. Accordingly, the Commission finds good cause for approving the proposed rule change, as modified by Partial Amendment No. 1, on an accelerated basis, pursuant to Section 19(b)(2) of the Exchange Act.²⁶

VI. Conclusion

²⁵ 15 U.S.C. 78s(b)(2).

²⁶ 15 U.S.C. 78s(b)(2).

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act, and in particular, with the requirements of Section 17A(b)(3)(F) of the Act²⁷ and Rule 17Ad-22(e)(6)(i) thereunder.²⁸

IT IS THEREFORE ORDERED pursuant to Section 19(b)(2) of the Act²⁹ that the proposed rule change, as modified by Partial Amendment No. 1 (SR-LCH SA-2020-005), be, and hereby is, approved.³⁰

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³¹

J. Matthew DeLesDernier

Assistant Secretary

²⁷ 15 U.S.C. 78q-1(b)(3)(F).

²⁸ 17 CFR 240.17Ad-22(e)(6)(i).

²⁹ 15 U.S.C. 78s(b)(2).

³⁰ In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

³¹ 17 CFR 200.30-3(a)(12).