

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105374; File No. SR-LCH SA-2026-002]

Self-Regulatory Organizations; LCH SA; Order Approving Proposed Rule Change Relating to the CDS Clearing Rules (AMF outsourcing; EMIR SITG; EU CCPRR)

May 5, 2026.

I. Introduction

On March 10, 2026, Banque Centrale de Compensation, which conducts business under the name LCH SA (“LCH SA”), filed with the Securities and Exchange Commission (the “Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change to submit for Commission approval to amend its CDS Clearing Rule Book (“Rule Book”). The proposed rule change was published for comment in the *Federal Register* on March 26, 2026.³ The Commission did not receive comments regarding the proposed rule change. For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description of the Proposed Rule Change

LCH SA is a clearing agency registered with the Commission. Through its CDSClear business unit, LCH SA provides central counterparty services for security-based swaps, including credit default swaps (“CDS”) and options on CDS. LCH SA is an affiliate of LCH, Ltd, through common ownership by LCH Group Holdings Limited (“LCH Group”). LCH SA’s ultimate parent company is London Stock Exchange Group.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 105066 (March 23, 2026), 91 FR 14731 (March 26, 2026) (File No. SR-LCH SA-2026-002) (“Notice”).

As an entity based in France, LCH SA is subject to relevant provisions of French and European Union law. LCH SA is proposing to amend its CDS Clearing Rule Book (“Rule Book”)⁴ to be consistent with certain provisions of French and European Union law, as discussed below.

A. Outsourcing by Clearing Members

LCH proposes to amend the Rule Book in order to modify the conditions under which LCH SA’s Clearing Members may outsource clearing operations, including to certain providers who are not themselves clearing members. LCH SA states that it is proposing these changes to ensure it complies with regulations belonging to the French Financial Markets Authority.⁵ Currently, Articles 2.2.5.2 and 2.2.5.3 set out the conditions under which clearing members may outsource clearing operations. LCH SA proposes to amend these articles and adopt new articles 2.2.5.4 and 2.2.5.5.

LCH SA proposes to change a provision in its Rule Book, Article 2.2.5.2, which currently authorizes clearing members to outsource the “performance of all or part of [their] clearing activities” subject to certain restrictions. Currently, Article 2.2.5.2 permits Clearing Members to outsource their clearing activities, subject to remaining responsible for the performance of all such activities and complying with certain other conditions. Although current Article 2.2.5.2 imposes certain conditions on Clearing Members seeking to outsource, it does not apply any specific conditions to the entities providing the outsourcing. Accordingly, LCH SA

⁴ In order to formalize the relationship between LCH SA and its clearing members, LCH SA adopted the Rule Book. See LCH SA’s website for the latest version of the LCH SA CDS Clearing Rule Book. <https://www.lseg.com/en/post-trade/clearing/clearing-resources/rulebooks/lch-sa#t-over-the-counter-credit-default-swaps>. Capitalized terms not otherwise defined herein have the meanings assigned to them in Rule Book.

⁵ Notice, 91 FR at 14732. The *Autorité des Marchés Financiers*, or AMF, regulates the French financial market and is the securities commission of France. See <https://www.amf-france.org/en>.

proposes to allow Clearing Members to outsource their activities to only certain entities, as described in amended Article 2.2.5.2. These entities include other Clearing Members; legal entities controlled by, or controlling, Clearing Members; or any other third-party legal entity, subject to complying with the conditions in Articles 2.2.5.2 through 2.2.5.5.

Additionally, LCH SA proposes to amend Article 2.2.5.3 of the Rule Book to require LCH SA to give prior consent to the outsourcing of clearing operations, a change from the current rule requiring only that LCH SA give such consent when a Clearing Member outsources a “material part” of its clearing activities. Amendments to Article 2.2.5.3 state that LCH SA may deny authorization for outsourcing activities or withdraw its authorization in the event that conditions of, or a failure in, the outsourcing arrangement could result in the Clearing Member unable to comply with its obligations under the Rule Book. Currently, Article 2.2.5.3 does not specify that LCH SA may withdraw already-given consent, but instead only explains when LCH SA may refuse consent in the first place (where failure in such an arrangement could materially impair the ongoing financial soundness, or performance expectations, of the CDS Clearing Service). LCH SA further proposes to include within Article 2.2.5.3 that an authorization request by a Clearing Member must be sufficiently detailed as to the activities outsourced and the means of control and supervision which the clearing member would exercise. Where the outsourcing provider is not a Clearing Member itself, the Clearing Member outsourcing the activity must ensure that relevant risks are assessed, a written agreement is entered into, and a formalized policy for control over the outsourcing provider and an outsourcing register, are in place.

Other relevant changes to the Rule Book include the addition of two new articles, Articles 2.2.5.4 and 2.2.5.5. The former states that Clearing Members are liable for outsourced

activities, including obligations to their own clients. The latter requires that Clearing Members and their outsourcing providers sign an agreement, through a template written by LCH SA, requiring the outsourcing provider to grant access of information related to outsourced activities to certain regulatory bodies, including the AMF, the Autorite de Controle Prudentiel et de Resolution (“ACPR”),⁶ which is the financial supervisory authority of the Bank of France, and other recognized equivalent foreign authorities. Additionally, new Article 2.2.5.5 requires that, where the outsourcing provider is not itself a Clearing Member, the Clearing Member outsourcing the activity must ensure that the provider follows a set of requirements, such as having adequate capabilities to provide the outsourcing activities, protecting the confidentiality of information, and informing the Clearing Member of events that could materially impact the ability to perform the outsourcing activities.

Finally, LCH SA is making technical changes to Article 2.3.3.3 to conform to these amendments related to outsourcing.

B. LCH SA Contribution

LCH SA also proposes to amend the definition of the term “LCH SA Contribution”. The LCH SA Contribution is an amount of money that LCH SA can use to offset Damage incurred by LCH SA resulting from a declaration of an Event of Default by a clearing member in certain circumstances. Under the current definition, the LCH SA Contribution is fixed at €20 million. LCH SA proposes that while it will still be at least €20 million, LCH SA will adjust the amount periodically in line with other regulatory regimes. These regulatory regimes include the

⁶ The Autorite de Controle Prudentiel et de Resolution, or ACPR, exercises oversight over the French banking and insurance sectors. See <https://acpr.banque-france.fr/en>.

European Market Infrastructure Regulation (“EMIR”),⁷ which is European Union legislation designed to regulate certain derivative products, and a European Commission Delegated Regulation No 153/2013,⁸ which deals with regulatory standards involving central counterparties.

Finally, LCH SA is making technical changes to Articles 4.3.3.1 and 4.4.3.6 to conform to these amendments to the definition of LCH SA Contribution.

C. Recovery and Resolution related amendments

LCH SA also is proposing amendments, including new definitions and new articles, to its Rule Book to implement certain provisions of Regulation (EU) 2021/23 of the European Parliament and of the Council of 16 December 2020 (“CCP Recovery and Resolution Regulation”).⁹

Beginning with definitions, LCH SA is adding the new defined term “Non Default Event” to refer to scenarios where LCH SA incurs losses for events other than an Event of Default, including business, custody, investment, legal, operational, and fraud. LCH SA is also adding a new defined term for “Resolution Authority” and specifying that the relevant “Resolution Authority” is the ACPR. LCH SA also proposes to add a defined term “Resolution Measure”, which means certain resolution tools or resolution powers decided or exercised by the Resolution Authority.

⁷ The European Market Infrastructure Regulation, or EMIR, lays down rules on over the counter derivatives, central counterparties and trade repositories. *See* https://finance.ec.europa.eu/financial-markets/financial-markets-policy/post-trade-services/derivatives-emir_en

⁸ *See* <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02013R0153-20240307&qid=1763483974839>

⁹ Notice, 91 FR at 14372. The EU CCP Recovery and Resolution Regulation creates a framework for managing central counterparty failures. *See* https://finance.ec.europa.eu/regulation-and-supervision/financial-services-legislation/implementing-and-delegated-acts/ccp-recovery-and-resolution-regulation_en. *See also* the latest consolidated version at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R0023>

LCH SA also proposes adding new articles to the Rule Book related to the CCP Recovery and Resolution Regulation. LCH SA proposes including these new articles in a new Chapter 4 to Title I of the Rule Book.

Article 1.4.1.1 requires that LCH SA establish and maintain a recovery plan pursuant to the CCP Recovery and Resolution Regulation. Article 1.4.1.1 also requires that LCH SA receive approval from its Board of Directors when it proposes to take, or proposes to refrain from taking, certain measures provided for in its recovery plan.

Article 1.4.2.1 sets the conditions in which Non-Defaulting Clearing Members can be required by the Resolution Authority to contribute additional cash funds to LCH SA. Overall, the amount that the Resolution Authority can require Non-Default Clearing Members to contribute is limited to up to twice the amount equivalent to their Contribution.¹⁰ The actual amount of the contribution will depend on whether the contribution is being applied to address an Event of Default or a Non-Default Event. As LCH SA has stated, the CCP Recovery and Resolution Regulation allows for cash to be raised provisionally until a definitive valuation is determined, with new Article 1.4.2.1 providing for the return of excess funds, as appropriate, once a definitive valuation is made.¹¹ Article 1.4.2.1 also allows the Resolution Authority to require LCH SA to declare an Event of Default with respect to a Non-Defaulting Clearing Member that does not pay the required contribution in cash. In that case, LCH SA may use that Clearing Member's Initial Margin and Default Fund Contribution to make up the deficit.

Article 1.4.2.2 sets the conditions wherein the Resolution Authority, in accordance with the CCP Recovery and Resolution Regulation, can reduce the amounts LCH SA is obligated to

¹⁰ Contribution is a defined term the Rule Book and generally means the amount calculated by LCH SA and payable by each Clearing Member to LCH SA to fund the CDS Default Fund.

¹¹ Notice, 91 FR at 14733.

pay Non-Defaulting Clearing Members. This authority only applies to amounts that arise from gains due to Variation Margin, net present value payments, or a payment that has a similar economic effect. LCH SA refers to this as the “VM Haircut Tool.”¹² Article 1.4.2.2 sets governance surrounding the use of the VM Haircut Tool, include how amounts are calculated and communicated to Non-Defaulting Clearing Members. The article also obligates Non-Defaulting Clearing Members to notify their own clients regarding the application of the tool and how it may affect them. Like the additional cash contribution described above, the Resolution Authority may base a reduction in payment obligations on a provisional valuation and require LCH SA to reimburse Non-Defaulting Clearing Members, as appropriate, once a definitive valuation is made.

Articles 1.4.2.3 through 1.4.2.5 allow the Resolution Authority to alter rights belonging to parties who contract with LCH SA under certain circumstances. Article 1.4.2.3 allows the Resolution Authority to suspend any payment or delivery obligations of LCH SA if it is placed under resolution, for a certain period as provided for in Article 72 of the CCP Recovery and Resolution Regulation, with payments that would have been due during the suspension period becoming immediately payable upon expiry of the suspension period. Article 1.4.2.4 allows the Resolution Authority to suspend the termination rights of any party to a contract with LCH SA under the same circumstances, although payment, delivery, and collateral obligations would still be in effect. Article 1.4.2.5 allows the Resolution Authority to reduce or eliminate LCH SA debt in certain circumstances, if it were placed under resolution.

Finally, LCH SA is also proposing to add Articles 1.4.2.6 and 1.4.2.7. Article 1.4.2.6 lists tools the Resolution Authority could empower LCH SA to use under the CCP Recovery and

¹² Notice, 91 FR at 14733.

Resolution Regulation, such as position and loss allocation, write down mechanisms, or sale of business. Prior to using any of these tools, the Resolution Authority is required to enforce any existing and outstanding rights of LCH SA, including any contractual obligations by Non-Defaulting Clearing Members to meet recovery cash calls, to provide additional resources to LCH SA, or to take on positions of Defaulting Clearing Members. New Article 1.4.2.7 states that Clearing Members agree to be bound by the use of tools undertaken by the Resolution Authority under certain circumstances outlined in the CCP Recovery and Resolution Regulation without such actions constituting an LCH SA default so long as substantive obligations by LCH SA continue to be performed.

III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act requires the Commission to approve a proposed rule change of a self-regulatory organization if it finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to the organization.¹³ Under the Commission’s Rules of Practice, the “burden to demonstrate that a proposed rule change is consistent with the Exchange Act and the rules and regulations issued thereunder . . . is on the self-regulatory organization [‘SRO’] that proposed the rule change.”¹⁴

The description of a proposed rule change, its purpose and operation, its effect, and a legal analysis of its consistency with applicable requirements must all be sufficiently detailed and specific to support an affirmative Commission finding,¹⁵ and any failure of an SRO to provide this information may result in the Commission not having a sufficient basis to make an affirmative finding that a proposed rule change is consistent with the Exchange Act and the

¹³ 15 U.S.C. 78s(b)(2)(C).

¹⁴ Rule 700(b)(3), Commission Rules of Practice, 17 CFR 201.700(b)(3).

¹⁵ *Id.*

applicable rules and regulations.¹⁶ Moreover, “unquestioning reliance” on an SRO’s representations in a proposed rule change is not sufficient to justify Commission approval of a proposed rule change.¹⁷

After carefully considering the proposed rule change, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to LCH SA. More specifically, for the reasons given below, the Commission finds that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act,¹⁸ and Rules 17Ad-22(e)(1), 17Ad-22(e)(3)(ii), and 17Ad-22(e)(17)(i) thereunder, as described in detail below.¹⁹

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

Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of LCH SA be designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts, and transactions, as well as to assure the safeguarding of securities and funds which are in the custody or control of LCH SA or for which it is responsible.²⁰

As discussed above, rules governing LCH SA’s relationship to outsourcing providers, and specifically the requirements imposed on these providers and the oversight by LCH SA on their compliance help maintain the resiliency of LCH SA operations and thereby contribute to the prompt and accurate clearance and settlement of securities transactions. For example,

¹⁶ *Id.*

¹⁷ *Susquehanna Int’l Group, LLP v. Securities and Exchange Commission*, 866 F.3d 442, 447 (D.C. Cir. 2017).

¹⁸ 15 U.S.C. 78q-1(b)(3)(F).

¹⁹ 17 CFR 240.17ad-22(e)(1), (e)(3)(ii), and (e)(17)(i).

²⁰ 15 U.S.C. 78q-1(b)(3)(F).

amendments to the Rule Book require that LCH SA must give consent to outsourcing of activities, allow LCH SA to withdraw such consent, and require outsourcing activities to be detailed, including with information regarding the control and supervision exercised on outsourcing providers by Clearing Members. These requirements give both LCH SA and its Clearing Members greater control, and thereby make them accountable, over outsourcing activities that can create risk to clearing operations. Additional risk controls mandated by LCH SA's amendments make Clearing Members liable for outsourced activities, and require that outsourcing providers provide relevant records to certain regulatory bodies, both of which would foster greater oversight of outsourcing activities.

Outsourcing arrangements, if not properly managed, could disrupt LCH SA's clearing services. For example, an outsourcing provider that lacks sufficient operational controls or capacity may be unable to perform as expected, therefore disrupting a Clearing Member's submission of transactions to LCH SA and LCH SA's clearance and settlement of those transactions. In helping to improve the oversight of outsourced activities, the amendments described above help LCH SA to manage and mitigate these risks, consistent with the prompt and accurate clearance and settlement of securities transactions. Accordingly, the Commission finds that the proposed rule change is consistent with the requirements of Section 17A(b)(3)(F) of the Act.²¹

B. Consistency with Rule 17ad-22(e)(1)

Exchange Act Rule 17ad-22(e)(1) requires, among other things, that each covered clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to provide for a well-founded, clear, transparent, and enforceable legal basis for each

²¹ *Id.*

aspect of its activities in all relevant jurisdictions.²²

Amendments proposed by LCH SA are designed, in part, to comply with regulatory obligations and oversight in its home jurisdiction, as it falls under both French, and more broadly, European Union authority. For example, new Article 2.2.5.5 would require that outsourcing providers grant access of information to the ACPR and the AMF, as well as other recognized foreign authorities. Similarly, proposed new Articles 1.4.1.1 and 1.4.2.1 through 1.4.2.7 have been designed to accommodate the requirements of the CCP Recovery and Resolution Regulation and the Resolution Authority to which LCH SA must answer. The Resolution Authority, as outlined by LCH SA, must adhere to the CCP Recovery and Resolution Regulation. Additionally, LCH SA has proposed amending the LCH SA Contribution in order to conform to EMIR standards, as well as to the European Commission Delegated Regulation. In so drafting its amendments, LCH SA has ensured that it has a well-founded, clear, transparent, and enforceable legal basis for its operations in its home jurisdiction.

Accordingly, the Commission finds that the proposed rule change is consistent with the requirements of Exchange Act Rule 17ad-22(e)(1).²³

C. Consistency with Rule 17ad-22(e)(3)(ii)

Exchange Act Rule 17ad-22(e)(3)(ii) requires, among other things, that each covered clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to maintain a sound risk management framework for comprehensively managing legal, credit, liquidity, operational, general business, investment, custody, and other risks that arise in or are borne by the LCH SA, which includes plans for the recovery and orderly wind-

²² 17 CFR 240.17Ad-22(e)(1).

²³ *Id.*

down of the covered clearing agency necessitated by credit losses, liquidity shortfalls, losses from general business risk, or any other losses.²⁴

LCH SA's proposed Article 1.4.1.1 requires that LCH SA establish and maintain a recovery plan pursuant to the CCP Recovery and Resolution Regulation. Articles 1.4.2.1 through 1.4.2.7 contemplate strenuous financial conditions and losses affecting LCH SA which require the Resolution Authority to relieve LCH SA of certain financial obligations and limit the rights of parties to whom LCH SA has obligations. For example, the VM Haircut Tool would reduce the amounts LCH SA is obligated to pay Clearing Members from events including market gains and net present value changes. Article 1.4.2.3 specifically would allow the Resolution Authority to broadly suspend all payments and delivery of obligations of LCH SA under a resolution. These provisions are designed to grant LCH SA an opportunity to recover from adverse financial affects, such as credit losses, liquidity shortfalls, and other losses. More specifically, they preserve LCH SA's liquidity during extreme and plausible stress scenarios, and prevent the depletion of assets, which promotes LCH SA's operational capacity and thereby allows for continuing clearing and settlement services, fulfillment of obligations, and, ultimately, its viability as a clearing firm.

Accordingly, the Commission finds that the proposed rule change is consistent with the requirements of Exchange Act Rule 17ad-22(e)(3)(ii).²⁵

D. Consistency with Rule 17ad-22(e)(17)(i)

Exchange Act Rule 17ad-22(e)(17)(i) requires, among other things, that each covered clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to manage its operational risks by identifying the plausible sources of

²⁴ 17 CFR 240.17Ad-22(e)(3)(ii).

²⁵ *Id.*

operational risk, both internal and external, and mitigating their impact through the use of appropriate systems, policies, procedures, and controls.²⁶

LCH SA has identified risks posed by outsourcing providers to its operations and established written rules, through article amendments to its Rule Book. Outsourcing arrangements present operational risk because an outsourcing provider's failure could disrupt the systems of a Clearing Member, and, consequently, the Clearing Member's ability to perform tasks relevant to the clearing relationship with LCH SA. This would impair LCH SA's ability to perform clearing and settlement operations in a timely and accurate manner. By creating a system where LCH SA must obtain details on outsourced operations, grant or withhold approval, withdraw previously agreed approval, and hold Clearing Members liable for activities they outsource, LCH SA has created an oversight system where it retains a degree of control and oversight of activities that have been outsourced. In this way, it is able to assess provider resiliency as well as enforce necessary standards, which ultimately mitigates operational risk to LCH SA in providing accurate and timely clearing and settlement services.

Accordingly, the Commission finds that the proposed rule change is consistent with the requirements of Exchange Act Rule 17ad-22(e)(17)(i).²⁷

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act, and in particular, with the requirements of Section

²⁶ 17 CFR 240.17Ad-22(e)(17)(i).

²⁷ *Id.*

17A(b)(3)(F) of the Act,²⁸ and Rules 17Ad-22(e)(1),²⁹ 17Ad-22(e)(3)(ii),³⁰ and 17Ad-22(e)(17)(i)³¹ thereunder.

IT IS THEREFORE ORDERED pursuant to Section 19(b)(2) of the Act³² that the proposed rule change (SR-LCH SA-2026-002) be, and hereby is, approved.³³

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³⁴

J. Matthew DeLesDernier,

Deputy Secretary.

²⁸ 15 U.S.C. 78q-1(b)(3)(F).

²⁹ 17 CFR 240.17Ad-22(e)(1).

³⁰ 17 CFR 240.17Ad-22(e)(3)(ii).

³¹ 17 CFR 240.17Ad-22(e)(17)(i).

³² 15 U.S.C. 78s(b)(2).

³³ In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

³⁴ 17 CFR 200.30-3(a)(12).