

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-84602; File No. SR-LCH SA-2018-005)

November 15, 2018

Self-Regulatory Organizations; LCH SA; Notice of Filing and Immediate Effectiveness of Proposed Rule Change, as Modified by Amendment No. 1, Relating to a New Fee Incentive Scheme

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on October 31, 2018, 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 described in Items I, II and III below, which Items have been prepared by LCH SA. On November 15, 2018, LCH SA filed Amendment No. 1 to the proposed rule change.<sup>3</sup> LCH SA filed the proposal pursuant to Section 19(b)(3)(A) of the Act,<sup>4</sup> and Rule 19b-4(f)(2)<sup>5</sup> thereunder, so that the proposal was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change, as modified by Amendment No. 1, from interested persons.

I. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change will introduce a new fee incentive scheme for CDSClear client clearing activities applicable from October 31<sup>st</sup>, 2018.

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> In Amendment No. 1, LCH SA added to Item II an additional description of the proposed fees.

<sup>4</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>5</sup> 17 CFR 240.19b-4(f)(2).

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

The purpose of the proposed rule change is for LCH SA to introduce and specify a clearing fees incentive scheme for clients of CDSClear members, including volume based discounts, in order to encourage the growth of the CDSClear client clearing franchise.

Currently, CDSClear clearing members are charged a fee on their client clearing flows per EUR/USD million of gross notional cleared defined as follows:

Variable fee					
Client Clearing					
Per million gross notional cleared					
EUR indices	EUR single names	Credit Index Options – EUR Indices	US indices	US single names	Credit Index Option – US Indices*
€4	€12	€20	\$5	\$17	[\$20]

*\*Subject to regulatory approval*

The proposed incentive scheme defines a fee rebate based on volumes in order to make it more attractive for new buy side clients to select CDSClear services and/or CDSClear existing clients to clear more by reducing the marginal cost of clearing past pre-defined volumes thresholds as detailed hereinafter and below in Exhibit 5.

### 1. Quarterly Credit Index Option thresholds

Notional cleared (Quarterly)	Fees
From €0 to €2bn	Full published variable fees apply
From over €2bn to €10bn	20% discount on published variable fees <i>(applicable only above €2bn)</i>
Over €10bn	No further fees apply

### 2. Quarterly Credit Index thresholds

Notional cleared (Quarterly)	Fees
From €0 to €30bn	Full published variable fees apply
Over €30bn	No further fees apply

### 3. Quarterly Corporate Single Name Thresholds

Notional cleared (Quarterly)	Fees
From €0 to €4bn	Full published fees variable apply
Over €4bn	No further fees apply

The thresholds apply to quarterly notional cleared and the potential resulting rebate will be applied on the bill for the last month of the quarter.

The first quarterly notionals to be reviewed will be the Q4 2018 ones.

The proposed fee discount scheme will be effective until 31<sup>st</sup> December 2020.

Finally, the proposed incentive scheme will also exempt from clearing fees the registration of clients' positions at CDSClear resulting from the transfer of such positions

from another CCP.

## 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.<sup>6</sup>

LCH SA has determined that the proposed fees are reasonable and appropriate to charge to offer and maintain CDSClear client clearing services.

In particular, LCH SA believes that the volume-based discounts for CDSClear client clearing activities have been set up at an appropriate level given the costs and expenses to LCH SA in providing such services.

LCH SA believes that imposing such clearing fees is consistent with the requirements of Section 17A of the Act<sup>7</sup> 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 Members pay reasonable fees and dues for the services provided by LCH SA, within the meaning of Section 17A(b)(3)(D) of the Act.

### 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.<sup>8</sup> LCH SA does not believe that the proposed rule change would impose any burden on competition.

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<sup>6</sup> 15 U.S.C. 78q-1(b)(3)(D).

<sup>7</sup> 15 U.S.C. 78q-1.

<sup>8</sup> 15 U.S.C. 78q-1(b)(3)(I).

As noted above, LCH SA believes that the fees and related discounts have been set up at an appropriate level given the costs and expenses to LCH SA in offering and maintaining the relevant client clearing services.

Additionally, the fees and related discounts will apply equally to all clients of all clearing members of CDSClear.

Further, LCH SA does not believe that the proposed rule change would have a burden on competition because it does not adversely affect the ability of such Clearing Members or other market participants generally to engage in cleared transactions or to access clearing services.

C. Clearing Agency's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

Written comments relating to the proposed rule change have not been solicited or received. LCH SA will notify the Commission of any written comments received by LCH SA.

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

The foregoing proposed rule change has become effective upon filing pursuant to Section 19(b)(3)(A)<sup>9</sup> of the Act and Rule 19b-4(f)(2)<sup>10</sup> 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

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<sup>9</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>10</sup> 17 CFR 240.19b-4(f)(2).

action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

#### 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 Amendment No. 1, is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>) or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-LCH SA-2018-005 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-2018-005. 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, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filings will also be available for inspection and copying at the principal office of LCH SA and on LCH SA's website at <https://www.lch.com/resources/rules-and-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-2018-005 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.<sup>11</sup>

Eduardo A. Aleman  
Assistant Secretary

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<sup>11</sup> 17 CFR 200.30-3(a)(12).