

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105614; File No. SR-LCH SA-2026-003]

Self-Regulatory Organizations; LCH SA; Order Approving Proposed Rule Change Relating to the Extension of Eligible Collateral to U.S. Treasury Securities and Related Changes.

June 4, 2026.

I. Introduction

On April 14, 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 expand the types of U.S. Treasury securities that it accepts as eligible collateral and make related changes. The proposed rule change was published for comment in the *Federal Register* on April 27, 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

Background

LCH SA is a clearing agency registered with the Commission. Through its CDSClear business unit, LCH SA provides central counterparty (“CCP”) services for security-based swaps, including credit default swaps (“CDS”) and options on CDS. LCH SA is an affiliate of LCH,

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 34-105287 (April 22, 2026), 91 FR 22566 (April 27, 2026) (File No. SR-LCH SA-2026-003) (“Notice”).

Ltd, through common ownership by LCH Group Holdings Limited (“LCH Group”). LCH SA’s ultimate parent company is London Stock Exchange Group.

Part of LCH SA’s CCP function is to interpose itself as the buyer to every seller and the seller to every buyer for the CDS it clears. In doing so, LCH SA is exposed to certain risks, including credit risk. LCH SA is exposed to credit risk because a clearing member may default on its obligations to LCH SA. A clearing member may also default on its obligations arising from a CDS transaction, requiring LCH SA, as a CCP, to perform those obligations in place of the defaulting clearing member.

LCH SA manages credit risk by, among other things, requiring its clearing members to provide initial margin and contribute to a default fund. Clearing members satisfy these requirements by providing cash and non-cash collateral to LCH SA. With respect to non-cash collateral, LCH SA accepts a variety of different types of securities, which LCH SA refers to as “eligible margin collateral.” LCH SA provides clearing members a list of eligible margin collateral, and a list of the haircuts and other limits that apply to such eligible margin collateral, in a document entitled the Risk Notice Margin Eligible Securities Collateral and Haircut Schedule (“Haircut Schedule”).

All eligible margin collateral is subject to certain conditions and limitations. For example, LCH SA haircuts the value of eligible margin collateral, to reflect potential costs and losses that it may incur in liquidating the collateral. Eligible securities collateral is also subject to overall concentration limits and limits based on the value of a clearing member’s margin requirement. These conditions and limitations are set out in LCH SA’s Collateral Risk Framework Reference Guide (“CRF”) and List of LCH SA Acceptable Securities (“Acceptable Securities List”).

LCH SA currently accepts, as eligible securities collateral, U.S. Treasury Bills. LCH SA proposes to expand eligibility to include U.S. Treasury Notes, Bonds, Floating Rate Notes (“FRNs”), and Treasury Inflation-Protected Securities (“TIPS”). To do so, LCH SA is amending the Haircut Schedule, Acceptable Securities List, and CRF.

LCH SA also is making other related changes and updates to the Haircut Schedule, Acceptable Securities List, and CRF, as discussed below.

Expansion of U.S. Treasury Securities as Eligible Margin Collateral

To expand the U.S. Treasury Securities that it accepts as eligible margin collateral, LCH SA first is amending the Haircut Schedule. Because LCH SA already accepts U.S. Treasury Bills, the Haircut Schedule currently includes an entry for “Debt securities issued by the United States of America, Treasury Bills.” The proposed rule change adds below this entry, “United States Treasury Note/Bond,” “United States Treasury Inflation Protected Securities,” and “United States Treasury Floating Rate Note (TF).” The existing haircuts that apply to U.S. Treasury Bills will apply to Treasury Notes, Bonds, and FRNs. Moreover, LCH SA will establish a separate set of haircuts for TIPS, organized per maturity bucket.

The Haircut Schedule contains other requirements that apply to eligible margin collateral, and these requirements will apply to Treasury Notes, Bonds, FRNs, and TIPS. For example, to be eligible margin collateral, U.S. Treasury Bills must have at least a minimum amount outstanding of \$500 million per issuance. This minimum amount requirement will apply going forward to Treasury Notes, Bonds, FRNs, and TIPS. Moreover, like the Treasury Bills LCH SA currently takes, to be acceptable the particular Treasury Note, Bond, FRN, or TIP must have a remaining maturity of at least three business days and no more than 30 years. Finally, as currently noted in the Haircut Schedule, zero-coupon instruments (other than T-bills); stripped securities; perpetual

bonds; and securities subject to specified corporate event features, including callable, puttable, or sinkable features; are ineligible.

LCH SA is next amending the Acceptable Securities List. As noted above, this document contains overall concentration limits for all eligible margin collateral. In this document, LCH SA is establishing an overall concentration limit of \$2 billion for TIPS at the individual clearing member and clearing member group levels.⁴ LCH SA states that this limit is based on analysis of a hypothetical non-cash collateral liquidation portfolio and a simulation of default management scenarios involving liquidation through multiple counterparties.⁵

LCH SA also is amending the CRF to reflect this expansion of eligible margin collateral. Like the Acceptable Securities List, the CRF contains requirements and criteria that apply to all eligible margin collateral. For example, Section 5.8.7 of the CRF contains overall concentration limits for non-Euro, non-cash collateral. LCH SA applies these limits per clearing member, clearing member group, LCH Group CCP, and ISIN (per issuance). LCH SA is lowering the concentration limit that applies per ISIN of bonds issued by the U.S., from 25% to 20%. Although related to the expansion of eligible margin collateral, LCH SA is making this change to address a model validation action raised by LCH SA's independent model validation team.⁶

Moreover, LCH SA is adding a new section 5.8.8 to the CRF. Section 5.8.8 describes how LCH SA may apply a relative limit on the total amount of their collateral requirement that any clearing member can meet using U.S. Treasury securities. For example, LCH SA could limit

⁴ This concentration limit also will be made available to clearing members via LCH SA's LCH SA's Knowledge Center, which is a portion of LCH SA's website that is only accessible to members. *See Self-Regulatory Organizations; LCH SA; Order Approving Proposed Rule Change Relating to Collateral Concentration Limits*, Exchange Act Release No. 103242 (June 12, 2025), 90 FR 25730 (June 17, 2025) (SR-LCH SA-2025-004).

⁵ Notice, 91 FR at 22567.

⁶ Notice, 91 FR at 22568.

a clearing member to satisfying half of its total margin requirement with U.S. Treasury securities, meaning that a clearing member with a \$10 million margin requirement could only use \$5 million worth of U.S. Treasury securities to satisfy that requirement.

LCH SA is setting this initial relative concentration limit to 100%. This means the limit is not intended to be binding because clearing members could meet 100% of their collateral requirement using the full set of U.S. securities. LCH SA may lower the limit as needed to reduce its exposure to U.S. Treasury securities if liquidity or other risk considerations require LCH SA to do so.⁷

Finally, section 10 of the CRF contains a list of eligible margin collateral organized by type and further by security. Under the list of eligible government securities, U.S.A. is already included as an accepted issuer because, as noted, LCH SA currently accepts U.S. Treasury Bills. The list of countries for which LCH SA accepts inflation protected securities does not include the U.S.A., however, as LCH SA does not currently accept TIPS. To reflect the addition of TIPS as eligible margin collateral, LCH SA is adding U.S.A. to list of countries for which LCH SA accepts inflation protected securities. LCH SA is making a similar change to Section 5.8.3 of the CRF as well.

Other Changes

In addition to the changes to expand the types of U.S. Treasury securities that are eligible margin collateral, LCH SA also is making updates to the CRF and knowledge center.

First, in section 4.1, which explains the sources of data that LCH SA uses to obtain information about bonds, LCH SA is adding a note to explain the backup source that it would use should its primary data source become unavailable.

⁷ Notice, 91 FR at 22567.

Second, Section 5.8.4 describes certain concentration limits that apply to clearing members and that are measured per each issuance of a particular bond. These concentration limits are categorized by Internal Credit Score (“ICS”) of the issuer of the bonds. LCH SA is lowering the concentration limit that applies per ISIN of bonds for certain issuers. Specifically, for eligible issuers with an Internal Credit Score (“ICS”)⁸ between 1 and 4, the ISIN-level concentration limit would be reduced from 25% to 20% of the outstanding issuance amount. LCH SA is making this change to address a model validation action raised by the independent model validation team.⁹

Similarly, in Section 5.8.6 and 5.8.7, LCH SA is adjusting the per issuance limit for other issuers whose bonds are eligible margin collateral. LCH SA is raising the concentration limit of Spain from 10% to 20% to align with its updated ICS and the concentration limit of International Bank for Reconstruction and Development Bonds from 10% to 15%. For France, UK, and Belgium, LCH SA is lowering the concentration limit from 25% to 20%, consistent with the per ISIN limit for U.S. Treasury securities.

Finally, LCH SA is updating the knowledge center on its website to reflect these changes and to correct a typographical error.

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

⁸ The ICS represents LCH SA’s assessment of the risk of investment with a particular counterparty or investing in a particular issuer’s securities. *See* Self-Regulatory Organizations; LCH SA; Order Approving Proposed Rule Change Relating to LCH SA’s Default Management Policy, Investment Risk Policy, Liquidity Risk Policy, Settlement, Payment and Custody Risk Policy, Model Governance, Validation and Review Policy and Contract and Market Acceptability Policy, Exchange Act Release No. 104980 (Mar. 12, 2026), 91 FR 12869, 12870-71 (Mar. 17, 2026) (SR-LCH SA-2025-010).

⁹ Notice, 91 FR at 22567.

with the requirements of the Act and the rules and regulations thereunder applicable to the organization.¹⁰ 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.”¹¹

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,¹² 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 applicable rules and regulations.¹³ 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.¹⁴

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,¹⁵ and Rule 17ad-22(e)(5) thereunder, as described in detail below.¹⁶

A. Section 17A(b)(3)(F)

¹⁰ 15 U.S.C. 78s(b)(2)(C).

¹¹ Rule 700(b)(3), Commission Rules of Practice, 17 CFR 201.700(b)(3).

¹² *Id.*

¹³ *Id.*

¹⁴ *Susquehanna Int’l Group, LLP v. Securities and Exchange Commission*, 866 F.3d 442, 447 (D.C. Cir. 2017).

¹⁵ 15 U.S.C. 78q-1(b)(3)(F).

¹⁶ 17 CFR 240.17ad-22(e)(5).

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.¹⁷

As discussed above, the proposed rule change expands the list of eligible margin collateral to include Notes, Bonds, FRNs, and TIPS. This proposed change would expand the pool of high-quality liquid assets available to clearing members to satisfy margin requirements within LCH SA's CDSClear service. The proposed rule change provides clearing members with additional options regarding the types of non-cash collateral that may be posted to satisfy margin and default fund requirements, consistent with member interest in expanding the available collateral pool. The proposed rule change communicates these changes to clearing members through updates to the Haircut Schedule and the knowledge center portion of LCH SA's website. Expanding the eligible margin collateral in this fashion provides clearing members more options for meeting their margin and default funds requirements and therefore may encourage the clearing of additional CDS at LCH SA, promoting the prompt and accurate clearing and settlement of transactions.

At the same time, LCH SA will apply haircuts dollar concentration limits at the individual clearing Member and clearing member group levels, consistent with its haircuts and concentration limits for other issuers. LCH SA will continue to accept only liquid securities subject to defined eligibility criteria, applicable haircuts, and concentration limits intended to manage credit, market, and liquidation risk, including in the event of a clearing member default.

¹⁷ 15 U.S.C. 78q-1(b)(3)(F).

Subjecting Notes, Bonds, FRNs, and TIPS to these same criteria and limits will help ensure that LCH SA continues to accept continue to accept only high-quality, liquid securities as eligible margin collateral, that can serve as a financial resource to LCH SA in the event of a clearing member's default.

In addition, LCH SA already accepts T-bills as eligible margin collateral and would expand eligibility to include additional U.S. Treasury securities with longer-dated maturities, floating rates, or principal amounts periodically adjusted based on changes in the U.S. Consumer Price Index. LCH SA would utilize its existing set of counterparties to safeguard such securities in its custody and to liquidate such securities if necessary, in connection with a clearing member default, consistent with the safeguarding of securities which are in the custody or control of LCH SA or for which it is responsible.

Accordingly, the Commission finds that the proposed rule change is consistent with the requirements of Section 17A(b)(3)(F) of the Act.¹⁸

B. Rule 17ad-22(e)(5)

Rule 17ad-22(e)(5) provides, among other things, that a covered clearing agency limit the assets it accepts as collateral to those with low credit, liquidity, and market risks, and set and enforce appropriately conservative haircuts and concentration limits if the covered clearing agency requires collateral to manage its or its participants' credit exposure; and require a review of the sufficiency of its collateral haircuts and concentration limits to be performed not less than annually.¹⁹

¹⁸ *Id.*

¹⁹ 17 CFR 240.17ad-22(e)(5).

LCH SA currently limits the non-cash collateral it accepts to government, supranational, and agency securities. The proposed rule change would expand eligible margin collateral to additional U.S. Treasury securities, beyond the T-Bills it already accepts. The Commission finds the additional U.S. Treasury securities represent collateral to with low credit, liquidity, and market risks.

Moreover, LCH SA will apply haircuts aligned with its existing Haircut Schedule for U.S. Treasury securities, including higher haircuts for TIPS, and fixed-dollar concentration limits at the individual clearing member and clearing member group levels. LCH SA reviews the sufficiency of its collateral haircuts and concentration limits in accordance with the CRF. Applying its existing limits helps ensure the additional eligible margin collateral are subject to appropriately conservative haircuts and concentration limits, and reviewing those limits will help ensure such limits are sufficient. Although LCH SA is not yet setting a relative limit on the total amount of their collateral requirement that any clearing member can meet using U.S. Treasury securities, LCH SA may lower the limit as needed to reduce its exposure to U.S. Treasury securities if liquidity or other risk considerations require LCH SA to do so.

As noted above, LCH SA is also updating per ISIN concentration limits for other issuers. Generally, these limits will be consistent with the limit for U.S. Treasury securities at 20%. In some cases, the limits will be more permissive than the current limits, but these changes are due to an update to the issuer's ICS (Spain, for example). Thus, these changes are also consistent with ensuring these issuers are subject to appropriately conservative haircuts and concentration limits.

Accordingly, the Commission finds that the proposed rule change is consistent with the requirements of Rule 17ad-22(e)(5).²⁰

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 with Section 17A(b)(3)(F) of the Act,²¹ and Rule 17ad-22(e)(5).²²

IT IS THEREFORE ORDERED pursuant to Section 19(b)(2) of the Act²³ that the proposed rule change (SR-LCH SA-2026-003) be, and hereby is, approved.²⁴

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁵

Sherry R. Haywood,

Assistant Secretary.

²⁰ 17 CFR 240.17ad-22(e)(5).

²¹ 15 U.S.C. 78q-1(b)(3)(F).

²² 17 CFR 240.17ad-22(e)(5).

²³ 15 U.S.C. 78s(b)(2).

²⁴ 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).

²⁵ 17 CFR 200.30-3(a)(12).