

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105357; File No. 600-36]

Self-Regulatory Organizations; LCH SA; Notice of an Application for an Exemption Pursuant to Section 36 of the Securities Exchange Act of 1934 Relating to Rule Filing Requirements and Request for Comment

May 4, 2026.

On December 22, 2025, Banque Centrale de Compensation, which conducts business under the name LCH SA (“LCH SA”), filed an application with the Securities and Exchange Commission (“Commission”) to amend exemptive relief granted to it by the Commission on December 29, 2016 (“Request for Exemptive Relief”)¹ pursuant to section 36 of the Securities Exchange Act of 1934 (“Act”),² in accordance with the procedures set forth in Rule 0-12 under the Act.³ As part of the Commission’s 2016 order granting LCH SA’s application for registration as a clearing agency, the Commission granted LCH SA exemptions from certain requirements of the Act and the rules thereunder, including an exemption from section 19(b) of the Act⁴ and Rule 19b-4⁵ thereunder with respect to filing certain proposed rule changes relating to its business

¹ Letter from Nicolas Dot, Chief Compliance Officer, LCH SA, dated December 22, 2025 (“Application”).

² 15 U.S.C. 78mm. Section 36(a)(1) of the Exchange Act gives the Commission the authority to exempt any person, security or transaction or any class or classes of persons, securities or transactions, conditionally or unconditionally, from any Exchange Act provision or any rule or regulation thereunder by rule, regulation or order, to the extent that the exemption is necessary or appropriate in the public interest and consistent with the protection of investors. 15 U.S.C. 78mm(a)(1).

³ 17 CFR 240.0-12. Exchange Act Rule 0-12 sets forth procedures for filing applications for orders for exemptive relief pursuant to section 36. The Application is attached as an Appendix to this notice. Defined terms in this notice are the same as used in the Application, unless we note otherwise.

⁴ 15 U.S.C. 78s(b).

⁵ 17 CFR 240.19b-4.

lines operating outside of the U.S (“Current Exemptive Relief”).⁶ LCH SA’s Request for Exemptive Relief would amend the Current Exemptive Relief as it relates to section 19(b) of the Act⁷ and Rule 19b-4⁸ thereunder relating to LCH SA’s clearing services. The Commission is publishing this notice to provide interested persons with an opportunity to comment.

I. Background

LCH SA is a clearing agency registered with the Commission for the purpose of clearing security-based swaps. LCH SA clears security-based swaps for persons in the U.S. and abroad.⁹ LCH SA clears security-based swaps through its CDSClear business line.¹⁰

In addition to the CDSClear business line, at the time of issuance of the Current Exemptive Relief, LCH SA also offered clearing services for other financial instruments through other business lines. These other business lines operated entirely outside of the U.S., did not have any U.S. persons as Clearing Members, and LCH SA did not seek to offer them to any U.S. persons (“Non-U.S. Business”).¹¹ LCH SA’s Non-U.S. Business included (i) EquityClear for clearing equities, debt instruments, and futures contracts; (ii) CommodityClear for clearing futures and options for agricultural and energy products;

⁶ Order Granting Application for Registration as a Clearing Agency and Request for Exemptive Relief, Exchange Act Release No. 79707 (Dec. 29, 2016), 82 FR 1398, 1412 (Jan. 5, 2017) (File No. 600-36) (“Order”).

⁷ 15 U.S.C. 78s(b).

⁸ 17 CFR 240.19b-4.

⁹ Order, 82 FR at 1398.

¹⁰ *Id.*

¹¹ *Id.* at 1398, 1411.

and (iii) RepoClear for clearing repurchase and cash transactions on Euro-denominated government and supranational debts.¹²

Because LCH SA operated these business lines outside of the U.S. and neither had nor intended to have U.S. persons as Clearing Members, as part of its application for registration as a clearing agency, LCH SA requested, and the Commission granted, the Current Exemptive Relief with respect to the Non-U.S. Business. Specifically, the Current Exemptive Relief exempts LCH SA from filing a proposed rule change under section 19 of the Act¹³ and Rule 19b-4¹⁴ thereunder if the proposed rule change (i) primarily affects LCH SA's clearing operations with respect to its Non-U.S. Business, and (ii) does not significantly affect any CDSClear operations or any rights or obligations of LCH SA with respect to the CDSClear services or persons using such services ("Non-U.S. Business Rule Change").¹⁵ Even if a proposed rule change primarily affects the Non-U.S. Business, the Current Exemptive Relief does not apply if it would significantly affect CDSClear operations, services, or persons using those services. Further, as a condition to the Current Exemptive Relief, LCH SA must provide Commission staff with notice of its Non-U.S. Business Rule Changes within three business days following approval by LCH SA's national competent authorities.¹⁶

¹² *Id.* at 1410 n.188; Application, at 3 n.12.

¹³ 15 U.S.C. 78s(b).

¹⁴ 17 CFR 240.19b-4.

¹⁵ Order, 82 FR at 1414. Pursuant to section 19(b)(1) of the Act, self-regulatory organizations, including registered clearing agencies like LCH SA, are required to file with the Commission copies of any proposed rule, or any addition to or deletion from their existing rules. *See* 15 U.S.C. 78s(b)(1) and 17 CFR 240.19b-4(a)(4) (defining "proposed rule change").

¹⁶ Order, 82 FR at 1412.

Since the issuance of the Current Exemptive Relief, LCH SA has discontinued its EquityClear and CommodityClear services.¹⁷ LCH SA has also added a new Non-U.S. Business, DigitalAssetClear.¹⁸ Because the EquityClear and CommodityClear business lines have both closed, the Non-U.S. Business currently consists of RepoClear and DigitalAssetClear, as well as any future business line that LCH SA operates entirely outside of the U.S. and does not include U.S. persons as Clearing Members.¹⁹ CDSClear is the only service currently offered in the U.S. or to U.S. persons. Thus, as of the date of the Request for Exemptive Relief, LCH SA operates three business lines: (i) CDSClear; (ii) RepoClear; and (iii) DigitalAssetClear.

LCH SA plans to permit U.S. persons to join RepoClear as Clearing Members. In doing so, LCH SA proposes to create a new category for RepoClear, which LCH SA refers to as its “Non-Registrable Business.”²⁰ Because such a change would allow RepoClear to onboard U.S. Clearing Members, RepoClear would no longer be a Non-U.S. Business under the Current Exemptive Relief.

II. Request for Exemptive Relief

LCH SA requests an amendment to the Current Exemptive Relief as it relates to its Non-Registrable Business to provide limited, conditional relief for RepoClear while

¹⁷ Application, at 3 n.10 and 11.

¹⁸ LCH SA will provide clearing services through DigitalAssetClear for cash-settled Bitcoin index futures and options contracts traded on Global Futures and Options Limited, a UK-based digital asset derivatives trading venue. Application, at 3 n.13.

¹⁹ Order, 82 FR at 1398, 1410 n.188.

²⁰ LCH SA notes that the Non-Registrable Business does not include any clearance and settlement services pertaining to any purchase or sale transaction in U.S. Treasury securities or repurchase or reverse repurchase agreement collateralized by U.S. Treasury securities; any other transaction involving U.S. Treasury securities; or any clearance and settlement services pertaining to any securities meeting the definition of “government securities” in section 3(a)(42) of the Act. Application, at 2 n.7.

allowing LCH SA to onboard U.S. Clearing Members to RepoClear. Specifically, LCH SA requests that, for as long as the Non-Registrable Business has U.S. Clearing Members, the Commission allow LCH SA to file with the Commission proposed rule changes related to the Non-Registrable Business pursuant to section 19(b)(3)(A) of the Act²¹ and paragraph (f)(6) of Rule 19b-4 thereunder,²² provided that, consistent with the Current Exemptive Relief, any such proposed rule change (i) primarily affects LCH SA’s clearing operations with respect to the Non-Registrable Business and (ii) does not significantly affect any CDSClear operations or any rights or obligations of LCH SA with respect to the CDSClear services or persons using the CDSClear services (“Non-Registrable Business Rule Change”).²³ LCH SA further proposes that this relief would end following written notice from LCH SA to the Commission that the Non-Registrable Business no longer has any U.S. Clearing Members. After such a notice, all Non-Registrable Business Rule Changes would be treated like Non-U.S. Business Rule Changes under the Current Exemptive Relief.²⁴

LCH SA’s requested relief would have several additional conditions.

- LCH SA’s obligation to file with the Commission the Non-Registrable Business Rule Changes would begin on the effective date that the first

²¹ 15 U.S.C. 78s(b)(3)(a).

²² 17 CFR 240.19b-4(f)(6).

²³ Under the requested relief, the Commission would designate that Non-Registrable Business Rule Changes may become effective under Rule 19b-4(f)(6) earlier than 30 days after the date of the filing, but not sooner than the date of filing, and LCH SA may file Non-Registrable Business Rule Changes even if LCH SA has not given the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing the proposed rule change. Application, at 13 n.47.

²⁴ Application, at 4.

U.S. Clearing Member is admitted as a member of the Non-Registrable Business.

- LCH SA will continue to comply with the terms of the Current Exemptive Relief in respect of the Non-U.S. Business (including DigitalAssetClear) by providing notice to Commission staff of its Non-U.S. Business Rule Changes within three (3) business days of such rules taking effect pursuant to the requirements of the European Market Infrastructure Regulation or LCH SA's national competent authorities.
- LCH SA must provide prompt written notice to the Commission in the event that the Non-Registrable Business onboards U.S. Clearing Members or ceases to have U.S. Clearing Members.
- LCH SA must continue to file Non-Registrable Business Rule Changes, and otherwise comply with the terms of the requested relief until LCH SA has, with respect to the Non-Registrable Business, closed all transactions and positions involving U.S. Clearing Members and their clients; completed final settlement of amounts owed to or from U.S. Clearing Members and their clients; returned any collateral, margin, or other property of U.S. Clearing Members and their clients; and provided prompt written notice to the Commission when these conditions are satisfied.
- If LCH SA is no longer required to file Non-Registrable Business Rule Changes because LCH SA no longer has U.S. Clearing Members in the Non-Registrable Business and has otherwise met the above-described conditions, LCH SA may not again onboard U.S. Clearing Members to the

Non-Registrable Business without first receiving approval from the Commission.

- Finally, in connection with the statutory and rule provisions discussed throughout the Application, from which exemptive relief is requested, LCH SA represents that, as a condition of such relief, LCH SA shall continue to implement policies and procedures designed to ensure compliance with the terms and conditions described in the Application, and to conduct periodic internal risk-based reviews related to its compliance program.²⁵

The Request for Exemptive Relief would not alter the treatment of either CDSClear or the Non-U.S Business under the Current Exemptive Relief.²⁶ For CDSClear, LCH SA would, as now, file with the Commission proposed rule changes pursuant to section 19(b) of the Act and Rule 19b-4 thereunder. For the Non-U.S. Business (i.e., DigitalAssetClear), LCH SA would, as now, be exempt from filing proposed rule changes that primarily affect its clearing operations with respect to its Non-U.S. Business, and do not significantly affect any CDSClear operations or any rights or obligations of LCH SA with respect to the CDSClear services or persons using such services, subject to the conditions set out in the Current Exemptive Relief.²⁷

III. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the Request for Exemptive Relief, including whether the Request for

²⁵ Application, at 12-13.

²⁶ Application, at 5.

²⁷ Order, 82 FR at 1410.

Exemptive Relief should be granted. In particular, the Commission solicits comments on the following questions:

1. Do commenters agree that the Commission should grant the Request for Exemptive Relief subject to the conditions described in the Application?
2. Should the Commission add any additional conditions to the requested relief, such as a limit on the overall number of U.S Clearing Members that can join the Non-Registrable Business or a limit on the amount of activity by U.S. Clearing Members in the Non-Registrable Business? If so, please describe what those conditions should be and why. For conditions specific to a membership or activity limit threshold, please describe what the threshold should be and why that threshold would be appropriate. Would the requested relief impact how market participants structure their transactions or access central clearing? If so, please describe the impact and provide any information or data to support this position.
3. Would the requested relief impact competition between different clearing agencies or different types of participants in clearing agencies? If so, please describe the impact on competition, as well as any potential mechanism to address that impact and the potential effects thereof.
4. Would the requested relief have any impact on existing U.S regulatory requirements, other than those identified in the Application or otherwise identified above? Please explain.

5. Would the requested relief have any impact on U.S. Clearing Members that join the Non-Registrable Business, or any other U.S. persons, such as clients of these U.S. Clearing Members? Please explain.
6. Please describe how the requested relief would or would not protect investors and the public interest as required by Sections 17A and 36 of the Exchange Act.
7. Please describe how the requested relief would or would not help to facilitate the prompt and accurate clearance and settlement of securities transactions as well as the safeguarding of securities and funds as required by section 17A of the Exchange Act.

Comments should be received on or before [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]. 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/exchange-act-exemptive-notice-orders>); or
- Send an e-mail to rule-comments@sec.gov. Please include file number 600-36 on the subject line.

Paper Comments:

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

All submissions should refer to file number 600-36. 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-regulations/exchange-act-exemptive-notice-orders>). 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.

For further information, you may contact Jeffrey Mooney, Associate Director; Moshe Rothman, Assistant Director; Kevin Schopp, Senior Special Counsel; or Joseph Tabler, Special Counsel, Office of Clearance and Settlement, Division of Trading and Markets, at (202) 551-5500, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

By the Commission.

J. Matthew DeLesDernier,

Deputy Secretary.

Appendix: LCH SA's Application



By Electronic Mail

December 22, 2025

Ms. Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: LCH SA Request for Amendment to Exemptive Relief

Dear Ms. Countryman:

Banque Centrale de Compensation, doing business as LCH SA (“**LCH SA**”), is a clearing organization located in Paris, France that provides clearing services for over-the-counter (“**OTC**”) derivatives and exchange-traded futures and options as well as fixed income instruments.¹ On December 29, 2016, LCH SA was registered with the Securities and Exchange Commission (the “**Commission**”) as a clearing agency pursuant to Section 17A of the Securities Exchange Act of 1934, as amended (“**Exchange Act**”), in order to provide clearing members in the United States with access to its CDSClear services in respect of single-name credit default swaps (“**Single-Name CDS**”).² On July 30, 2021, the Commission approved LCH SA’s proposed rule change to permit U.S. customer clearing of Single-Name CDS.³ Concurrent with its registration as a clearing agency, LCH SA requested, and was granted, relief from certain Exchange Act requirements applicable to registered clearing agencies (“**Prior Exemptive Order**”).⁴

The Prior Exemptive Order was issued on the basis of the facts presented in the Prior Request for Relief and is subject to certain terms and conditions.⁵ The relief requested herein is intended to update the Prior Exemptive Order to reflect certain proposed changes to LCH SA’s non-CDSClear clearing services.

¹ LCH SA is also authorized as a central counterparty (“**CCP**”) to provide clearing services in the European Union (“**EU**”) pursuant to 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 (“**EMIR**”).

² See LCH SA; Order Granting Application for Registration as a Clearing Agency and Request for Exemptive Relief, 82 Fed. Reg. 1398 (January 5, 2017) (“**Registration Order**”). LCH has also registered with the Commodity Futures Trading Commission (“**CFTC**”) as a derivatives clearing organization (“**DCO**”) in order to provide its CDSClear services in respect of broad-based index CDS to clearing members in the United States and their cleared swaps customers.

³ See LCH SA; Order Approving Proposed Rule Change Relating to the Clearing of Single-Name Credit Default Swaps by U.S. Customers, 86 Fed. Reg. 41115 (July 30, 2021).

⁴ See footnote 2, *supra*. See also Letter from Christophe Hémon, CEO, LCH SA, to Brent J. Fields, Secretary, Securities and Exchange Commission (August 9, 2016) (“**Prior Request for Relief**”).

⁵ The Prior Exemptive Order was issued pursuant to the Commission’s general exemptive authority under Section 36 of the Exchange Act.



1. RELIEF REQUESTED

For the reasons set out in Section 2 below, and subject to the conditions set out in Section 3 below, LCH SA requests that the Commission exercise its authority under Section 36 of the Exchange Act to amend the sections of the Prior Exemptive Order addressing Section 19(b) of the Exchange Act and Exchange Act Rules 19b-4 and 17a-22 (together, the “**Prior Rule Filing Relief**”) as follows:

- to allow LCH SA’s proposed rule changes to take, or to be put into, effect pursuant to Section 19(b)(3)(A) of the Act and paragraph (f) of Rule 19b-4 thereunder⁶ that (i) primarily affect LCH SA’s clearing operations with respect to the Non-Registrable Business⁷ and (ii) do not significantly affect any CDSClear operations or any rights or obligations of LCH SA with respect to the CDSClear services or persons using the CDSClear services; and
- to exempt LCH SA from certain requirements of Exchange Act Rule 17a-22 with respect to the Non-Registrable Business and further to permit LCH SA to file materials with the Commission electronically;

in each case for so long as the Non-Registrable Business has one or more U.S. Clearing Members (as defined herein).

Notwithstanding the effectiveness of the relief requested herein, LCH SA will continue to file proposed rule changes that significantly affect the CDSClear service even where such changes primarily affect the Non-Registrable Business or the Non-U.S. Business. In addition, LCH SA will also continue to file all other rule changes, including changes of general applicability as well as changes to LCH SA’s articles, bylaws or constitution.

Finally, for the avoidance of doubt, the relief requested herein applies only in respect of the Non-Registrable Business. LCH SA would continue to comply with the terms of the Prior Rule Filing Relief in respect of the Non-U.S. Business.

The relief requested herein in respect of the Non-Registrable Business would take effect on the date of the Commission’s order and would cease from such time as LCH SA provides the Commission with written notice that the Non-Registrable Business no longer has any U.S. Clearing Members.⁸

⁶ See 15 U.S.C. § 78s(b)(3)(A) and 17 CFR 240.19b-4(f). These provisions permit a proposed rule change to take effect upon filing with the Commission if designated by the self-regulatory organization as (i) constituting a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the self-regulatory organization, (ii) establishing or changing a due, fee, or other charge imposed by the self-regulatory organization on any person, whether or not the person is a member of the self-regulatory organization, or (iii) concerned solely with the administration of the self-regulatory organization.

⁷ As used herein, the term “**Non-Registrable Business**” refers to LCH SA’s RepoClear service, described in greater detail in footnote 12, *infra*. For the avoidance of doubt, the Non-Registrable Business does not include any clearance and settlement services pertaining to any purchase or sale transaction in U.S. Treasury securities or repurchase or reverse repurchase agreement collateralized by U.S. Treasury securities; any other transaction involving U.S. Treasury securities; or any clearance and settlement services pertaining to any securities meeting the definition of “government securities” in Section 3(a)(42) of the Exchange Act.

⁸ For the avoidance of doubt, following the cessation of the relief requested herein, the Non-Registrable Business would once again constitute a Non-U.S. Business subject to the terms of the Prior Rule Filing Relief.



2. DISCUSSION

2.1 Prior Rule Filing Relief

In the Prior Request for Relief, LCH SA noted the Commission’s longstanding policy that a non-U.S. clearing organization will only trigger clearing agency registration requirements under the Exchange Act where such non-U.S. clearing organization provides clearance and settlement services: (1) for U.S. securities; (2) directly to U.S. persons.⁹ Notably, both factors – U.S. securities and U.S. persons – must be met for clearing agency registration requirements to apply.

At the time of the Prior Request for Relief, LCH SA’s non-CDSClear clearing services (EquityClear,¹⁰ CommodityClear,¹¹ and RepoClear¹²) had no clearing members located in the United States (such members, “**U.S. Clearing Members**” and such services, “**Non-U.S. Business**”).¹³ As the Non-U.S. Business had no U.S. Clearing Members and did not clear any U.S. securities by or through any U.S. Clearing Members, the provision of such clearing services fell outside the scope of clearing agency registration requirements under the Exchange Act. The absence of such registration

⁹ See Exchange Act Release Nos. 43775 (Dec. 28, 2000), 66 Fed. Reg. 819 (order exempting Euroclear Bank from clearing agency registration) and 39643 (Feb. 18, 1998), 63 Fed. Reg. 8232 (order exempting Euroclear Bank’s predecessor, Morgan Guaranty Trust Company, as operator of the Euroclear system, from clearing agency registration); Exchange Act Release No. 38328 (Feb. 24, 1997), 62 FR 9225 (order exempting Clearstream Bank, formerly Cedel Bank, from clearing agency registration); and Exemption of Certain Foreign Brokers or Dealers, Proposed Rule, 73 Fed. Reg. 39182, 39198 (July 8, 2008) (“Previously, the [SEC] has required foreign clearing organizations to obtain an exemption from clearing agency registration only when the foreign clearing organization provides clearance and settlement services for U.S. securities directly to U.S. entities”).

¹⁰ EquityClear refers to LCH SA’s former clearing services in respect of equities, debt instruments and futures contracts traded on the Euronext, Equiduct, Bourse de Luxembourg and Turquoise trading platforms among other trading venues located in Europe and the United Kingdom.

¹¹ CommodityClear refers to LCH SA’s former clearing services in respect of futures and options for agricultural and energy products listed for trading on Euronext.

¹² RepoClear refers to LCH SA’s clearing services in respect of repo and cash transactions on Euro-denominated government and supranational debts across 13 markets (France, Italy, Spain, Germany, Belgium, Austria, Finland, Ireland, The Netherlands, Portugal, Slovakia, Slovenia and Supranational), as well as a basket collateral service through the €GCPlus clearing service (see <https://www.lch.com/services/repoclear/repoclear-sa/what-we-clear>).

Trades are effected in the Repo market through both direct, voice broker transactions or screen trading. LCH SA accepts trades from all sources. Direct or broker transactions are fed into an independent matching system, called “ETCMS-Euroclear trade capture and matching system”. Once the transaction is matched and validated to confirm that is within the parameters of the RepoClear service, it is registered into the system.

Automated Trading System (ATS) trades are registered with RepoClear when they are “agreed on the screen”. The trades’ details are sent automatically to LCH SA for straight through processing. LCH SA will record both Repo and Cash Bond trades that are transacted on an ATS on a novation basis once the terms of the trades are confirmed by RepoClear.

The list of RepoClear’s trading partners is available at: <https://www.lch.com/services/repoclear/repoclear-sa>. The list of RepoClear clearing members is available at: <https://www.lseg.com/en/post-trade/clearing/membership/member-search>

¹³ LCH SA notified the Commission on April 8, 2024 of the approvals granted by the relevant European and French authorities on April 4, 2024 that permit LCH SA to clear cash-settled Bitcoin index futures and options contracts through its DigitalAssetClear service (“**DCL**”), which has been treated as an additional Non-US Business for purposes of the Prior Rule Filing relief. LCH SA will provide clearing services through DCL for cash-settled Bitcoin index futures and options contracts traded on Global Futures and Options Limited (“**GFO-X**”), a UK-based digital asset derivatives trading venue. GFO-X is authorized by the UK Financial Conduct Authority to operate a multilateral trading facility.



requirements, and the correspondingly more limited regulatory interest of the Commission in such services, formed the basis of the Prior Rule Filing Relief.

LCH SA now proposes to permit its Non-Registrable Business to onboard U.S. Clearing Members to clear non-U.S. securities¹⁴ subject to approval by its home regulators.¹⁵ Accordingly, absent LCH SA's status as a registered clearing agency for the CDSClear service, the onboarding of U.S. Clearing Members in respect of the Non-Registrable Business would not be sufficient to require LCH SA to register as a clearing agency or to comply with the associated rule filing requirements of Section 19(b)(4) of the Exchange Act and Rule 19b-4 thereunder.¹⁶

The Prior Rule Filing Relief was granted based on the Commission's recognition that the Non-U.S. Business had a limited nexus to the United States – demonstrated by the fact that the Non-U.S. Business would not, by itself, subject LCH SA to clearing agency registration requirements – and that the Commission's regulatory interests would be satisfied even if LCH SA filed only a subset of its proposed rule changes affecting the CDSClear service or participants using it.

The separation of the Non-U.S. Business into the Non-Registrable Business and the Non-U.S. Business does not materially alter the limited nexus of LCH SA's non-CDSClear services to the United States, because neither the Non-Registrable Business nor the Non-U.S. Business would, by themselves, subject LCH SA to clearing agency registration requirements. Therefore, there is no basis to rescind or limit the Prior Rule Filing Relief granted to LCH SA as a result of the separation of the Non-U.S. Business into the Non-Registrable Business and the Non-U.S. Business.

Accordingly, for as long as the Non-Registrable Business has U.S. Clearing Members, LCH SA requests that the Commission allows LCH SA's proposed rule changes related to the Non-Registrable Business to take, or to be put into, effect pursuant to Section 19(b)(3)(A) of the Exchange Act and paragraph (f) of Rule 19b-4 thereunder that (i) primarily affect LCH SA's clearing operations with respect to the Non-Registrable Business and (ii) do not significantly affect any CDSClear operations or any rights or obligations of LCH SA with respect to the CDSClear services or persons using the CDSClear services (each, a "**Non-Registrable Business Rule Change**").

Such relief in respect of Non-Registrable Business Rule Changes would cease following written notice from LCH SA to the Commission that the Non-Registrable Business no longer had any U.S. Clearing Members, following which all such rule changes would be treated as Non-U.S. Business Rule Changes subject to the terms of the Prior Rule Filing Relief.

2.2 Amending the Prior Rule Filing Relief to Allow the Non-Registrable Business Rule Changes to be Filed Pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4

¹⁴ Non-U.S. securities include the securities that LCH SA offers for clearing through its RepoClear service, such as foreign securities, *i.e.*, government debt and supranational securities issued by foreign governments and foreign supranational organizations that trade principally in their home markets and/or internationally, and standardized baskets of ECB eligible collateral debt securities.

¹⁵ In accordance with the provisions of articles L. 440-2 of the French monetary and financial code and 541-16 of the General Regulations of the *Autorité des Marchés Financiers* ("**AMF**"), the prior approval of the AMF is required for any onboarding of a member based outside the European Economic Area.

¹⁶ See footnote 6, *supra*, and associated text.



The factors supporting the Prior Rule Filing Relief in respect of the Non-U.S. Business and Non-U.S. Business Rule Changes are equally applicable to the Non-Registrable Business and Non-Registrable Business Rule Changes. Specifically, amending the Prior Rule Filing Relief to cover Non-Registrable Business Rule Changes would not interfere with: (1) LCH SA's obligation to file all rule changes that significantly affect the CDSClear service; (2) the Commission's ability to exercise regulatory oversight of the CDSClear service; (3) the Commission's entity-wide supervision of LCH SA; and (4) the Commission's policy statement regarding CCPs authorized under EMIR.

Amending the Prior Rule Filing Relief to cover the Non-Registrable Business would also accord with the Commission's stated approach to considering exemptions from Exchange Act requirements requested by EMIR-authorized CCPs.¹⁷

2.2.1 LCH SA Will Continue to File All Rule Changes that "Significantly Affect" the CDSClear Service

In accordance with the Prior Rule Filing Relief, LCH SA is required to file all rule changes with the Commission except for those that "primarily affect" its Non-U.S. Business. This "primarily affects" threshold derives from Exchange Act Rule 19b-4(f)(4)(ii), which facilitates the Commission's approach to rule filing requirements applicable to registered clearing agencies that are also CFTC-registered DCOs.¹⁸

In the Dually-Registered Clearing Agency Release, the Commission stated that a proposed rule change "primarily affects" a clearing agency's clearing operation with respect to products that are not securities "when it is targeted to matters related only to the clearing of those products".¹⁹ In the Prior Request for Relief, LCH SA stated that the same approach should apply to a non-U.S. clearing organization in respect of the activities that fall outside clearing agency registration requirements. The Commission agreed and therefore the Prior Rule Filing Relief applies where LCH SA proposes a rule change that "is targeted to matters related only to" such activities.

Because the Non-Registrable Business currently falls outside of clearing agency registration requirements, the separation of the Non-U.S. Business into the Non-Registrable Business and the Non-U.S. Business will not alter the scope of the proposed rule changes that LCH SA must file. Only those rule changes that "primarily affect" its Non-Registrable Business will qualify for purposes of the relief requested herein, whereas only changes that "primarily affect" the Non-U.S. Business will qualify for the Prior Rule Filing Relief.

¹⁷ See Statement on Central Counterparties Authorized Under the European Markets Infrastructure Regulation Seeking to Register as a Clearing Agency or To Request Exemptions From Certain Requirements Under the Securities Exchange Act of 1934, 85 Fed. Reg. 76635 (November 30, 2020) ("**Policy Statement**").

¹⁸ See Amendment to Rule Filing Requirements for Dually-Registered Clearing Agencies, 78 Fed. Reg. 21046, 21050 (April 9, 2013) ("**Dually-Registered Clearing Agency Release**"). The "primarily affects" threshold derives from Exchange Act Rule 19b-4(f)(ii), which facilitates rule filings by registered clearing agencies that are also CFTC-registered DCOs. Such dual-registrants are not subject to the ordinary rule filing requirements under Section 19(b) of the Exchange Act where the rule change "primarily affects" its commodity interest clearing activities regulated by the CFTC.

¹⁹ *Id.*



LCH SA will continue to file any rule change that “significantly affects”²⁰ the CDSClear service even where such changes primarily affect the Non-Registrable Business, the Non-U.S. Business, or both. LCH SA will also continue to file all other rule changes, including, in particular: (1) rule changes of general applicability that apply equally to CDSClear service or clearing members as well as to the Non-U.S. Business and Non-Registrable Business; and (2) changes to LCH SA’s articles, bylaws or constitution.

2.2.2 Filing Non-Registrable Business Rule Changes Will Not Serve the Commission’s Regulatory Interest

The CDSClear service remains a segregated “silo” that sits separate and apart from the Non-U.S. Business. Thus, any proposed Non-U.S. Business or Non-Registrable Business Rule Changes, which by definition primarily affect the Non-U.S. Business or the Non-Registrable Business, likely will not significantly affect the operations of the CDSClear service or any rights or obligations of LCH SA with respect to CDSClear or participants thereof. The separation of the CDSClear service from the Non-U.S. Business and Non-Registrable Business continues to rely on the three following elements: (1) separate rules, including policies and procedures; (2) separate financial safeguards and default arrangements; and (3) dedicated personnel and information technology (“IT”) resources.

These arrangements, briefly summarized below, will remain in place and therefore the Non-U.S. Business and Non-Registrable Business will be as segregated from the CDSClear services as the Non-U.S. Business is currently. This ongoing segregation should similarly limit the Commission’s regulatory interest in Non-Registrable Business Rule Changes to the same extent as is currently the case for Non-U.S. Business Rule Changes.

(a) CDSClear Rules

LCH SA retains a separate set of clearing rules that has been specifically designed for CDSClear and is not applicable to the Non-U.S. Business and Non-Registrable Business.²¹ The contractual, legal and procedural arrangements are entirely different between CDSClear and the Non-U.S. Business and Non-Registrable Business, and any candidate for membership of CDSClear must meet the specific CDSClear membership criteria regardless of its membership status in respect of the Non-U.S. Business and Non-Registrable Business.

(b) CDSClear Financial Safeguards and Default Arrangements

LCH SA continues to maintain a margin methodology and risk management framework for CDSClear that is wholly separate and apart from the framework applicable to the Non-Registrable Business and Non-U.S. Business. The CDSClear service has its own risk methodology and risk calculation systems

²⁰ *Id.*

²¹ In particular, LCH SA has adopted: a CDS Clearing Rule Book to govern the CDSClear service; a New York-law governed set of FCM/BD CDS Clearing Regulations; an English-law governed CDS Clearing Supplement; nine separate sections of CDS Clearing Procedures; and a CDS Admission Agreement. LCH SA’s CDS Clearing Rule Book is available at https://www.lch.com/system/files/media_root/CDSClear_Rule_Book_26.09.2023.pdf.



and does not rely on any of the services provided by the Non-U.S. Business and Non-Registrable Business.²²

LCH SA maintains separate default arrangements for CDSClear, including a default management process and a dedicated default management group comprised of representatives of CDS clearing members and chaired by the CDSClear Head of Risk.²³

Finally, LCH SA maintains a specific CDS Default Fund to support the CDSClear service.²⁴ The CDS Default Fund is maintained separately from the default funds supporting the other services forming part of the Non-U.S. Business and Non-Registrable Business, and contributions of non-defaulting CDS clearing members to the CDS Default Fund cannot be used to manage the default of a clearing member in a service forming part of the Non-U.S. Business and Non-Registrable Business.²⁵

LCH SA has also allocated a limited amount of “skin in the game” to the default waterfall, and the remainder of LCH SA’s capital is not at risk in the event of excess losses in a given clearing service.²⁶ These arrangements serve to prevent any risk mutualization between CDSClear (and its clearing members) and the other services forming part of the Non-U.S. Business and Non-Registrable Business (and their clearing members).

(c) CDSClear Dedicated Personnel & IT Resources

LCH SA has established dedicated personnel resources for CDSClear, including front-line risk management, operations processing, client services, product design and IT development/testing. These teams are located either in Paris or in London and are fully dedicated to CDSClear and do not provide support to the other services forming part of the Non-Registrable Business or the Non-U.S.

²² In addition, there is no cross-margining in place between CDS products and any other instruments cleared by other clearing services of LCH SA, ensuring that there can be no mutualization of risk between CDSClear products and the products cleared through the other services provided by the Non-U.S. Business and Non-Registrable Business.

²³ LCH SA has also created a “CDS Default Management Committee” with ongoing oversight and review powers in respect of the CDS DMP.

²⁴ See Title IV, Chapter 4 (CDS Default Fund) of the CDS Clearing Rule Book.

²⁵ In the event of the default of a clearing member that participates in CDSClear as well as one or more services belonging to the Non-Registrable Business or the Non-U.S. Business, LCH SA will run parallel default management plans in respect of each service. The defaulting clearing member’s margin and default fund contributions to each clearing service can be used to manage the clearing member’s default. The defaulting clearing member’s margin and default fund contributions to each clearing service will be used initially to meet only the defaulting clearing member’s obligations in the relevant clearing service. That is, the defaulting clearing member’s default fund contributions in one service, *e.g.*, the CDSClear service, may be used to meet the defaulting clearing member’s obligations in another service, *e.g.*, the RepoClear service, only after the clearing member’s obligations to the first service have been met in full.

Although the default fund contributions of non-defaulting clearing members in one service, *e.g.*, the CDSClear service, may be used to meet the obligations of a defaulting clearing member in that service, LCH SA is prohibited from using the contributions of non-defaulting clearing members to a given default fund to satisfy losses arising in respect of a clearing service supported by a separate default fund, *e.g.*, the RepoClear service.

²⁶ This “skin in the game” is referred to in the CDS Clearing Rule Book as the “LCH SA Contribution” and is limited to €20 million. See Section 1.1.1 (“Terms defined in the CDS Clearing Rule Book”) and Article 4.3.3.1 (“Recourse following event of default”) of the CDS Clearing Rule Book.



Business.²⁷ Accordingly, none of the other services forming part of the Non-U.S. Business or Non-Registrable Business are able to impact the operations of the CDSClear service.

CDSClear also maintains a segregated set of IT systems that prevents CDS products from being cleared through LCH SA's other clearing systems, and vice versa. Accordingly, the positions registered and maintained in the CDSClear systems remain completely isolated from the Non-Registrable Business and the Non-U.S. Business.²⁸

In sum, CDSClear's rules, financial resources, default management and IT operations will remain completely separate from the Non-Registrable Business and the Non-U.S. Business, as is currently the case for the Non-U.S. Business. Accordingly, there will be no possibility of risk contagion or mutualization across different services or product lines as a result of the separation of the Non-U.S. Business into the Non-Registrable Business and the Non-U.S. Business. Given the separation of the CDSClear service and the Non-Registrable Business, requiring LCH SA to file Non-Registrable Business Rule Changes would not serve a substantial regulatory interest of the Commission and would not only impose a significant burden on LCH SA but also would have a direct impact on the competitive landscape amongst European CCPs.²⁹

2.2.3 *The Commission Will Continue to Exercise Entity-Wide Oversight Over LCH SA*

The Prior Rule Filing Relief does not exempt LCH SA from filing rule changes that relate to those internal functions that are shared across the CDSClear service and the Non-U.S. Business ("**Shared Support Functions**"), such as LCH SA's overall governance and risk management framework.³⁰ Other Shared Support Functions include Second-Line Risk Management, Treasury and Liquidity Management, Legal and Compliance, Systems Safeguards, Security, Business Continuity, Internal Audit, Finance and Human Resources.

Pursuant to the Prior Rule Filing Relief, where a proposed rule change to the Shared Support Functions applies equally to CDSClear operations and the Non-U.S. Business, such rule change is not treated as primarily affecting the Non-U.S. Business and must be filed with the Commission.³¹ Moreover, LCH SA is also required to file all rule changes that, even if *prima facie* limited to the Non-U.S. Business, nevertheless have a significant effect on the CDSClear service or any rights or obligations of LCH SA with respect to the CDSClear services or participants thereof.

²⁷ The sole exception to this statement relates to LCH SA's head of operations, who is responsible for CDSClear's operations as well as the operations of the RepoClear Business.

²⁸ Certain non-product specific IT resources are shared between CDSClear and the Non-U.S. Business, including common use of data centers (including disaster recovery centers); internal network; the clearing member portal; certain middleware; and treasury/liquidity management systems.

²⁹ Section 2.5, *infra*, addresses the potential impact filing Non-Registrable Business Rule Changes would have on LCH SA.

³⁰ LCH SA's board of directors ("**Board**") maintains overall responsibility for risk management of all clearing services; subcommittees of the Board, including the Audit Committee, Risk Committee, Operational Resilience Committee, Nomination Committee and Remuneration Committee, exercise their functions across clearing services.

³¹ This is consistent with the Commission's approach taken in the Dually-Registered Clearing Agency Release, where the Commission states that "rules of general applicability that would apply equally to securities clearing operations, including security-based swaps, would not be considered to primarily affect a Registered Clearing Agency's non-securities clearing operations". See 78 Fed. Reg. at 21050.



The separation of the Non-U.S. Business into the Non-Registrable Business and the Non-U.S. Business will not change the circumstances in which LCH SA must file rule changes in connection with the Shared Support Functions. Accordingly, the Commission's present ability to exercise entity-wide oversight of LCH SA as a registered clearing agency will not be affected by the transition.

2.2.4 The Requested Relief Would Be Consistent with the Policy Statement

Granting the request to amend the Prior Exemptive Relief would also be consistent with the factors for granting exemptions set out in the Policy Statement. In fact, the Commission noted in the Policy Statement that it approved LCH SA's prior requests for exemptive relief based on factors similar to those set out in the Policy Statement.³² It should therefore follow that the current request to amend the existing relief – which for the reasons set out earlier in this section does not materially change the basis on which such relief was originally granted – would similarly satisfy the relevant factors.

Nevertheless, set out below are brief assessments addressing the several factors from the Policy Statement that are most relevant to this request.

(a) Nature of Clearing Activities

The Non-Registrable Business would not, by itself, subject LCH SA to clearing agency registration requirements since clearing activities would be limited to non-U.S. securities as part of the Non-Registrable Business. Non-U.S. securities currently cleared include repurchase transactions comprising highly liquid foreign sovereign, agencies and supranational debt, and standardized baskets of ECB eligible collateral debt securities. Similar to U.S. Treasuries and agency securities, foreign sovereign and supranational debt is used by Clearing Members to manage daily credit and liquidity risk and is currently acceptable as initial margin collateral at other CCPs.³³

The Commission has previously highlighted the desirability of transacting in U.S. government and agency securities to reduce credit and liquidity risks of international transactions.³⁴ Likewise, the Commission should find the activities of the Non-Registrable Business equally desirable given the similarity in credit and liquidity characteristics. Because the Non-Registrable Business is not subject to clearing agency registration requirements and clearing activities involve highly liquid securities used by Clearing Members to reduce credit and liquidity risks, the Commission should find the relief requested consistent with the public interest, the protection of investors, and the purposes of Section

³² See Policy Statement at 76640.

³³ For example, for its Base Guaranty Fund, CME Group allows Clearing Members to pledge as collateral for initial margin foreign sovereign debt from Australia, Canada, France, Germany, Japan, Mexico, Singapore, Sweden and the United Kingdom. See CME Group Acceptable Performance Bond Collateral for Base Guaranty Fund Products, available at: <https://www.cmegroup.com/clearing/financial-and-collateral-management/files/acceptable-collateral-futures-options-select-forwards.pdf>.

³⁴ See Self-Regulatory Organizations; Morgan Guaranty Trust Company of New York, Brussels Office, as Operator of the Euroclear System; Order Approving Application for Exemption From Registration as a Clearing Agency, 63 Fed. Reg. at 8239. See also Self-Regulatory Organizations; Cedel Bank; Order Approving Application for Exemption From Registration as a Clearing Agency, 62 Fed. Reg. at 9231 (In granting an exemption for clearing agency registration to Cedel, the Commission noted in its Order the "very liquid" nature of U.S. government securities).



17A, including the prompt and accurate clearance and settlement of securities transactions and the safeguarding of securities and funds under Section 17A(b)(1) of the Exchange Act.³⁵

(b) Comparable Home Country Requirements

As an authorized CCP under EMIR, LCH SA is subject to comprehensive supervision and oversight by European and national competent authorities (“NCAs”), including in respect of rule changes.

Primary responsibility for the supervision and oversight of LCH SA as an authorized CCP falls to the three relevant NCAs in France: the *Autorité de Contrôle Prudentiel et de Résolution* (“ACPR”), the *Banque de France* (“BDF”) and the AMF. LCH SA is registered as a credit institution and as such is directly regulated by the ACPR and indirectly supervised by the European Central Bank. EMIR also provides that an authorized CCP such as LCH SA is subject to supervision and oversight by a “college” of relevant NCAs as well as the European Securities and Markets Authority (“ESMA”) (“EMIR College”).

The ACPR, the AMF, the BDF and the EMIR College share responsibility for approving proposed rule changes made by LCH SA.³⁶ Specifically, pursuant to the provisions of Articles L. 440-1 and L. 621-7 of the French Monetary and Financial Code (*Code monétaire et financier*) and Articles 541-1 et seq. of the General Regulations (*Règlement général*) of the AMF applicable to CCPs, all changes to LCH SA’s operating rules must be authorized by the AMF through an approval or non-objection process. When a proposed change either requires an extension of the CCP’s initial authorization under Article 15 of EMIR or involves significant changes to the CCP’s models and parameters under Article 49 of EMIR, approval by the ACPR and EMIR College is required according to the appropriate procedure under the new EMIR 3.0 framework (standard or accelerated).³⁷ Any other proposed changes outside the scope or triggers of Article 15 or 49 of EMIR require a non-objection from, or notification to, the NCAs.³⁸

As part of the Prior Rule Filing Relief, LCH SA is also required to provide notice to Commission staff of its Non-U.S. Business Rule Changes within three business days of such rules taking effect pursuant to the requirements of the national competent authorities.³⁹

³⁵ 15 U.S.C. 78q-1(b)(1).

³⁶ These requirements apply in respect of proposed changes to LCH SA’s “operating rules”, which include, in respect of the CDS Clear service, the CDS Clearing Rulebook, the FCM/BD CDS Clearing Regulations, the CDS Clearing Supplement, the Procedures and all relevant Notices.

³⁷ Similarly, Eurex Clearing, an authorized CCP under EMIR for the clearance and settlement of repo transactions involving non-U.S. securities, among other products offered for clearing, is subject to comprehensive supervision and oversight by an EMIR college that includes the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* (“BaFin”). As such, Eurex Clearing is subject to a high level of oversight and supervisory involvement in adopting proposed rule changes through this comparable regulatory framework.

³⁸ See Final Report, Regulatory technical standards on conditions under which additional services or activities to which a CCP wishes to extend its business are not covered by the initial authorisation and conditions under which changes to the CCP’s models and parameters are significant, and the procedures for consulting the college on whether or not those conditions are met (Articles 15(3) and 49(5) EMIR), ESMA70-151-3373 (March 31, 2021).

³⁹ See, e.g., footnote 13, *supra*, for more information on the notification made by LCH SA to the Commission regarding the new DCL service.



These arrangements ensure that there is a high level of oversight and supervisory involvement in adopting proposed rule changes by LCH SA, as specified in the Policy Statement. Given also the strictly limited U.S. nexus of the Non-Registrable Business and the Non-U.S. Business, it would be appropriate for the Commission to conclude that such oversight is sufficient to satisfy any regulatory interest it may have in proposed rule changes other than Non-Registrable Business and Non-U.S. Business Rule Changes.

(c) Cooperation Arrangements

Any residual regulatory interest the Commission may have in respect of the Non-Registrable Business and the Non-U.S. Business should be adequately satisfied pursuant to the extensive cooperation arrangements in place between the Commission and LCH SA's supervisory authorities. For example, the Commission and ESMA have entered into a Memorandum of Understanding Concerning Consultation, Cooperation and the Exchange of Information Related to the Supervision of Cross-Border Regulated Entities.⁴⁰ Moreover, the Commission and the AMF are both signatories to the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information ("MMoU").⁴¹ In addition, the Commission, the AMF and the ACPR have established specific arrangements for consultation and cooperation, including in relation to information sharing, in the supervision of LCH SA as a clearing agency registered under the Exchange Act.⁴²

Most importantly, the Commission participates in the so-called "Crisis Management Group on LCH SA" ("CMG"), which comprises all of the U.S. and European regulators with supervisory authority over LCH SA, including ESMA, the ACPR, BDF and the AMF.⁴³ The CMG's role is to provide a permanent, and structurally flexible, forum for cooperation and coordination among the participating authorities. The purpose of such cooperation and coordination is to ensure close, ongoing supervisory oversight of LCH SA with a view to preparing for, and facilitating, LCH SA's resolution in the event of its failure.

As a participant in the CMG, the Commission will be made aware of any major risks to LCH SA emanating from activities in its Non-U.S. Business, and the Commission will be involved in addressing any such risks within the framework of the CMG. The Commission therefore already has a means of becoming aware of, and actively participating in the redress of, any major risks arising from LCH SA's activities that fall outside the scope of its clearing agency registration. No further regulatory interests of the Commission would be served by not granting the relief requested herein, and the Commission will be involved in addressing any such risks within the framework of the CMG.

⁴⁰ Available at: https://www.sec.gov/about/offices/oia/oia_bilateral/esma-mou.pdf.

⁴¹ Available at: <https://www.iosco.org/about/?subSection=mmou&subSection1=signatories>.

⁴² See Understanding between the U.S. Securities and Exchange Commission, the *Autorité des Marchés Financiers* of France and the *Autorité de Contrôle Prudentiel* of France Relating to the Supervision of LCH.Clearnet SA (September 9, 2010).

⁴³ See Cross-Border Cooperation Arrangement Among Authorities of the Crisis Management Group on LCH SA. Other participating regulatory authorities include the Commodity Futures Trading Commission, the European Banking Authority, the Single Resolution Board, the Bank of England, the Banca d'Italia, the Deutsche Bundesbank, the National Bank of Belgium and the Dutch National Bank.



2.2.5 *The Requested Relief Would Preserve a Level Playing Field for LCH SA*

LCH SA operates in a highly competitive market for the services it provides and seeks a fair and level playing field with respect to the regulatory environment in which it operates. For example, the provision of repo clearing services is a globally competitive market, and LCH SA must therefore compete for business with other non-U.S. CCPs that offer similar services to non-U.S. repo market participants that wish to clear their repo trades.⁴⁴ Any one of these non-U.S. CCPs could choose to provide repo clearing services to U.S. clearing members without triggering any clearing agency registration requirements under the Exchange Act, provided the repo transactions do not involve U.S. securities. Specifically, non-U.S. CCPs would not, in connection with the provision of such services to U.S. clearing members, be subject to any Commission supervision or oversight, including the need to comply with the rule filing requirements of Section 19(b) of the Exchange Act and Rule 19b-4 thereunder.⁴⁵

LCH SA would face a competitive disadvantage vis-à-vis these other non-U.S. CCPs if it is *de facto* singled out, by comparison to these other non-U.S. CCPs, as the sole non-U.S. CCP required to comply with the rule filing requirements of Section 19(b) of the Exchange Act and Rule 19b-4 thereunder when providing similar repo clearing services to U.S. clearing members. These rule filing requirements are rigorous and would require LCH SA to allocate substantial internal resources to the rule filing process for its Non-Registrable Business, separate and apart from seeking non-objection from its NCAs as may be required under EMIR, as well as to contend with significantly longer time frames for implementing rule changes than would otherwise be the case if Section 19(b) and Rule 19b-4 did not apply. Such costs and lengthier timelines are not borne by the other non-U.S. CCPs providing similar repo clearing services to U.S. clearing members, and therefore such other non-U.S. CCPs would gain a competitive advantage over LCH SA by allowing them to implement enhancements to its services more quickly and cost-efficiently.⁴⁶

A central purpose of the requested relief is therefore to ensure the preservation of a fair and level playing field between LCH SA and the other non-U.S. CCPs that provide similar clearing services to U.S. clearing members.

3. TERMS AND CONDITIONS TO THE GRANTING OF EXEMPTIVE RELIEF

The relief from Exchange Act Section 19(b) and Rule 19b-4 requested herein is conditioned upon LCH SA complying with the following requirements:

- LCH SA's obligation to file with the Commission the proposed rule changes, as such term is defined in Section 19(b)(1) of the Exchange Act, related to the Non-Registrable Business to take, or to be put into, effect pursuant to Section 19(b)(3)(A) of the Act and paragraph (f)(6)

⁴⁴ For example, three EU CCPs – Eurex Clearing, Euronext Clearing and BME Clear – currently offer clearing of repo trades on European sovereign bonds. Eurex Clearing also offers clearing of repo trades on corporate bonds and certain pre-defined securities baskets.

⁴⁵ For example, LCH Limited offers repo clearing services for UK government bonds to both U.S. and non-U.S. clearing members and is primarily regulated by the Bank of England.

⁴⁶ In this regard, a recent Commission staff report noted that the Exchange Act regulatory framework for clearing agencies requires the Commission to have due regard for, *inter alia*, the “maintenance of fair competition” among clearing agencies. See Division of Trading and Markets, *Staff Report on the Regulation of Clearing Agencies* (1 October 2020), p. 8.



of Rule 19b-4 shall begin on the effective date on the first U.S. Clearing Member is admitted as a member of the Non-Registrable Business.⁴⁷

- LCH SA will continue to comply with the terms of the Prior Rule Filing Relief in respect of the Non-U.S. Business (including DCL) by providing notice to Commission staff of its Non-US Business Rule Changes within three (3) business days of such rules taking effect pursuant to the requirements of EMIR or the NCAs.

LCH SA further agrees that, as a condition to the amended relief requested herein, it shall

(i) provide prompt written notice to the Commission in the event that the Non-Registrable Business onboards U.S. Clearing Members;

(ii) provide prompt written notice to the Commission in the event that the Non-Registrable Business ceases to have U.S. Clearing Members;

(iii) continue to file proposed rule changes with respect to the non-Registrable Business, and otherwise comply with the terms of the amended relief requested herein, until LCH SA has, with respect to the Non-Registrable Business:

- (a) closed all transactions and positions involving U.S. Clearing Members and their clients;
- (b) completed final settlement of amounts owed to or from U.S. Clearing Members and their clients;
- (c) returned any collateral, margin, or other property of U.S. Clearing Members and their clients; and
- (d) provided prompt written notice to the Commission when these conditions are satisfied.

LCH SA further agrees that, as a condition to the amended relief requested herein, if LCH SA ceases filing proposed rule changes with respect to the non-Registrable Business because LCH SA no longer has U.S. Clearing members in the non-Registrable Business and has met the conditions above, LCH may not again onboard U.S. Clearing Members to the Non-Registrable Business without first receiving approval from the Commission.

Finally, in connection with the statutory and rule provisions discussed above and throughout this letter, from which exemptive relief is requested, LCH SA represents that, as a condition of such relief, LCH SA shall continue to implement policies and procedures designed to ensure compliance with these terms and conditions, and to conduct periodic internal risk-based reviews related to its compliance program.

⁴⁷ In doing so, the Commission (i) designates that the change may become effective earlier than 30 days after the date of filing, but not sooner than the date of filing, and (ii) agrees that LCH SA may file the proposed rule change even if LCH SA has not given the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change.



Members of the Commission staff may contact LCH SA's Chief Compliance Officer, Nicolas Dot, by phone at +33 (7) 702 16914 or by email at Nicolas.Dot@lseg.com or Mohamed Meziane, LCH SA Senior Regulatory Advisor, by phone at +33 7 86 51 57 35 or by email at mohamed.meziane@lseg.com to ask questions or to obtain additional information.

Sincerely,

LCH SA
Nicolas Dot
Chief Compliance Officer