

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-106024; File No. SR-LCH SA-2026-006]

Self-Regulatory Organizations; LCH SA; Notice of Filing of Proposed Rule Change Relating to the LCH SA CDS Clear Trade Registration Fund.

July 31, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act” or “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on July 20, 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 primarily 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 proposing to amend its: (i) CDS Clearing Rule Book ("**Rule Book**"), (ii) CDS Clearing Procedures ("**Procedures**") (collectively the "**CDS Clearing Rules**") and (iii) LCH Counterparty Credit Risk Policy (the "**Policy**") in order to introduce a form of margin forbearance to facilitate the registration of trades submitted by Clearing Members or their Clients to LCH SA for clearing (the "**Proposed Rule Change**").³

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 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-2026-006.

The implementation of the Proposed Rule Change will be contingent on LCH SA's receipt of all necessary regulatory approvals.

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

LCH SA is proposing to amend its CDS Clearing Rules to introduce a form of margin forbearance to facilitate the registration of trades submitted by Clearing Members or their Clients to LCH SA for clearing by introducing the trade registration fund ("TRF") facility and credit tolerance. Under the current CDS Clearing Rules⁴, the clearing of original trades is subject to passing the collateral checks performed by LCH SA; if there is insufficient collateral and/or, in respect of client trades, collateral buffer, registered in the account structure of the relevant Clearing Member for the purposes of covering any increase in the margin requirements incurred by the clearing of the original trade, such trade will be rejected by LCH SA. The implementation of the TRF facility

⁴ In accordance with Article 3.1.4.4 of the CDS Clearing Rule Book.

and credit tolerance will permit the clearing of an original trade in the absence of sufficient collateral and as the case may be, collateral buffer, by relying on the TRF which is composed of all the Clearing Members' contributions to such TRF that is part of the CDS Default Fund and/or if the TRF allowance amount allocated to the relevant Clearing Member is insufficient, on the credit tolerance granted to the relevant Clearing Member by LCH SA. The relevant Margin Requirements covered by the usage of the TRF and, as the case may be, the credit tolerance, will be satisfied by the transfer of an amount of Collateral by the relevant Clearing Member at the next Collateral Call.

A. Proposed Revisions to the CDS Clearing Rules

1. Rule Book

LCH SA proposes to add additional defined terms and make amendments to existing defined terms contained within Title I, Chapter 1, Section 1.1.1 of the Rule Book.

The new defined terms in respect of the introduction of the TRF facility and the credit tolerance will be introduced:

- “TRF Allowance” that will mean Margin (other than Variation Margin) forbearance that LCH SA may provide to a Clearing Member in its own discretion in accordance with new Article 4.2.2.5 of the Rule Book (as further explained below);
- “Available TRF Allowance” which will refer, in respect of the House Margin Account of a Clearing Member, the portion of its TRF Allowance which, at the relevant time, is not allocated to its House Margin Account up to the maximum value as determined for its House Margin Account in accordance

with Section 2 of the Procedures; or in respect of all the Client Margin Accounts of a Clearing Member, the portion of its TRF Allowance which, at the relevant time, is not allocated to any of its Client Margin Accounts up to the maximum value as determined for all of its Client Margin Accounts in accordance with Section 2 of the Procedures;

- “TRF Allowance Amount” which will refer to the value of that portion of the CDS Default Fund Amount which relates to those default fund resources which LCH SA determines as being required in relation to the aggregate of the TRF Allowances across all Clearing Members;
- “TRF Contribution” which will mean the amount calculated by LCH SA with respect to each Clearing Member in accordance with Section 6 of the Procedures;
- “TRF Utilisation” which will mean the value of the TRF Allowance utilised by a Clearing Member at any particular time, as determined by LCH SA in its sole discretion;
- “Credit Tolerance” which will be defined as Margin (other than Variation Margin) forbearance that LCH SA may provide to a Clearing Member in its own discretion, provided that such Clearing Member has insufficient Available TRF Allowance in accordance with Article 4.2.2.5;
- “Available Credit Tolerance” which will refer to, in respect of a Clearing Member, the portion of its Credit Tolerance which, at the relevant time, is not allocated to any Margin Account of that Clearing Member;

- “Tolerance Check” which will mean the process by which LCH SA determines whether there is sufficient Available TRF Allowance and, as the case may be, sufficient Available Credit Tolerance, in respect of a Clearing Member to allocate to any Margin Account to satisfy all or part of the Intraday Novation Margin Requirement calculated in respect of the positions corresponding to an Eligible Intraday Transaction pre-registered in such Margin Account.

As a result of the introduction of the TRF facility and related new defined terms, the current definition of “Contribution” will be amended to refer to the sum of the TRF Contribution and Ordinary Contribution as calculated in accordance with Section 6 of the Procedures and payable by each Clearing Member to LCH SA to fund the CDS Default Fund. A new definition of “Ordinary Contribution” will be therefore added to refer to the amount of the Contribution as currently required under the Rule Book; the calculation of such amount is now provided for in Section 6 of the Procedures.

LCH SA also proposes to amend the definition of the CDS Default Calculation Amount, such term being used for the purposes of the calculation of the Ordinary Contribution, to exclude from the definition of this term the TRF Allowance Amount from the amount to be calculated and use the new defined term of “Ordinary Contribution” instead of the term “Contribution Requirement” as it comprises the TRF Contribution.

The definition of the term “Novation Time” will be amended to include a reference to the new term “Tolerance Check” since, provided there is insufficient Collateral and/or as the case may be, Available Client Collateral Buffer, this step will

immediately follow the Notional and Collateral Check carried out in respect of an Intraday Transaction submitted for clearing to LCH SA. The definition of “Notional and Collateral Check” will be amended for the purposes of considering the Tolerance Check that can be carried out by LCH SA by specifying that Excess Collateral and/or Available Client Collateral Buffer can be used to satisfy all or only a part of the Intraday Novation Margin Requirement calculated in respect of the Intraday Transaction received for clearing by LCH SA. Indeed, the Intraday Novation Margin Requirement can be also covered by the Available TRF Allowance, and, as the case may be, the Available Credit Tolerance, in respect of a Clearing Member.

LCH SA proposes to amend Articles 3.1.4.3, 3.1.4.4 and 3.1.4.6 to add a reference to the new Tolerance Check, in addition to the other steps carried out by LCH SA in respect of the receipt of an Intraday Transaction for clearing.

Additionally, the title of Section 4.2.2 will be amended by adding a reference to the TRF Allowance and Credit Tolerance in addition to the current Excess Collateral and Client Collateral Buffer.

A new Article 4.2.2.5 will be added to Section 4.2.2 to explain how the TRF Allowance and Credit Tolerance facilities will function. LCH SA may provide such facilities to each Clearing Member for the purposes of facilitating the novation of the Eligible Intraday Transactions in the event of insufficient Excess Collateral and/or Available Client Collateral Buffer, by allocating any Available TRF Allowance and/or Available Credit Tolerance to the relevant Margin Account. This allocation will not give rise to any payment or transfer of Collateral from LCH SA or result in any use of the CDS Default Fund resources (other than in the event of a Clearing Member’s default).

The Clearing Member for which its TRF Allowance and as the case may be, its Credit Tolerance, has been allocated by LCH SA to one of its Margin Account will be required to transfer the necessary Collateral to cover any Margin Shortfall resulting from the utilisation of the TRF Allowance and Credit Tolerance at the next Collateral Call which follows such utilisation but LCH SA will be also permitted to require a Clearing Member to transfer Collateral to LCH SA to cover such Margin Shortfall at any time and without prior notice. Finally, each Clearing Member will be granted a maximum value of the TRF Allowance and of the Credit Tolerance that may be available as determined and adjusted in accordance with amended Section 2 of the Procedures.

The Articles of the Rule Book following this new Article 4.2.2.5 have been renumbered and any cross-reference to Articles 4.2.2.6 *et seq.* will be also updated in the Rule Book.

LCH SA will amend Article 4.2.2.6 which deals with the conditions applicable to a request of a Clearing Member, admitted either as a CCM or an FCM/BD Clearing Member, to have Collateral returned to it in order to add the condition pursuant to which the Clearing Member's TRF Allowance and Credit Tolerance shall not be utilised at the time of such request.⁵

Article 4.2.3.1, which currently deals with the calculations made by LCH SA in respect of each Collateral Call, will be amended to provide that LCH SA will also inform each Clearing Member of its TRF Utilisation following such calculations.

⁵ A Clearing Member which utilizes TRF Allowance and/or Credit Tolerance might request the return of any Excess Collateral if the value of its Collateral has increased and/or the Margin Requirements have decreased (for instance because of the novation of a risk reducing intraday transaction).

The Proposed Rule Change will also update Section 4.4.1 (*Purpose of the CDS Default Fund and Relevant Calculations*) by adding a reference to the TRF Allowance Amount as part of the funded portion of the CDS Default Fund in Article 4.4.1.2; the last sentence of the current version of this Article will be also moved to the first paragraph of this Article as it relates to a component of the fund portion of the CDS Default Fund, which amounts to the sum of all the Clearing Members' Contributions (*i.e.* the Combined Unmargined Risk). Article 4.4.1.3 which provides for the calculation of each Clearing Member's Contribution will be removed from the Rule Book since all the relevant provisions on such calculation will be provided for in Section 6 of the Procedures as these provisions are rather technical and therefore shall be relocated at the level of a Procedure, as further described in paragraph (C) below. Consequently, the Articles of the Rule Book following Article 4.4.1.3 that is proposed to be deleted will be renumbered and any cross-reference to Articles 4.4.1.3 *et seq.* will be also updated in the Rule Book.

Finally, Article 4.4.2.3 will be updated to refer to the correct number of the relevant Procedure (3 instead of 6).

2. Procedures

a) Section 2

LCH SA is proposing to rename Section 2.3 of the Procedures (*Excess Collateral and the Client Collateral Buffer*) "Excess Collateral, Client Collateral Buffer, TRF Allowance and Credit Tolerance" since a new paragraph (e) entitled "TRF Allowance and Credit Tolerance" will be added to this Section 2.3 to describe how such facilities will work. Pursuant to this new paragraph (e), in the event there is not sufficient Collateral or, in respect of the relevant Client Margin Account, not sufficient Client

Collateral Buffer to allow for the novation of a new intraday trade, LCH SA may allocate any Available TRF Allowance and, if there is not sufficient Available TRF Allowance, Available Credit Tolerance to the relevant Margin Account of a Clearing Member to permit this novation and the registration of this trade in the Clearing Member's Account Structure.

New paragraph (e) of Section 2.3 will also provide that the maximum value of the TRF Allowance and Credit Tolerance for a Clearing Member will be determined, and adjusted, by LCH SA and in respect of the TRF Allowance, notified to the Clearing Member⁶ in the conditions provided for in the Clearing Notice on the means of access and reporting mechanism. The maximum value of the TRF allowance per Clearing Member and Financial Group will be determined by LCH credit risk team and will be based, among other things, on the internal credit score of the Clearing Member as specified in the proposed change to the LCH Counterparty Credit Risk Policy⁷ referred to in paragraph 2 below. The Clearing Member will be able to determine the distribution of the TRF Allowance between its House Margin Account on the one hand and its Client Margin Accounts on the other hand by submitting the relevant completed form to LCH SA.

Pursuant to new paragraph (e), the allocation of the Available TRF Allowance and Available Credit Tolerance by LCH SA will be made on an automatic "first in time" basis; thus, it will be allocated to the relevant Clearing Member's Margin Account,

⁶ The maximum value of Credit Tolerance will not be disclosed to the Clearing Member for flexibility purposes.

⁷ See Exchange Act Release No. 104051 (Sept. 25, 2025), 90 FR 47001 (Sept. 30, 2025) (SR-LCH SA-2025-007), which approved the LCH Counterparty Credit Risk Policy

according to the order in which the intraday trades are received and processed by LCH SA. LCH SA will reflect such an allocation in its books and records and will not involve any transfer of Collateral or payment.

Finally, the last sub-paragraph of paragraph (e) will describe the impact of a decrease in the Margin Requirement associated to a Clearing Member's Margin Account to which TRF Allowance and Credit Tolerance are allocated⁸. In such a case, the allocated Credit Tolerance will be first reduced by an amount corresponding to such a decrease and then, the allocated TRF Allowance if the allocated Credit Tolerance is higher than the amount corresponding to such a decrease.

In Section 2.5 of the Procedures, paragraph (b), sub-paragraph (i) on the Intraday Novation Margin Requirement, references to the Available TRF Allowance and Available Credit Tolerance will be added where relevant.

Other technical amendments will be made to Section 2 of the Procedures to correct typographical errors.

b) Section 3

Section 3 of the Procedures will be updated to reflect a new condition that shall be met by the Clearing Member in respect of its request for the return of any type of Collateral; indeed, LCH SA will accept a request for the return of any type of Collateral provided that its TRF Allowance and Credit Tolerance are not utilised as determined at the time when the request is received by LCH SA in accordance with amended paragraph

⁸ It should be noted that an increase of the Margin Requirement would not have any impact on the Available TRF Allowance and Available Credit Tolerance and will be covered through the next Collateral Call. In accordance with the provisions of Section 2.3, where there isn't enough collateral in the account to satisfy the notional and collateral check, then LCH SA will allocate available TRF Allowance and Credit Tolerance to the margin account, but only if there isn't enough excess collateral or the client buffer is insufficient.

3.7 (g) i), ii) and iii) for the Euro denominated Cash Collateral, amended paragraph 3.8 (h) and (i) for the Non-Euro denominated Cash Collateral, amended paragraph 3.10.1 (c) for the Eligible Collateral provided on a bilateral basis, amended paragraph 3.10.2 (d) for the Eligible Collateral provided pursuant to a triparty arrangement, amended paragraph 3.15 (b) for the Pledged Eligible Collateral and amended paragraph 3.17 (b) for the BNYM US Eligible Collateral.

Paragraph 3.7 (h) which currently deals with the transfer of Euro denominated Cash Collateral is also proposed to be amended by replacing the reference to Article 4.4.1.7 of the Rule Book by Article 4.4.1.6.

c) Section 6

Section 6 of the Procedures will be amended to provide details on the calculation of each Clearing Member's Contribution to the CDS Default Fund, including the TRF Contribution; paragraph 6.1 will be updated to include the Contribution of each Clearing Member in the scope of Section 6 of the Procedures. For this purpose, a set of new definitions has been added to Section 6 in a new paragraph 6.2 (*Terms defined in this CDS Default Fund Procedure*). The new defined terms will be used in the provisions of Section 6 on the calculation of the TRF Contribution and will be the following:

- "TRF Initial Member" which will refer to the Clearing Member which has not used its TRF Allowance over the last 90 consecutive calendar days preceding the Business Day as at which the TRF Contribution is to be calculated; and
- "TRF Contribution Percentage" which will be relevant for a Clearing Member other than a TRF Initial Member and will be used to refer to the percentage calculated by LCH SA on the basis of the average TRF Utilisation of the relevant Clearing Member over the last 180 consecutive calendar days (or if

not available, the number of available consecutive calendar days) which is the average calculated by adding together the peak TRF Utilisation of the Clearing Member for each relevant calendar day and then dividing such sum by 180 or, as the case may be, the number of available consecutive calendar days. Such amount will be then divided by the total of such average TRF Utilisations of all Non-Defaulting Clearing Members other than TRF Initial Members.

As a consequence, the paragraphs following new paragraph 6.2 will be renumbered and the relevant cross-references updated.

Paragraph 6.5 on the calculation of a Clearing Member's Contribution which currently refers to the Rule Book (Article 4.4.1.3) in respect of the method for calculating each Clearing Member's Contribution will be updated by adding the content of Article 4.4.1.3 and new provisions on the calculation of the TRF Contribution since the Contribution to the CDS Default Fund will comprise the Ordinary Contribution (corresponding to the current definition of Contribution in the published version of the Rule Book) and the new TRF Contribution. Therefore, a Clearing Member's Contribution will be equal to the sum of:

- the Ordinary Contribution for which the details for calculation will be moved from Article 4.4.1.3 of the Rule Book to amended paragraph 6.6 (currently paragraph 6.5) subject to the necessary amendments, i.e. removing the TRF Allowance Amount from the CDS Default Fund Amount to calculate the Clearing Member's proportionate share and reducing the amount of the minimum Ordinary Contribution to EUR 7,000,000, instead of EUR

10,000,000. The amount of the minimum Contribution will be maintained at EUR 10,000,000 but will also include a minimum TRF Contribution which will be set at EUR 3,000,000 as further described below. The intention is to keep the total minimum amount contributed by clearing members to mutualized resources to 10M euros. Given the Default Fund is now split into an Ordinary Default Fund covering the market risk, and a Trade Registration Fund used as a backing for IM forbearance, the 10M will be split between one minimum amount for the Ordinary Default Fund and one minimum amount for the Trade Registration Fund. An amount of 3M euros will be the relevant minimum contribution to the Trade Registration Fund, and therefore the new Ordinary Default Fund minimum contribution has been set to $10 - 3 = 7$ M euros;

- the TRF Contribution which, for a Clearing Member other than a TRF Initial Member, will correspond to the amount calculated by multiplying the TRF Allowance Amount by the Clearing Member's TRF Contribution Percentage subject to a minimum amount of EUR 3,000,000 and a maximum amount of EUR 30,000,000. The TRF Contribution of a Clearing Member that is a TRF Initial Member will be equal to an amount of EUR 3,000,000. Besides, the TRF Contributions will be adjusted by LCH SA if, as a result of the adjustments in any TRF Contribution for Clearing Members that are not TRF Initial Members, the aggregate of the TRF Contributions is greater or less than the TRF Allowance Amount.

Finally, paragraph 6.5 (currently 6.4) regarding the calculation of the CDS Default Amount will be amended to include the TRF Allowance Amount in the calculation of the size of the CDS Default Fund and to refer to the Combined Unmargined Risk in respect of the current formula and replace “Contribution” with “Ordinary Contribution” for consistency purposes.

d) Section 8

LCH SA proposes to amend indent (ii) of paragraph 8.3 (a) so that the immediate measure that LCH SA may take in the event of a Price Alleged Breach, i.e. a failure to provide a complete price submission file in accordance with Section 5 of the Procedures, which can consist in increasing the Clearing Member’s Contribution will be relevant for the Ordinary Contribution only. There will be no impact of such measure on the calculation of the Clearing Member’s TRF Contribution.

2. Proposed Revisions to the LCH Counterparty Credit Risk Policy

A new Section 9.7 is proposed be added to the LCH Counterparty Credit Risk Policy in order to outline the credit limits set up as a percentage of CDSClear TRF and to be applied on a daily basis per Clearing Member of CDSClear service.

It is also specified that the TRF availability for a single Clearing Member group cannot exceed this group’s aggregate Default Fund contributions and TRF contributions.

In addition to the proposed changes made specifically for the TRF purposes, the LCH Counterparty Credit Risk Policy (V10.6) also includes several amendments intended to strengthen the governance of the Internal Credit Scoring framework,

formalize the treatment of the membership model Guaranteed Sponsored Clearing⁹ which is only applicable to the LCH SA Non-US Business RepoClear service, and simplify the policy structure.

Under Section 6.1, the Policy has been updated to provide greater clarity and consistency regarding the execution and governance of the Internal Credit Scoring process. The revised section explicitly requires all applicable counterparties, including the Non-US Business RepoClear Dormant Sponsored Members, to undergo a documented credit assessment prior to onboarding and then at least once a year on a 12-month rolling period with a caveat on specific circumstances requiring a delay that would need to be approved by the Head of Credit Risk team.

Section 6.2 of the Policy also proposes to introduce minimum Internal Credit Score (ICS) requirements for participants in the Non-US Business RepoClear Guaranteed Sponsored Clearing framework. Guaranteed Sponsored Members (“**GSMs**”) are now required to maintain a minimum ICS of 7, while Guaranteeing Agent Members (“**GAMs**”) are required to maintain a minimum ICS of 4. These provisions formally incorporate Guaranteed Sponsored Clearing participants into the policy’s eligibility framework and establish minimum creditworthiness standards for participation.

The Section 6.3 of the Policy clarifies that LCH Executive Risk Committee (“**ERCo**”) approval is required for new clearing member applications including any current LCH clearing members of one central counterparty (“**CCP**”) applying for clearing membership of another CCP. The section also extends newly introduced

⁹ The regulatory approval received by LCH SA from its National Competent Authorities (NCAs) on this new Non-US Business membership category was received and duly notified to the SEC on the 12th of December 2025.

participant categories associated with the Non-US Business RepoClear Sponsored Clearing and Guaranteed Sponsored Clearing models, including Sponsored Clearing Agents and Guaranteeing Agent Members. In addition, the Policy now provides greater clarity regarding which counterparty categories require formal ERCo approval versus notification-only processes and formalises the governance applicable when existing counterparties expand into new business lines or assume additional counterparty roles.

The Annex I under Section 9.2 (on T-Ratio monitoring framework) has been extended to cover the Non-US Business RepoClear Guaranteed Sponsored Members. The thresholds now explicitly incorporate GSMs within the monitoring framework alongside Sponsored Clearing Funds, ensuring that exposure monitoring requirements are applied consistently across all Sponsored Clearing participant categories and remain aligned with the applicable ICS.

The Annex I – Section 9.3 of the Policy has been amended to extend the Stress Test Loss Over Additional Margin (“**STLOAM**”)¹⁰ plus Default Fund Contribution to Net Capital (or NAV) monitoring framework to the Non-US Business RepoClear Guaranteed Sponsored Clearing model. The revised section explicitly includes Sponsored Members and GSMs within the 30% monitoring threshold and introduces a dedicated methodology for monitoring Guaranteeing Agent Members. Under this approach, GAM exposure incorporates both the GAM’s own stress loss exposure and an additional “Guarantee Exposure” reflecting the exposures of the GSMs supported by the GAM, net

¹⁰ See Exchange Act Release No. 34-90207 (October 15, 2020); File No. SR-LCH SA-2020-004 which approved the Proposed Rule Change Relating to the Clearing of Single Name Credit Default Swaps Referencing Monoline Insurance Companies and the Amendment of LCH SA’s Rules in Accordance With its Risk Policies

of any prefunded agent resources. This amendment ensures that the framework appropriately captures the contingent credit risk arising from guarantee arrangements.

The Paragraphs 85 and 86 of Section 9.10 under the Annex to the Policy have been amended to align the definition of ‘stress losses’ with the LCH SA Financial Resource Adequacy Policy (**FRAP**).¹¹

The Section 9.11 of the Annex I introduces a new Credit Risk Resources (“**CRR**”) framework specifically designed for the Non-US Business RepoClear Guaranteed Sponsored Clearing. The framework links additional resource requirements to the combined credit quality of the GSM and the GAM and establishes a matrix of stress-loss coverage requirements and initial margin multipliers. Requirements increase progressively as the credit quality of either participant deteriorates, with calibration based on a five-day look-back period. This new framework provides a dedicated risk mitigation mechanism to address the interconnected credit risk profile inherent in the Guaranteed Sponsored Clearing model.

In order to be aligned with the structure of the other LCH Policies, the standalone and former Section 8 of the Policy is not considered necessary anymore and was fully removed.

2. Statutory Basis

LCH SA believes that the Proposed Rule Change is consistent with the requirements of Section 17A of the Exchange Act¹² and the regulations thereunder,

¹¹ See Exchange Act Release No. 34-104051 (September 25, 2025), File No. SR-LCH SA-2025-007, which approved the LCH SA FRAP

¹² 15 U.S.C. 78q-1.

including the clearing agency standards under Exchange Act Rule 17ad-22.¹³ Section 17A(b)(3)(F) of the Exchange Act¹⁴ requires, among other things, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts, and transactions, to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions, and are not designed to permit the unfair discrimination in the admission of participants or among participants in the use of the clearing agency.

LCH SA is proposing to introduce a form of margin forbearance to facilitate the registration of trades submitted by Clearing Members or their Clients to LCH SA for clearing. Under the current CDS Clearing Rules, LCH SA performs collateral checks prior to clearing original trades and will reject such trades if there is insufficient collateral and/or, in respect of client trades, collateral buffer. Specifically, Clearing Members and their clients are required to hold sufficient collateral to cover any increase in margin requirements incurred by the clearing of an original trade. The TRF facility and credit tolerance are designed to facilitate the continuing clearance and settlement of original trades by limiting trade rejections. Any amount utilized by the TRF will be subsequently satisfied by the transfer of an amount of Collateral by the relevant Clearing Member at LCH SA's next Collateral Call. LCH SA believes that the Proposed Rule Change is consistent with the requirement of Section 17A of the Exchange Act¹⁵ such that the rules of a clearing agency are designed to promote the prompt and accurate clearance and

¹³ 17 CFR 240.17ad-22.

¹⁴ 15 U.S.C. 78q-1(b)(3)(F).

¹⁵ 15 U.S.C. 78q-1.

settlement of transactions. Here, the TRF facility and credit tolerance will serve to ensure Clearing Member and client trades are not rejected in the event of insufficient collateral and/or client collateral buffer.

Clearing Member contributions to the TRF fund must be in Cash Collateral and will be held at approved custodians, similar to Default Fund contributions. LCH SA assures the safeguarding of funds under its control for Default Fund contributions and would institute the same level of control for the TRF fund. Therefore, LCH SA believes that the Proposed Rule Change is consistent with the requirement of Section 17A of the Exchange Act¹⁶ such that the rules of a clearing agency are designed to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible.

LCH SA also believes that the Proposed Rule Change is consistent with the requirements of Exchange Act Rule 17ad-22(e)(4)(i)¹⁷. Rule 17ad-22(e)(4)(i) provides that a covered clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to . . . [e]ffectively identify, measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes, including by . . . [m]aintaining sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence.¹⁸ The clarifications made in the LCH Counterparty Credit Risk Policy don't impact the existing formal documented Internal Credit Score assessment for all applicable CDSClear counterparties and the other amendments are mainly covering

¹⁶ 15 U.S.C. 78q-1(b)(3)(F).

¹⁷ 17 CFR 240.17ad-22(e)(4)(i).

¹⁸ Id.

the new membership category of the LCH SA Non-US Business RepoClear service. LCH SA also maintains a CDSClear Default Fund, the size of which is equal to the sum of the Combined Unmargined Risk and the TRF Allowance Amount. The TRF Allowance amount is the Margin forbearance that LCH SA may provide to a Clearing Member in its own discretion and will be a component of the CDSClear Default Fund. LCH SA will determine, in its sole discretion, the maximum value of the TRF Allowance that may be available to a Clearing Member at a given time and may adjust the value of such limit(s), as may be necessary from time to time. Clearing Members' contribution to the TRF is based on peak utilization over a specific period divided by all Non-Defaulting Clearing Members' TRF utilization. Because the TRF allowance is determined on Clearing Members' pro rata share of usage and the TRF is a component of the CDSClear Default Fund amount including the credit limits per participant rating duly specified in the LCH credit risk framework, LCH SA believes the Proposed Rule Change is consistent with the requirements of Exchange Act Rule 17ad-22(e)(4)(i)¹⁹.

LCH SA also believes that the Proposed Rule Change is consistent with the requirements of Exchange Act Rule 17ad-22(e)(18)(ii)²⁰. Rule 17ad-22(e)(18)(ii) provides that a covered clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to . . . [e]stablish objective, risk-based, and publicly disclosed criteria for participation, which . . . [r]equire participants to have sufficient financial resources and robust operational capacity to meet obligations arising from participation in the clearing agency.²¹ LCH SA requires Clearing Members

¹⁹ Id.

²⁰ 17 CFR 240.17ad-22(e)(18)(ii).

²¹ Id.

meet certain minimum financial resource requirements to participate in the CDSClear service. Contributing financial resources to the CDS Default Fund is one these requirements. The size of the CDS Default Fund is equal to the sum of the Combined Unmargined Risk and the TRF Allowance Amount for CDSClear Clearing Members. A Clearing Member's Contribution to the Default Fund is the greater of their proportionate share of the CDS Default Fund Amount minus the TRF Allowance Amount and a minimum contribution of €7mm (the Ordinary Contribution). In addition, Clearing Members must also provide a TRF Contribution, which is the product of a Clearing Member's TRF Allowance Amount and the Clearing Member's TRF Contribution Percentage (the TRF Contribution). LCH SA believes the total Clearing Member contribution is consistent with the requirements of Exchange Act Rule 17ad-22(e)(18)(ii)²² such that Clearing Members must have sufficient financial resources to participate in the CDSClear service.

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.²³ LCH SA does not believe that the Proposed Rule Change would impose burdens on competition that are not necessary or appropriate in furtherance of the purposes of the Act. The Proposed Rule Change would facilitate the registration of trades submitted by Clearing Members or their Clients to LCH SA for clearing through the establishment of a TRF fund. Therefore, LCH SA does not believe that the Proposed Rule

²² Id.

²³ 15 U.S.C. 78q-1(b)(3)(I).

Change would impose a burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

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

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

III. Date of Effectiveness of the Proposed Rule Change

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-2026-006 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-2026-006. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules-regulations/self-regulatory-organization-rulemaking>). Copies of the 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-2026-006 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.²⁴

Sherry R. Haywood,

Assistant Secretary.

²⁴ 17 CFR 200.30-3(a)(12).