

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-93952; File No. SR-LCH SA-2021-004)

January 11, 2022

Self-Regulatory Organizations; LCH SA; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to 2022 CDSClear Fee Grid.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on December 28, 2021, Banque Centrale de Compensation, which conducts business under the name LCH SA (“**LCH SA**”), filed with the Securities and Exchange Commission (“Commission”) the proposed rule change (“**Proposed Rule Change**”) described in Items I, II and III below, which Items have been prepared primarily by LCH SA. LCH SA filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act,³ and Rule 19b-4(f)(2)⁴ thereunder, so that the proposed rule change was effective upon filing with the Commission. 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

(a) Banque Centrale de Compensation, which conducts business under the name LCH SA, is proposing to update the current CDSClear fee grid to be effective early

¹ 15 U.S.C. 78s(b)(1).

² 17 C.F.R. § 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(2).

January 2022 (the “**Proposed Rule Change**”). The text of the proposed rule change has been annexed [sic] as Exhibit 5.

The text of the Proposed Rule Change has been annexed [sic] hereto as Exhibit 5.

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

In its filing with the Commission, LCH SA included statements concerning the purpose of and basis for the Proposed Rule Change and discussed any comments it received on the Proposed Rule Change. The text of these statements may be examined at the places specified in Item IV below. LCH SA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

LCH SA is currently applying the below fee grid for CDSClear members:

Self-Clearing Tariff for Corporates and Financials Index and Single Name CDS

Membership	Annual Fixed Fee	Self-Clearing / Variable Fees				
		EUR Indices	EUR Single Names	USD Indices	USD Single Names	
General Member – Unlimited Tariff	€ 1,350,000	No Variable Fee				Covers all self-clearing Corporate and Financials Index and Single Name activity for a Financial Group of a Clearing Member.

Self-Clearing Tariff for Corporates and Financials Index and Single Name CDS

Membership	Annual Fixed Fee	Self-Clearing / Variable Fees				
		EUR Indices	EUR Single Names	USD Indices	USD Single Names	
General Member – Introductory Tariff	€200,000 if the total annual gross notional cleared is under €10billion	€3.5 Per million gross notional cleared	€10 Per million gross notional cleared	\$4.5 Per million gross notional cleared	\$13 Per million gross notional cleared	
	€400,000 if the total annual gross notional cleared is over €10billion	€3.5 Per million gross notional cleared	€10 Per million gross notional cleared	\$4.5 Per million gross notional cleared	\$13 Per million gross notional cleared	
Select Member	€250,000 if the total annual gross notional cleared is under €20billion	€4 Per million gross notional cleared	€10 Per million gross notional cleared	\$5 Per million gross notional cleared	\$13 Per million gross notional cleared	
	€450,000 if the total annual gross notional cleared is over €20billion					

Options Tariff including fee rebate

General Member	Introductory Tariff	Can cover either one or multiple legal entities under conditions below (no Affiliate coverage) In-year switches are not permitted <i>No EEP usage fees in 2021</i>	
	Clearing Fees	\$8	per million of option notional on US Indices
		€8	per million of option notional on European Indices
	<i>Floor on clearing fees</i>	<i>€115k</i>	<i>Per calendar year (no pro-rating) for 1 entity</i>
		<i>€150k</i>	<i>Per calendar year (no pro-rating) for 2 entities of the same Financial Group of a Clearing Member</i>
		<i>€190k</i>	<i>Per calendar year (no pro-rating) for 3 or more entities of the same Financial Group of a Clearing Member</i>
	Unlimited Tariff	Cover all Affiliates of a given Financial Group of a Clearing Member Cover all clearing fees for Credit Option House activity for both iTraxx and CDX.NA underlying index families In-year switches are not permitted <i>No EEP usage fees in 2021</i>	
	<i>Fixed fee (annual)</i>	<i>€375k Per calendar year (no pro-rating)</i>	
	<i>Discounted Rates*</i>	<i>€115k if notionals cleared strictly above €15bn</i>	
	Onboarding Fees <i>(both Introductory & unlimited)</i>	€30k	One-off fee per Legal Entity under the Introductory tariff or per Financial Group of a Clearing Member under the Unlimited tariff.

Options Tariff including fee rebate

Select Member	Introductory Tariff	Cover only one legal entity (no affiliate coverage) In-year switches are not permitted <i>No EEP usage fees in 2021</i>	
	Clearing Fees	\$10	per million of option notional on US Indices
		€10	per million of option notional on European Indices
	Unlimited Tariff	Cover all Affiliates of a given Financial Group of a Clearing Member Cover all clearing fees for Credit Option House activity for both iTraxx and CDX.NA underlying index families In-year switches are not permitted <i>No EEP usage fees in 2021</i>	
	<i>Fixed fee (annual)</i>	€400k	<i>Per calendar year (no pro-rating)</i>
	<i>Discounted Rates</i>	€115k	<i>if notionals cleared strictly above €15bn</i>
	Onboarding Fees <i>(both Introductory & unlimited)</i>	€30k	One-off fee per Legal Entity under the Introductory tariff or per Financial Group of a Clearing Member under the Unlimited tariff

Options Tariff including fee rebate

Clearing Member (Options only)	Up to €200,000 fee rebate limited to the total amount of Options clearing fees paid in 2021 for the first two Clearing Members clearing Options for at least one client by 31-July-2021
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Options Tariff including fee rebate

Client	Options Clearing Fees	\$5	per million of option notional on US Indices
		€5	per million of option notional on European Indices
		2021: Full discount of client variable fees	

Affiliates clearing as Client (all products)

Affiliates clearing as Clients	Full rebate on variable clearing fees for the Affiliate of a Clearing Member onboarded as client of such Clearing Member under the following conditions: <ul style="list-style-type: none">• The Clearing Member is a General Member under the Unlimited Tariff;• The Affiliate is a legal entity part of the same Financial Group as the Clearing Member;• The rebate applies to 1 trade account per affiliate and for all clearing services for which the Clearing Member is under the Unlimited Tariff (i.e. Index & Single Names and/or Options);• The rebate cannot apply to any account opened for CCM Indirect Clients; and• A fixed annual account fee of €100,000 is charged per affiliate of a Clearing Member onboarded as a client and benefiting from the full rebate on variable fees.
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The purpose of the proposed fee changes is for LCH SA CDSClear to take into account the evolution of the CDSClear business and arrangements.

- Regarding the Index and Single Names clearing activity: the proposed fee change reflects the ongoing development and product scope of the CDSClear service with the objective to meet clearing members and clients' expectations, and
- for the Options: the intent is to adjust the fee conditions to the new competitive environment as well as encourage the development of options clearing by clients and new market participants,

Therefore, as specified in the new fee grid attached [sic] under Exhibit 5, LCH SA is proposing to amend the CDSClear fee grid from January 1st, 2022 as follows.

1) Clearing fees for Sovereign Index and Single Name CDS⁵ activity

LCH SA CDSClear currently offers an Unlimited Tariff for General Members that covers all self-clearing Corporate and Financials CDS Index and Single Names

⁵ Subject to regulatory approval

activity for a Financial Group of a Clearing Member for an annual fixed fee of €1,350,000 (no variable fees).

CDSClear is also offering an Introductory Tariff for General and Select Members that covers all self-clearing corporate and financials CDS index and single names activity.

LCH SA currently treats fees from all indexes differently from fees for single names, reflecting both the difference in client and member activity in the products and the nature of the underlying products. Specifically for sovereigns, the intended list of cleared sovereign names is much wider in scope than purely the constituents of the CDX EM index.

The Proposed Rule Change consists in defining the clearing fees associated to the clearing activity of Sovereign indices and single names under the General Members Unlimited Tariff and Introductory Tariff as well as the Select Members Tariff. This proposed change will be effective once this new clearing activity is duly approved by the relevant regulators.

Under the proposed change, for General Members under the Unlimited Tariff, self-clearing Sovereign indices activity will be included in the scope of the fixed fee of €1,350,000 per year, whereas Sovereign single names will attract variable clearing fees of €10/\$13 per million €/€ of notional cleared depending on the currency in which they are denominated.

For General Members under the Introductory Tariff, Select Members as well as Clients, Sovereign indices and single names clearing activity will be charged at the same variable clearing fees currently existing for USD and EUR denominated Corporate and

Financial indices and single names.

Finally, in order to build liquidity in the products on the CDSClear service, all General Members, whether under the Unlimited or the Introductory Tariff, will benefit from a fee holiday for their variable fees from self-clearing Sovereign single names clearing activity for 1 year from the product launch date.

2) Introduction of a new tariff for the Options clearing service

In order to take into account the new competitive environment as well as encourage the development of options clearing by market participants, LCH SA is proposing to create a new tariff called ‘New Market Participant Tariff’ (NMP), based on variable fees, and to which only members which are new joiners to the Options clearing service will be eligible to subscribe, for one calendar year renewable once only. Under this NMP Tariff, clearing members will be charged €10/\$10 per million of optional notional cleared depending on the currency in which the underlying index is denominated. Because New Market Participants do not have to pay the fixed fee, the purpose of this type of tariff is to attract clearing members who are not currently on the option service to join by removing the barrier of the fixed fee, which is payable even if no option notional is cleared. This is also in line with the existing Select Members variable tariff.

3) Reduction of the Client clearing fees for Options, Maintaining the EEP usage free of charge in 2022 and extension of the fee holiday period

Under the proposed change and based on feedback from the market, the variable clearing fees to be paid by Clients for Options clearing would decrease from €5/\$5 to €4/\$4 per million of option notional cleared.

LCH SA is maintaining for 2022 the Electronic Exercise Platform (EEP) usage free of charge to promote and encourage option clearing take-up.

LCH SA is also proposing to renew the fee holiday for Clients clearing Options in 2022.

As specified in the filing LCH SA-2020-007⁶, the proposed €200,000 fee rebate limited to the total amount of Options clearing fees paid by a Financial Group of a Clearing Member in 2021 for the first two Clearing Members clearing Options for at least one Client has expired on 31 July 2021 and was duly removed from the updated fee grid.

2. Statutory Basis

Section 17A(b)(3)(D) of the Act requires that the rules of a clearing agency provide for the equitable allocation of reasonable dues, fees, and other charges.⁷

LCH SA believes that its clearing fees change proposal is consistent with the requirements of Section 17A of the Act⁸ and the regulations thereunder applicable to it, and in particular provides for the equitable allocation of reasonable fees, dues, and other charges among clearing members and market participants by ensuring that clearing members and clients pay reasonable fees and dues for the services provided by LCH SA, within the meaning of Section 17A(b)(3)(D) of the Act.⁹

⁶ Self-Regulatory Organizations; LCH SA; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Amendments of the CDSClear Fee Grid, Release No. 34-90862 (Jan. 6, 2021), 86 Fed. Reg. 2468 (Jan. 12, 2021), File No. SR-LCH SA-2020-007.

⁷ 15 U.S.C. 78q-1(b)(3)(D).

⁸ 15 U.S.C. 78q-1.

⁹ 15 U.S.C. 78q-1(b)(3)(D).

Indeed, there's no change on the tariffs on which LCH SA CDSClear has existing activity (i.e. Corporates and Financials Index and Single Names, General Members Unlimited and Introductory tariffs for Index Options). All of the new products being introduced will fall into the scope of the fixed fee for GMs under the Unlimited Tariff, except for Sovereign Single Names for which a one year fee holiday period is offered to both General Members under the Unlimited and the Intro Tariffs.

So, the proposed clearing fees for Sovereign index and single names, are consistent with the existing fees for Corporate and Financial indices and single names for General Members, Select Members as well as Clients. In particular, none of the fixed fee components of the various tariffs are impacted, and the variable fees, where applicable, are the same as the existing ones excepted for Sovereign single names products which are not considered to be part of the unlimited fixed fee that was designed and established prior to LCH SA intending to offer these products. Therefore, subject to regulatory approvals, only variable fees coming from new products being cleared by General Members under the Introductory Tariffs, Select Members and Clients would be new fees collected by LCH SA CDSClear.

Besides, the proposed fee holiday for Sovereign single names self-clearing activity is equivalent and offered to all General Members for 1 year only, in order to help build the dealers' liquidity of the LCH SA CDSClear service for Sovereign CDS which is a critical step for Clients to be able to clear their Sovereign CDS activity as well.

Regarding the Options clearing service, in accordance with the feedback received from the market, the main proposed change is the creation of the New Market Participant Tariff, available to new joiners for a fixed period of time only (maximum 2 years) in

order to facilitate the onboarding of new Members with an option market-making business to the LCH SA CDSClear Option clearing service, which in turn is one element that will contribute to Clients clearing their options activity as most if not all of their executing brokers will be able to clear options. New Markets Participants are not paying the fixed fee. As such, LCH SA believes that this new reasonable tariff consistent with Section 17A(b)(3)(D) is designed to encourage Options clearing activity which is also consistent with the prompt and accurate clearance in accordance with Section 17A(b)(3)(F) of the Exchange Act.¹⁰

A second element that will contribute to growing the options client clearing activity is the renewal of the fee holiday for options clearing fees in 2022. Finally, the decrease in the variable headline clearing fees to be paid by Clients for options will also contribute to the same objective in the longer term.

For all the reasons stated above, LCH SA believes that the proposed fee rates are reasonable and appropriate so that LCH SA can provide the CDSClear services.

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.¹¹

LCH SA does not believe that the Proposed Rule Change would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act because LCH SA is offering the possibility for CDSClear members and clients

¹⁰ 15 U.S.C. § 78q-1(b)(3)(F).

¹¹ 15 U.S.C. 78q-1(b)(3)(I).

to obtain a more appropriate and flexible access to the clearing services. The Proposed Rule Change would not affect the ability of Clearing Members or other market participants generally to engage in cleared transactions or to access clearing services. Additionally, the clearing fee conditions remain transparent and equally applicable to any category of market participant wishing to access the CDSClear clearing service for all proposed products including those that are not mandatory for clearing.

Further, as explained above, LCH SA believes that the fee rates remain set up at an appropriate level given the costs and expenses to LCH SA in offering the relevant clearing services.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing proposed rule change has become effective upon filing pursuant to Section 19(b)(3)(A)¹² of the Act and Rule 19b-4(f)(2)¹³ thereunder because it establishes a fee or other charge imposed by LCH SA on its Clearing Members. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such proposed rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 17 CFR 240.19b-4(f)(2).

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

- 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-2021-004 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-2021-004. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549, on official business days between the hours of 10:00 am and 3:00 pm. Copies of such filings will also be available for inspection and copying at the

principal office of LCH SA and on LCH SA's website at <https://www.lch.com/resources/rulebooks/proposed-rule-changes>. 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-2021-004 and should be submitted on or before [insert date 21 days from[publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁴

J. Matthew DeLesDernier
Assistant Secretary

¹⁴ 17 C.F.R. § 200.30-3(a)(12).