

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105850; File No. SR-LCH SA-2026-004]

Self-Regulatory Organizations; LCH SA; Notice of Filing of Proposed Rule Change Relating to the LCH SA Liquidity Plan

July 6, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“**Act**”),¹ and Rule 19b-4,² notice is hereby given that on June 22, 2026, Banque Centrale de Compensation, which conducts business under the name LCH SA (“**LCH SA**”), filed with the Securities and Exchange Commission (“**Commission**”) the proposed rule change, as described in Items I, II and III below, which Items have been prepared by the clearing agency. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

LCH SA is submitting the LCH SA Liquidity Plan (the “**Liquidity Plan**”), which sets out the principles and procedures for liquidity management within LCH SA, as part of its 2025 annual review. The Liquidity Plan has been adopted by the LCH SA Risk Committee and LCH SA Board³ (the “**Proposed Rule Change**”).⁴

¹ 15 U.S.C. 78s(b)(1).

² 17 C.F.R. § 240.19b-4.

³ The Liquidity Plan has been elaborated in common with LCH Limited in order to ensure risk management consistency within the LCH Group.

⁴ All capitalized terms not defined herein have the same meaning as in the Rule Book or Procedures, as applicable, in their version as available on LCH SA’s website: <https://www.lseg.com/en/post-trade/clearing/clearing-resources/rulebooks/lch-sa>.

The text of the Proposed Rule Change has been annexed [sic] as Exhibit 5 to File No. SR-LCH SA-2026-004.

The implementation of the Proposed Rule Change will be contingent on LCH SA's receipt of the SEC regulatory approval.

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

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

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Liquidity Plan has been adopted by LCH SA in order to set out the specific principles and procedures for liquidity management that govern its operations as a clearing agency. The Liquidity Plan has been designed to ensure consistency with all relevant laws and regulations, including the European Markets Infrastructure Regulation (**EMIR**)⁵ and Section 17A of the Act⁶ and the regulations thereunder.

⁵ Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on Over-the-Counter derivatives, central counterparties and trade repositories ("**EMIR**").

⁶ 15 USC 78q-1.

The objectives of the Liquidity Plan are to ensure: (i) the effective management of liquidity by adhering to the appropriate governance structure to manage liquidity risk, including reporting lines and accountabilities; (ii) the liquidity adequacy of LCH SA at all times in accordance with policies set by the appropriate governance authority and monitored and reported by LCH SA Risk Department; (iii) that liquidity management and resources are aligned with LCH SA operational requirements to meet payment obligations as they fall due under business as usual and stressed liquidity conditions; (iv) effective liquidity risk identification and escalation within Collateral and Liquidity Management (“CaLM”)⁷ and the other departments within LCH SA identified in the Liquidity Plan; and (v) that systems and processes are in place to facilitate effective management of liquidity risk.

The Liquidity Plan sets out the roles and responsibilities within LCH SA for compliance with the Liquidity Plan, primary responsibility for which falls to CaLM. Specifically, the Liquidity Plan clarifies that: (i) the LCH SA Head of CaLM (or its delegate) is responsible for maintaining the Liquidity Plan, overseeing the portfolio management function, and is responsible for the overall liquidity position and adherence

⁷ CaLM’s responsibilities include: (i) managing LCH SA’s collateral and liquidity positions, including ensuring sufficient liquidity, investment of cash collateral, and maintaining market, credit, and operational controls; (ii) acting as the first line of defence for collateral and liquidity, managing business risk, default management inputs, and adherence to LCH SA policies; (iii) monitoring limits, managing exposures, and coordinating with Second Line CaLM Risk, described in greater detail in note 12, *infra*; (iv) supporting regulatory engagement and compliance, including providing inputs for SEC filings, EMIR considerations, governance, and risk reporting; and (v) overseeing operational resilience and service performance, including steady state operations reviews, incident management, and change governance.

to the Liquidity Plan and relevant policies;⁸ (ii) CaLM Front Office,⁹ comprised of trading personnel, is responsible for day-to-day investment activities, intraday liquidity management and monitoring, and oversight of asset encumbrance requirements including pledged assets and Futures Commission Merchant (“FCM”) non-cash collateral; (iii) Second Line CaLM Risk¹⁰ sets liquidity risk limits, enforces liquidity risk limits and escalates limit breaches, develops and enhances the liquidity risk management framework, and identifies, measures, monitors, and reports liquidity risks; (iv) Collateral Operations¹¹ is responsible for the operational and control processes related to intraday

⁸ The responsibilities of the LCH SA Head of CaLM (or its delegate) also include: (i) escalation to the LCH SA CEO, the Local Management Committee (which is a senior governance forum within LCH SA’s legal entity governance structure, responsible for overseeing management, risk, governance, and performance issues, including Liquidity Plan adherence and significant liquidity or investment concerns escalated from CaLM), LCH SA Risk Management, and the LCH SA Board, where appropriate; (ii) initial declaration of a liquidity event, and for the initial escalation of liquidity issues arising from a declared liquidity event; (iii) decide on the need for, and the subsequent conduction of a crisis call if liquidity issues are not resolved as part of the liquidity event; (iv) select and convene the Liquidity Crisis Management Team (which is a cross-functional liquidity crisis structure activated during stress or default events, typically via the Default Management Group, and is responsible for monitoring and managing liquidity positions during a member default), executing the auction and collateral liquidation processes, and coordinating across relevant functions under crisis conditions); (v) adequately supervise CaLM investment personnel; (vi) maintain and update the Liquidity Plan; (vii) sign-off of any new product approval with respect to liquidity and investment considerations; and (viii) accountability for due diligence and testing of liquidity providers.

⁹ CaLM Front Office is a front office investment function within CaLM, forming part of the “first line of defense” responsible for managing LCH SA’s investment and liquidity activities. Its responsibilities include investing cash collateral received from clearing members and managing the liquidity, credit, and interest rate risks of LCH SA’s cash portfolio, escalating any liquidity or investment concerns, executing daily funding, portfolio actions, repo investments, and supporting default management liquidity needs. CaLM Front Office also supports the auction and collateral liquidation elements of the default management process.

¹⁰ Second Line CaLM Risk conducts a monitoring and reporting function on CaLM investment and liquidity management activities and sits at the CCP level, reporting to the LCH SA Chief Risk Officer.

¹¹ Collateral Operations is a function within CaLM responsible for the day-to-day operational management of collateral posted to LCH SA. This includes processing and validating deposits and withdrawals of cash and non-cash collateral, performing reconciliations and controls to prevent fraud, unauthorised manual entries, or booking errors, and supporting settlement, custody, and payment flows that connect directly to CaLM’s investment and liquidity processes. Collateral Operations also provides operational input into liquidity actions, member withdrawals, and margin-related collateral movements.

liquidity flows and performs intraday monitoring of CaLM investment activity; and (v) CaLM Middle Office¹² is responsible for mark-to-market of the CaLM SA portfolio and formal reporting of CaLM investment activity.¹³

The Liquidity Plan also provides that CaLM First Line Risk¹⁴ is responsible for the daily pricing of the liquid assets and investment portfolio. Regular reporting is distributed by CaLM Middle Office to relevant stakeholders through downstream systems, including a CaLM Investment Report for the clearing agency on a daily and monthly basis. Second Line CaLM Risk conducts the monitoring and reporting of these activities, as described immediately above. The LCH SA Chief Risk Officer is responsible for taking and deciding any relevant actions during a liquidity event.

The Liquidity Plan identifies the different sources and availability of liquidity,¹⁵ including: (i) cash posted by members to meet margin requirements; (ii) cash contributions to Default Funds; (iii) LCH SA's own capital; (iv) excess cash placed by members; and (v) cash arising from settlement fails. The primary sources of liquidity for LCH SA are the cash posted by its members to meet margin requirements, the cash

¹² CaLM Middle Office provides control, booking, and operational oversight. Its responsibilities include flash NTI and non-cash collateral income reporting, ensuring adherence to limits, controls, and segregation of duties as part of the CaLM control framework, and supporting risk reporting, liquidity forecasting processes, and data integrity for CaLM.

¹³ CaLM must ensure that the daily available cash amount is compliant with the LCH SA's Operational Liquidity Target, which is set and monitored by Second Line CaLM Risk.

¹⁴ CaLM First Line Risk manages and assesses investment, liquidity, credit and interest rate risks of the total collateral portfolio, produces liquidity needs reporting in case of default, and assesses liquidity and risk implications of proposed new eligible collateral types.

¹⁵ Cash margin is invested either via overnight deposit at Banque de France or through secured repos and outright purchase of bonds under the LCH Investment Risk Policy. Available liquidity resources are readily convertible into cash through pre-arranged mechanisms, including repo and, where applicable, access to central bank liquidity.

contributions to Default Funds, as well as LCH SA's own capital.¹⁶ In addition, LCH SA may use available central bank arrangements to generate same-day liquidity by pledging non-cash collateral deposited by its members on a title transfer basis through the central bank window.¹⁷

More broadly, the Liquidity Plan specifies that available liquidity resources include: (i) maturing transactions from reverse repo and overnight unsecured investments; (ii) sale of portfolio of highly liquid assets; (iii) maturity and/or redemption of on-demand investments; (iv) repo of highly liquid securities; (v) borrowing facilities; (vi) foreign exchange ("FX") funding transactions; and (vii) access to central bank liquidity.

The Liquidity Plan also identifies other potential scenarios which could impact the liquidity resources available to meet liquidity requirements, including: (i) cash tied in investment activities which cannot be freed in time to meet requirements; (ii) disruption in the cash bond/repo market which delays mobilisation of a defaulted member's non-cash collateral; (iii) payment flow delays; (iv) International Central Securities Depository ("ICSD") credit lines reduced or not available; and (v) cash/non-cash that is provided for interoperability arrangement purposes.

To mitigate such potential draws on liquidity, the Liquidity Plan sets out additional methods to retain liquidity within LCH SA. These include: (i) increasing the substitution notice period; (ii) utilising intraday liquidity available at Central Securities

¹⁶ Segregated client funds are excluded as a general source of liquidity in accordance with CFTC Rule 1.25.

¹⁷ As a French banking institution, LCH SA has access through the Euro system to the open market operations and the standing facilities of the ECB and the Banque de France, which are available to eligible counterparties on their own initiative, subject to their fulfilment of certain operational access conditions.

Depositories (“CSDs”); (iii) prioritising the return of non-cash over cash collateral; (iv) applying caps on pledge amounts and non-Euro securities; (v) imposing service level cash primary liquid resources requirements; and (vi) making extraordinary margin calls if the Liquidity Coverage Ratio (“LCR”) falls below specified thresholds.¹⁸

The Liquidity Plan describes the steps LCH SA takes to assess its liquidity position. The liquidity assessment, as specified in the LCH SA Liquidity Risk Policy¹⁹ must be run: (i) daily at an aggregated level and on all material currencies; (ii) over a forward liquidity period; and (iii) intraday at various times when LCH SA has scheduled obligations to pay. The assessment must also factor in regulatory restrictions on the use and liquidation of client assets maintained in segregated accounts and consider stress scenarios that include restricted market access and behavioural assumptions on how members may withdraw cash during times of stress.

Building on that assessment, the Liquidity Plan specifies a comprehensive liquidity stress-testing framework. This includes daily liquidity stress testing for Cover 2²⁰ default by currency, intraday Cover 2 default liquidity stress testing when LCH SA has scheduled obligations to pay, and at least a 5-day forward looking Cover 2 default liquidity stress test. Additional stress scenarios following a Cover 2 default include a liquidity squeeze affecting Tier 1 and Tier 2 collateral or increased Central Bank haircuts,

¹⁸ The latest version of the LCH SA Liquidity Plan does not include, as a method to retain liquidity with LCH SA, disabling of auto repay because LCH SA is currently considering the proper scope of that potential method.

¹⁹ See Exchange Act Release No. 104980 (March 12, 2026), 91 FR 12869 (March. 17, 2026) (SR-LCH SA-2025-010), which approved the LCH SA Liquidity Risk Policy.

²⁰ “Cover 2” refers to the regulatory standard requiring a CCP to maintain sufficient liquid resources to cover the liquidity needs arising from the simultaneous default of the two clearing member groups that would generate the largest aggregate payment obligations under extreme but plausible market conditions.

and a flight to quality impacting Tier 2 and Tier 3 collateral while Tier 1 collateral remains unaffected through Central Bank facilities.²¹ The framework also includes Euronext Clearing liquidity stress testing and Cover 1²² stress testing to demonstrate compliance with SEC rules and U.S. established practices.²³

In addition, the Liquidity Plan also includes liquidity reverse stress scenarios, which model: (i) reductions in cash margin to generate a liquidity deficit; (ii) switches to non-liquid resources; (iii) rating downgrades of Euro zone peripheral and core countries; (iv) increased outflows due to mark-to-market moves of assets; (v) multiple defaults of low credit worthiness members; (vi) Euronext Clearing variation margins; (vii) increases in the maturity of securities from margin collateral and settlement of repo transactions; and (viii) combined behavioural and macroeconomic scenarios.

²¹ As mentioned in the LCH SA Liquidity Risk modelling Framework, “Tier 1,” “Tier 2,” and “Tier 3” collateral refer to LCH SA’s internal collateral liquidity tiers, which are classified based on certain liquidity and eligibility criteria. For purposes of “Cover 2” testing, Tier 1 collateral comprises assets of the highest liquidity quality, including all ECB-eligible collateral, Gilts, US Treasuries, and central bank guarantees from the Dutch and Belgian central banks (but only when posted by members domiciled in the same country as the guaranteeing central bank and only in the case of default of such members posting the central bank guarantee). These assets are considered to be readily monetisable, typically via same-day central bank facilities or repo transactions for Gilts and US Treasuries and are used as primary liquidity resources in stress scenarios. Tier 3 collateral comprises assets with little or no liquidity value in a default or stressed market scenario, or those considered too illiquid to be converted within the required timeframe, including equities, central bank guarantees posted by non-defaulting members, and non-cash collateral denominated in DKK, NOK, SEK, JPY, CHF, CAD, and AUD. These assets are not included as liquidity resources in the liquidity stress testing. There are currently no assets classified as Tier 2 collateral, reflecting a conservative approach whereby only the most liquid and readily monetisable assets are included in Tier 1 and less liquid or ineligible assets are directly classified as Tier 3. Note that, for “Cover 1” testing, defined in note 22, *infra*, and in accordance with LCH SA’s obligations as a registered clearing agency, Gilts and US Treasuries are currently classified as Tier 3 and are therefore excluded from the qualifying liquid resources.

²² “Cover 1” refers to the regulatory standard requiring a CCP to maintain sufficient liquid resources to cover the liquidity needs arising from the default of the single clearing member group that would generate the largest aggregate payment obligation under extreme but plausible market conditions.

²³ For cross-currency triparty repo, qualifying liquid resources are included in LCR Cover 2 calculations but excluded from LCR Cover 1.

In terms of liquidity demands, the Liquidity Plan clarifies that LCH SA's two main sources of liquidity need are: operational liquidity and default liquidity.^{24 25} Operational liquidity needs include repayment of excess cash collateral to members, substitution of cash collateral upon member request, provision of liquidity to facilitate settlement (including fails), potential planned Default Fund reductions, overall reductions in Initial Margin and thus cash posted for margin coverage, and Euronext Clearing variation margin outflows.

To support intraday operational liquidity needs, the Liquidity Plan specifies that LCH SA maintains three main separate pools of collateral: (i) the Euroclear Bank credit line, under which, on the basis of ECB eligible and non-eligible collateral, liquidity can be created to finance settlements in Euroclear Bank's platform enabling settlements in Euroclear France, Euroclear Belgium and Euroclear Netherlands; (ii) the Clearstream Bank Luxembourg credit line (including Clearstream Banking Frankfurt and Clearstream Banking Luxembourg), under which, on the basis of ECB eligible and noneligible collateral, liquidity can be created to finance domestic and cross border settlements. In addition, the T2S auto-collateralization system generates intraday liquidity to facilitate the settlement of Italian, French, Spanish, German and Belgian repo transactions, and the Banque de France Global Collateral Management; and (iii) the "3G", credit line²⁶ is available for intraday liquidity and overnight access if needed.

²⁴ The Liquidity Plan specifies that if a member defaults, the collateral posted by the defaulted member is used to cover any mark-to-market loss during the liquidation of the portfolio.

²⁵ The LCH SA Default Management Policy and framework provides detailed guidance in relation to Default Management.

²⁶ This refers to LCH SA's secured central bank credit line with Banque de France, available intraday and overnight, under which ECB-eligible securities are pledged to the Banque de France 3G collateral pool to raise Euro cash.

The Liquidity Plan specifies that Collateral Operations monitors daily liquidity flows on a day-to-day basis, with the 9:30 am observation identified as the most accurate indicator of daily operational liquidity requirements since all margin returns to members occur in the morning. Intraday margin calls later in the day result in inflows that are generally invested on an overnight basis and matched by corresponding outflows the following day. If an operational liquidity shortfall is not fully met with maturing transactions, CaLM has a range of options to generate liquidity, with the choice and prioritisation depending on the timing and duration of liquidity requirements and market conditions.

To generate liquidity, the Liquidity Plan sets out the options available to LCH SA, structured by priority. For Euro currency, the primary and preferred options include: (i) Euro cash collateral; and (ii) transfer of Euro non-cash securities (collateral and portfolio) to the Banque de France 3G credit line. Secondary options include bilateral or triparty repo of Euro assets. As a last resort, LCH SA may access: (i) the overnight standing facility with the Banque de France (marginal lending facility) to obtain overnight Euro liquidity against the presentation of sufficient eligible assets; (ii) term reverse transactions with the Banque de France, including Main Refinancing Operations (one-week maturity) or Longer-Term Refinancing Operations (three-month maturity);²⁷ and (iii) uncommitted credit lines. For non-Euro currencies, the primary and preferred option is non-Euro cash collateral. Repo transactions serve as a secondary option, including bilateral repo transactions and cross-currency triparty repo (non-Euro cash taker and Euro

²⁷ Main refinancing operations are regular reverse transactions that provide liquidity, usually with a frequency and duration of one week. Longer-term refinancing operations are reverse transactions that provide liquidity for a longer duration than the main refinancing operations, with a maturity of three months conducted on a monthly basis by the Euro system.

collateral giver). As a last resort, LCH SA may access uncommitted credit lines with a major international bank for a multi-currency credit line in the form of an overdraft, or the ECB weekly tender in USD given LCH SA's banking status.

For the second major source of liquidity needs, default liquidity, LCH SA's needs encompass fulfilment of the settlement obligations of a defaulted clearing member, posting of variation margins to non-defaulting members on positions held by a defaulted clearing member, and potential losses due to the liquidation of cleared positions and collateral lodged by the defaulting member. In terms of default liquidity management, the Liquidity Plan provides that, in the event of a member default, LCH SA may face even greater liquidity requirements spread over a period of several days. For Euro currency under default management, the options include the use of Euro cash collateral as the first source, followed by the transfer of Euro securities (collateral, clearing and portfolio) to the Banque de France credit line as the primary and preferred option. The Liquidity Plan notes that LCH SA has full title of transfer on securities lodged as collateral (except for members using pledged accounts or FCM client collateral) or sourced via CSD to settle RepoClear transactions on behalf of the defaulter. Additional options include the sale of the defaulter's Euro non-cash collateral to realise cash value, and repo transactions (bilateral, triparty, or cross-currency triparty). For non-Euro currencies under default management, the primary options are non-Euro cash collateral and the sale of the defaulter's non-Euro non-cash collateral. The Liquidity Plan also provides for FX spot transactions as a secondary option, framed by the Global Risk Investment Policy for settlement of non-Euro liabilities, as well as repo transactions. As a last resort for both Euro and non-Euro default liquidity needs, LCH SA may access

uncommitted credit lines and, for Euro and USD, central bank facilities including the ECB weekly tender in USD.

To evidence ongoing access and readiness, CaLM undertakes “War Games” testing to ensure that assumptions around activities used in stressed environments to raise liquidity are realistic. The testing activities fall into three categories. The first covers activities carried out under business as usual, such as the sale of securities, which demonstrate execution procedures and identify which counterparties have appetite. The second covers activities not relied on in day-to-day liquidity management but tested to demonstrate access to liquidity, such as repo transactions and access to Central Bank facilities; these are tested in relatively small size to verify procedures for execution and demonstrate access as a source of liquidity. The third covers activities that cannot be fully tested through execution but are tested through simulation, such as simulating the liquidation of a defaulting member’s collateral portfolio by asking counterparties to show bid prices in a “what if” scenario. CaLM tests with each liquidity provider, to the extent practicable, the access of the relevant liquidity resources used for assessing the liquidity position, not less than once every 12 months with respect to qualifying liquid resources.

The Liquidity Plan also describes the mechanics for replenishment of cash following liquidity usage. The primary source of cash to mitigate any liquidity shortfall is cash margin collateral posted by members, together with ECB eligible securities that can be converted into cash through the central bank.²⁸ During default management, LCH SA may need to make payments on behalf of the defaulter to cover variation margins,

²⁸ The source of cash LCH SA uses to mitigate any liquidity shortfall is primarily the cash margin collateral posted by members as well as ECB eligible securities that can be converted into cash through the central bank thanks to LCH SA’s banking license.

settlement obligations, and hedging costs. If a member defaults, the collateral posted by the defaulted member is used to cover any mark-to-market loss during the liquidation of the portfolio. To complete settlement of cleared contracts, LCH SA will source the required liquidity either from the pool of cash posted by members (margin and default fund contributions) or by utilising bonds under the cleared contract or from the non-cash collateral pool to raise liquidity through the Banque de France 3G credit line or repo transactions. The bond acquired is then sold in the auction and the proceeds used to replenish liquidity. If the bond is sold at a lower value than the cash paid under the repo, the resulting mark-to-market loss is covered by the default waterfall.

Finally, the Liquidity Plan requires LCH SA to undertake due diligence on each of its liquidity providers to assess the relevant provider's capacity to understand and manage its own liquidity risk as well as its ability to perform under its commitments to provide liquidity to LCH SA. The scope of this due diligence extends to CSDs and ICSDs, central banks, and CaLM counterparties, in each case where such entities act as liquidity providers of LCH SA.

2. Statutory Basis

LCH SA has determined that the Liquidity Plan is consistent with the requirements of Section 17A of the Act²⁹ and regulations thereunder applicable to it, including the requirements of Commission Rule 17ad-22(e)(7).³⁰ In particular, Section 17A(b)(3)(F) of the Act requires, *inter alia*, that the rules of a clearing agency “promote the prompt and accurate clearance and settlement of securities transactions” and “assure

²⁹ 15 USC 78q-1.

³⁰ 17 CFR 240.17ad-22(e)(7).

the safeguarding of ... funds which are in the custody or control of the clearing agency or for which it is responsible.”³¹ The Liquidity Plan establishes comprehensive standards for liquidity management that ensure LCH SA maintains sufficient liquid resources to meet its payment obligations as they fall due, thereby promoting prompt and accurate clearance and settlement and safeguarding securities and funds in its custody or control. As such, the Liquidity Plan is consistent with Section 17A(b)(3)(F) of the Act.

Commission Rule 17ad-22(e)(7)³² requires each covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to effectively measure, monitor, and manage the liquidity risk that arises in or is borne by the covered clearing agency, including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity. The Liquidity Plan addresses certain of the requirements in Rule 17ad-22(e)(7) as set forth in greater detail below.

Commission Rule 17ad-22(e)(7)(i) requires a covered clearing agency to maintain “sufficient liquid resources at the minimum in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of foreseeable stress scenarios that includes, but is not limited to, the default of the participant family that would generate the largest aggregate payment obligation for the covered clearing agency in extreme but plausible market conditions”.³³ The Liquidity Plan identifies the primary sources of liquidity for LCH SA, including cash posted by clearing members to meet margin

³¹ 15 USC 78q-1(b)(3)(F).

³² 17 CFR 240.17ad-22(e)(7).

³³ 17 CFR 240.17ad-22(e)(7)(i).

requirements, cash contributions to Default Funds, and LCH SA's own capital. In addition, the Liquidity Plan provides that LCH SA may use available Central Bank arrangements to generate same-day liquidity by pledging non-cash collateral deposited by its members on a title transfer basis through the Central Bank window. To support intraday liquidity needs, the Liquidity Plan specifies that LCH SA maintains multiple pools of collateral supporting different activities, including credit lines with Euroclear Bank, and Clearstream Bank Luxembourg, the T2S auto-collateralisation system for facilitating settlement of repo transactions, and the Banque de France 3G credit line available for both intraday and overnight liquidity needs.

Further, the Liquidity Plan establishes a comprehensive liquidity stress-testing framework that includes daily liquidity stress testing for Cover 2 default by currency, intraday Cover 2 default liquidity stress testing when LCH SA has scheduled obligations to pay, and at least a 5-day forward-looking Cover 2 default liquidity stress test. Additional stress scenarios include a liquidity squeeze affecting Tier 1 and Tier 2 collateral or increased Central Bank haircuts, and a flight to quality impacting Tier 2 and Tier 3 collateral while Tier 1 collateral remains unaffected through Central Bank facilities. The Liquidity Plan also includes Cover 1 stress testing to demonstrate compliance with SEC rules and U.S. established practices. The Liquidity Plan further specifies that the liquidity assessment must be run: (i) daily at an aggregated level and on all material currencies; (ii) over a forward liquidity period; and (iii) intraday at various times when LCH SA has scheduled obligations to pay. The assessment must factor in regulatory restrictions on the use and liquidation of client assets maintained in segregated accounts and consider stress scenarios that include restricted market access and

behavioural assumptions on how members may withdraw cash during times of stress. By requiring LCH SA to maintain sufficient liquid resources in all relevant currencies, to assess its liquidity position on a daily and intraday basis, and to conduct liquidity stress testing that models the default of the two member groups with the largest liquidity requirement under extreme but plausible market conditions, the Liquidity Plan is consistent with Commission Rule 17ad-22(e)(7)(i).

Commission Rule 17ad-22(e)(7)(ii) requires a covered clearing agency to hold “qualifying liquid resources sufficient to meet the minimum liquidity resource requirement under paragraph (e)(7)(i) in each relevant currency for which the covered clearing agency has payment obligations owed to clearing members.”³⁴ The Liquidity Plan identifies the qualifying liquid resources available to LCH SA in each relevant currency. For Euro currency, qualifying liquid resources include Euro cash collateral and the transfer of Euro non-cash securities to the Banque de France 3G credit line. For non-Euro currencies, the Liquidity Plan provides that qualifying liquid resources include non-Euro cash collateral. The Liquidity Plan further specifies the options available to generate liquidity in both Euro and non-Euro currencies, structured by priority, including repo transactions, access to Central Bank facilities, and uncommitted credit lines. The Liquidity Plan also includes liquidity reverse stress scenarios that model reductions in cash margin to generate a liquidity deficit, switches to non-liquid resources, rating downgrades of Euro zone peripheral and core countries, increased outflows due to mark-to-market moves of assets, multiple defaults of low credit worthiness members, and combined behavioural and macroeconomic scenarios. By identifying the qualifying liquid

³⁴ 17 CFR 240.17ad-22(e)(7)(ii).

resources available to LCH SA in each relevant currency and establishing a framework for maintaining sufficient qualifying liquid resources to meet the minimum liquidity resource requirement, the Liquidity Plan is consistent with Commission Rule 17ad-22(e)(7)(ii).³⁵

Commission Rule 17ad-22(e)(7)(iii) requires a covered clearing agency to use “access to accounts and services at a Federal Reserve Bank, pursuant to Section 806(a) of the Payment, Clearing, and Settlement Supervision Act of 2010, or other relevant central bank, when available and where determined to be practical by the board of directors of the covered clearing agency, to enhance its management of liquidity risk.”³⁶ The Liquidity Plan provides that, as a French banking institution, LCH SA has access through the Euro system to the open market operations and standing facilities of both the ECB and the Banque de France, which are available to eligible counterparties on their own initiative, subject to their fulfilment of certain operational access conditions. The Liquidity Plan specifies that the primary and preferred option for generating Euro liquidity is the transfer of Euro non-cash securities to the Banque de France using its 3G credit line.

The Liquidity Plan further provides that LCH SA may access the overnight standing facility with the Banque de France (marginal lending facility) to obtain overnight Euro liquidity against the presentation of sufficient eligible assets, as well as term reverse transactions with the Banque de France, including Main Refinancing Operations and Longer-Term Refinancing Operations. Given its banking status, LCH SA

³⁵ 17 CFR 240.17ad-22(e)(7)(ii).

³⁶ 17 CFR 240.17ad-22(e)(7)(iii).

also has access to U.S. Dollar liquidity through the ECB’s open market operations. By providing for LCH SA’s access to and use of central bank accounts and services to enhance its management of liquidity risk, the Liquidity Plan is consistent with Commission Rule 17ad-22(e)(7)(iii).³⁷

Commission Rule 17ad-22(e)(7)(iv) requires a covered clearing agency to undertake “due diligence to confirm that it has a reasonable basis to believe each of its liquidity providers has: (a) sufficient information to understand and manage the liquidity provider’s liquidity risks and (b) the capacity to perform as required under its commitments to provide liquidity to the covered clearing agency.”³⁸ The Liquidity Plan provides that LCH SA shall undertake due diligence on each of its liquidity providers to assess the capacity of the provider to understand and manage its liquidity risk and its capacity to perform under its commitments to provide liquidity to LCH SA. The entities included in the scope of due diligence include CSDs and ICSDs, Central Banks, and CaLM counterparties, if they act as liquidity providers of LCH SA. By requiring LCH SA to undertake due diligence on its liquidity providers, the Liquidity Plan is consistent with Commission Rule 17ad-22(e)(7)(iv).³⁹

Commission Rule 17ad-22(e)(7)(v) requires a covered clearing agency to “maintain[ing] and test[ing] with each liquidity provider, to the extent practicable, the covered clearing agency’s procedures and operational capacity for accessing each type of relevant liquidity resource at least annually.”⁴⁰ The Liquidity Plan provides that CaLM

³⁷ 17 CFR 240.17ad-22(e)(7)(iii).

³⁸ 17 CFR 240.17ad-22(e)(7)(iv).

³⁹ 17 CFR 240.17ad-22(e)(7)(iv).

⁴⁰ 17 CFR 240.17ad-22(e)(7)(v).

undertakes “War Games” testing to ensure that assumptions around activities used in stressed environments to raise liquidity are realistic. The testing activities fall into three categories: (i) activities carried out under business as usual, such as the sale of securities, which demonstrate execution procedures and identify which counterparties have appetite; (ii) activities not relied on in day-to-day liquidity management but tested to demonstrate access to liquidity, such as repo transactions and access to Central Bank facilities, which are tested in relatively small size to verify procedures for execution and demonstrate access as a source of liquidity; and (iii) activities that cannot be fully tested through execution but are tested through simulation, such as simulating the liquidation of a defaulting member’s collateral portfolio by asking counterparties to show bid prices in a “what if” scenario. The Liquidity Plan further specifies that CaLM tests access to qualifying liquid resources with each liquidity provider, to the extent practicable, not less than annually. By requiring LCH SA to maintain and test with each liquidity provider its procedures and operational capacity for accessing relevant liquidity resources at least annually, the Liquidity Plan is consistent with Commission Rule 17ad-22(e)(7)(v).⁴¹

Commission Rule 17ad-22(e)(7)(vi) requires a covered clearing agency to determine the amount and regularly test the sufficiency of its liquid resources to meet the minimum requirement under Rule 17ad-22(e)(7)(i), including at a minimum: daily liquidity stress testing; monthly comprehensive analyses of stress scenarios, models, and key parameters with adjustments as appropriate; more frequent analyses when markets are volatile, less liquid, or participant positions become more concentrated (or in other appropriate circumstances); and reporting results to decision makers (e.g., risk

⁴¹ 17 CFR 240.17ad-22(e)(7)(v).

management committee or board) and using them to evaluate and adjust the liquidity risk framework.⁴² The Liquidity Plan establishes that liquidity stress testing in LCH SA includes daily liquidity stress testing for Cover 2 default by currency, intraday Cover 2 default liquidity stress testing, at least a 5-day forward-looking Cover 2 default liquidity stress test, and additional stress scenarios following a Cover 2 default. The Liquidity Plan also includes liquidity reverse stress scenarios. In addition, the Liquidity Plan provides that Second Line CaLM Risk monitors, controls, and reports the liquidity risk of LCH SA to CaLM on a daily basis, sets the Liquidity Risk Limits, and conducts liquidity stress testing. Second Line CaLM Risk maintains and runs various different stress scenarios and monitors the largest stress loss against the legal entity capital and available liquidity resources. By requiring LCH SA to conduct daily liquidity stress testing, perform comprehensive analyses of stress testing scenarios and parameters, and report the results to appropriate decision makers, the Liquidity Plan is consistent with Commission Rule 17ad-22(e)(7)(vi).⁴³

Commission Rule 17ad-22(e)(7)(viii) requires a covered clearing agency to address “foreseeable liquidity shortfalls that would not be covered by the covered clearing agency’s liquid resources and seek to avoid unwinding, revoking, or delaying the same-day settlement of payment obligations.”⁴⁴ The Liquidity Plan sets out options to generate operational liquidity and to meet operational and default liquidity shortfalls. If an operational liquidity shortfall is not fully met with maturing transactions, CaLM has a range of options to generate liquidity, with the choice and prioritisation of use depending

⁴² 17 CFR 240.17ad-22(e)(7)(vi).

⁴³ 17 CFR 240.17ad-22(e)(7)(vi).

⁴⁴ 17 CFR 240.17ad-22(e)(7)(viii).

on timing and duration of liquidity requirements and market conditions. For short-term liquidity requirements, funding is likely to focus on ECB liquidity, repo, and other borrowing mechanisms. For longer-term or structural changes to the liquidity profile, recourse is likely to be to the sale of assets. The Liquidity Plan also sets out additional methods to retain liquidity within LCH SA, including increasing the substitution notice period, utilising intraday liquidity available at CSDs, prioritising the return of non-cash over cash collateral, applying caps on pledge amounts and non-Euro securities, imposing service level cash primary liquid resources requirements, and making extraordinary margin calls if the LCR falls below specified thresholds. By establishing procedures to address foreseeable liquidity shortfalls and methods to retain liquidity to avoid delays in same-day settlement of payment obligations, the Liquidity Plan is consistent with Commission Rule 17ad-22(e)(7)(viii).⁴⁵

Commission Rule 17ad-22(e)(7)(ix) requires a covered clearing agency to describe “the covered clearing agency’s process to replenish any liquid resources that the clearing agency may employ during a stress event.”⁴⁶ The Liquidity Plan describes the mechanics for replenishment of cash following liquidity usage. The primary source of cash to mitigate any liquidity shortfall is cash margin collateral posted by members, together with ECB-eligible securities that can be converted into cash through Banque de France. During default management, LCH SA may need to make payments on behalf of the defaulter to cover variation margins, settlement obligations, and hedging costs. To complete settlement of cleared contracts during a default, LCH SA will source the

⁴⁵ 17 CFR 240.17ad-22(e)(7)(viii).

⁴⁶ 17 CFR 240.17ad-22(e)(7)(ix).

required liquidity either from the pool of cash posted by members or by utilising bonds under the cleared contract or from the non-cash collateral pool to raise liquidity through the Banque de France 3G credit line or repo transactions. The bond acquired is then sold in the auction and the proceeds used to replenish liquidity. If the bond is sold at a lower value than the cash paid under the repo, the resulting mark-to-market loss is covered by the default waterfall. By describing LCH SA's process to replenish liquid resources employed during a stress event, the Liquidity Plan is consistent with Commission Rule 17ad-22(e)(7)(ix).⁴⁷

Finally, Commission Rule 17ad-22(e)(7)(x) requires a covered clearing agency to undertake "an analysis at least once a year that evaluates the feasibility of maintaining sufficient liquid resources at a minimum in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of foreseeable stress scenarios that includes, but is not limited to, the default of the two participant families that would potentially cause the largest aggregate payment obligation for the covered clearing agency in extreme but plausible market conditions."⁴⁸ As discussed above,⁴⁹ the Liquidity Plan establishes that LCH SA conducts daily liquidity stress testing for Cover 2 default by currency, which models the default of the two member groups with the largest liquidity requirement under extreme but plausible market conditions. The comprehensive stress testing framework also includes additional stress scenarios following a Cover 2 default, Euronext Clearing

⁴⁷ 17 CFR 240.17ad-22(e)(7)(ix).

⁴⁸ 17 CFR 240.17ad-22(e)(7)(x).

⁴⁹ See Item 3(a), *supra*.

liquidity stress testing, and liquidity reverse stress scenarios.⁵⁰ This annual validation evaluates the liquidity risk framework and the feasibility of the liquidity resources maintained by LCH SA to meet its payment obligations under stress scenarios. By establishing a framework for ongoing liquidity stress testing that includes Cover 2 default scenarios and providing for annual validation of its liquidity risk models, the Liquidity Plan, together with the LRP, is consistent with Commission Rule 17ad-22(e)(7)(x).⁵¹

B. Clearing Agency's Statement on Burden on Competition

Section 17A(b)(3)(I) of the Act requires that the rules of a clearing agency not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.⁵² LCH SA does not believe the Liquidity Plan would have any impact, or impose any burden, on competition. The Liquidity Plan does not address any competitive issue or have any significant impact on the competition among central counterparties. LCH SA operates an open access clearing model, and the Liquidity Plan will have no direct effect on this open access model, subject to LCH SA's regulatory requirements and clearing rules, provisions and overall governance process, including the clearing membership eligibility criteria and appropriate credit risk assessment.

⁵⁰ In addition, LCH SA's Liquidity Risk Policy ("LRP") provides that the models used to conduct liquidity stress testing should be reviewed at least on a quarterly basis, with findings reported to the Executive Risk Committee, and that the model is subject to annual validation by an independent Model Validation Team in accordance with LCH SA's Model Governance Validation and Review Policy.

⁵¹ 17 CFR 240.17ad-22(e)(7)(x).

⁵² 15 USC 78q-1(b)(3)(I).

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

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

III. Date of Effectiveness of the Proposed Rule Change

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will: (A) by order approve or disapprove such proposed rule change, or (B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules-regulations/self-regulatory-organization-rulemaking>); or
- Send an e-mail to rule-comments@sec.gov. Please include file number SR-LCH SA-2026-004 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-LCH SA-2026-004. 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 (<http://www.sec.gov/rules-regulations/self-regulatory-organization-rulemaking>). Copies of such filing will be available for inspection and copying at the principal office of LCH SA and on LCH SA's website at <http://www.lch.com/resources/rules-and-regulations/proposed-rule-changes-0>.

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.

All submissions should refer to file number SR-LCH SA-2026-004 and should be submitted on or before [INSERT DATE 21 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁵³

Sherry R. Haywood,

Assistant Secretary.

⁵³ 17 C.F.R. § 200.30-3(a)(12).