SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-106352; File No. SR-LCH SA-2026-006]

Self-Regulatory Organizations; LCH SA; Order Approving Proposed Rule Change Relating to the LCH SA CDSClear Trade Registration Fund.

September 14, 2026.

I. Introduction

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 (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 establish a Trade Registration Fund. The proposed rule change was published for comment in the *Federal Register* on August 5, 2026.[3] The Commission did not receive comments regarding the proposed rule change. For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description of the Proposed Rule Change

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

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 Securities Exchange Act Release No. 106024 (July 31, 2026), 91 FR 50584 (Aug. 5, 2026) (File No. SR-LCH SA-2026-006) ("Notice"). CDS Clearing Procedures ("Procedures").

As a CCP, LCH SA is exposed to certain risk, including the risk that Clearing Members ("Members") may default on their obligations. In that case, as a CCP, LCH SA is obligated to perform the obligations of the defaulting Members. To mitigate such risk and control exposures to its Members, LCH SA requires that Members deposit a certain amount of collateral, or margin, in respect of the transactions that they submit for clearing. The Proposed Rule Change would introduce a form of margin forbearance, through amendments to LCH SA's CDS Clearing Rule Book ("Rule Book")[4] and CDS Clearing Procedures ("Procedures").

A. Description of Proposed Rule Changes

The Proposed Rule Change would establish a form of margin forbearance, or a delay in posting sufficient margin, to facilitate the registration (i.e., acceptance for clearing) of trades submitted by Members. As noted, LCH SA requires that Members deposit a certain amount of collateral, or margin, in respect of the transactions that they submit for clearing. If the amount of collateral, including a collateral buffer, is insufficient, LCH SA's current policy is to reject such trades from clearing. The Proposed Rule Change would create a Trade Registration Fund ("TRF") facility which could be used by Members to satisfy the requisite collateral and thereby avoid trade rejections.

Currently, Members contribute funds to the CDS Default Fund, a shared pool of assets, including cash and liquid assets. LCH SA can use the CDS Default Fund to resolve losses in case of a Member's default. LCH SA proposes to require Members to contribute to the TRF, which will be separate from the Default Fund, and allow Members to draw upon this facility in

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

certain situations where additional collateral is necessary to avoid trade rejections. LCH SA proposes to implement this change in the following ways.

i. CDS Clearing Rule Book

LCH SA proposes to introduce new terms to its Rule Book, which will be incorporated into provisions surrounding the new TRF. A "TRF Allowance" will refer to margin provided by LCH SA to Members in LCH SA's discretion, while the "Available TRF Allowance" will refer to the portion of the TRF Allowance not already used up as margin by the Member. The "TRF Contribution" will describe the amount that a Member must contribute, as calculated by LCH SA based on a Member's usage, which will be called the "TRF Utilization." LCH SA will not include the TRF Allowance within its calculation for contributions to the CDS Default Fund.

"Credit Tolerance" will also be included as a new term within the Rule Book. As LCH SA has explained, this would be a second layer of forbearance that could be extended by LCH SA if a Member has already exhausted its Available TRF Allowance, although LCH SA does not intend to disclose the maximum value of this additional tolerance, including to the Member itself, because of what it describes as operational flexibility.[5] "Available Credit Tolerance" will refer to whatever portion remains of the Credit Tolerance that is not already used for margin by a Member. Finally, LCH SA will also define "Tolerance Check," whereby the total forbearance available to a Member through both the TRF Allowance and the Credit Tolerance will be determined by LCH SA. Section 2.3 of the Rule Book would be amended to include a new paragraph making clear that these facilities would be available on a first-in-time basis, allocated in the order that intraday trades are received.

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5 *See* Notice, at 50586.

Operationally, LCH SA proposes to create the TRF by separating the TRF Allowance from the CDS Default Fund. Currently, Members must contribute €10 million to the CDS Default Fund. Under LCH SA's new procedures, the contribution amount would remain the same, at a minimum, but be split so that €7 million is apportioned to the CDS Default Fund while at least €3 million will be the TRF Contribution.

A "TRF Initial Member," another new term proposed for the Rule Book, will be a Member who has not used its TRF Allowance in the trailing 90 day period and would therefore be subject only to the €3 million minimum payment. Other Members would see their contribution calculated relative to the average of the peak daily TRF Utilization over the preceding 180 days, divided by the total of all TRF Utilization of all non-defaulting Members.[6] LCH SA will refer to this as the "TRF Contribution Percentage," which it will use to calculate the TRF Contribution by multiplying it against the TRF Allowance. Descriptions of these calculations will be moved from Article 4.4.1.3 of the Rule Book to amended Section 6.6 of the Procedures. Amended Section 6.5 of the Procedures, as well as Article 4.4.1.2 of the Rule Book, would also make clear that the TRF Allowance Amount, when added to the Combined Unmargined Risk,[7] will constitute the CDS Default Fund.

LCH SA proposes to add Article 4.2.2.5 to the Rule Book in order to explain how the TRF Allowance and Credit Tolerances are intended to function. Neither facility is intended to lead to a transfer of collateral or payment from LCH SA, or to use assets contained in the CDS Default Fund (except following a Member's default). Because the facilities are intended only as

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6 LCH SA has said that the contribution would top out at €30 million, thereby capping Member contributions. *See* Notice, at 50587.

7 As defined in the Rule Book, Combined Unmargined Risk means the theoretical losses caused by an Event of Default occurring in respect of the Members that are responsible for the two highest daily Group Member Uncovered Risks over the last sixty Clearing Days plus a buffer equal to 10 percent.

forbearance, Members would be required to transfer additional collateral in excess of any margin shortfall resulting from the utilization of the facilities at the next collateral call, but LCH SA may require it sooner. New language in Article 4.2.2.6 would limit the return of collateral to Clearing Members only to instances where they have not utilized either the TRF Allowance or Credit Tolerance facilities. And additions to Article 4.2.3.1 would add the TRF Utilization amount to a list of items disclosed to Members, such as the margin balance, shortfall, and requirement for margin accounts. Other changes to the Rule Book would be administrative, such as the updating of rule references or re-working numbering to account for added and amended provisions.

ii. CDS Clearing Procedures

The Proposed Rule Change would also modify the Procedures to describe the changes related to the TRF Allowance.

Specifically, Section 2.3 would be renamed to add language indicating that it will apply to the TRF Allowance and Credit Tolerance. A new paragraph (e) will be added to the section describing how these facilities would be used. For example, it will make clear that the Available TRF Allowance, followed by available Credit Tolerance, could be allocated by LCH SA to satisfy notional and collateral checks prior to the novation of eligible transactions. LCH SA would determine the maximum value of these facilities, and the TRF Allowance would be notified to the Members, while the Credit Tolerance, as also made clear in the Rule Book, would not. Additional language would clarify that Members would not be able to direct these facilities to any specific account, and that the facilities would become available on a first in time basis, tied to the order in which LCH SA receives and processes trades.

New paragraph (e) would also make clear that when a Member is subject to a risk-reducing event, thereby freeing up collateral, it would first be allocated to the Credit Tolerance, followed by the TRF Allowance, if applicable, rather than other collateral posted by the Member. In this way, the new facilities would always be drawn down first. The paragraph would add a further clarification that the maximum value of the TRF Allowance, normally consisting of several factors, would also include the internal credit score of the Member.

Finally, changes would include references, where relevant, to the Available TRF Allowance and Available Credit Tolerance, and other technical amendments or corrections to typographical errors.

LCH SA has also proposed to make changes to Section 3 of the Procedures. These changes would ensure that the TSF Allowance and the Credit Tolerance are not currently utilized before LCH SA accepts a request for the return of collateral to Clearing Members in certain circumstances, such as for non-Euro denominated cash collateral as outlined in paragraphs 3.8 (h) and (i), eligible collateral provided on a bilateral basis as outlined in paragraph 3.10.1(c), or eligible collateral held at the Bank of New York Mellon as outlined in paragraph 3.17(b).

Section 6 of the Procedures would also be amended by LCH SA to incorporate the TRF Allowance and Credit Tolerance. Section 6.2 would define terms relevant to the facilities, such as the TRF Contribution Percentage, while Section 6.3 would explain the definition of the TRF Initial Member. Section 6.5 would clarify that the CDS Default Fund is equal the sum of the Combined Unmargined Risk and the TRF Allowance, and state the formula that LCH SA uses to arrive at this calculation. Finally, Article 4.4.1.3 of the Rule Book would be moved to the Procedures, specifically amended Section 6.6. It will state the operational changes to the CDS Default Fund, such as the separation of the TRF Allowance Amount from the CDS Default Fund, and the subsequent reduction of the minimum ordinary contribution to €7 million, along with a €3 million minimum TRF contribution.

Section 8 of the Procedures LCH SA would also see amendments, as paragraph 8.3(a) would make clear that multiple failures by a Member to submit a complete price submission file could lead to an increase in the ordinary contribution, but not the TRF Contribution.

iii. LCH Counterparty Credit Risk Policy

LCH SA has also proposed to make changes to the LCH Counterparty Credit Risk Policy ("CCRP"). New section 9.7 would set daily credit limits on TRF usage, expressed as a percentage of the total CDS Clear TRF. It would also set a group cap whereby an affiliated group of Members could not use TRF in excess of the sum of that group's Default Fund contributions plus its TRF contributions. A table would be added, which would make clear the limit on Member tolerance, or maximum TRF, along with the group cap limit that is tied to an internal credit score.[8]

Other changes to the CCRP would include changes unrelated to the TRF. For example, Section 6.1, which requires that every relevant counterparty, including certain non-US dormant Members, go through a documented credit review before being onboarded, would also be subject to a new review on a 12 months rolling basis, instead of just annually. Section 6.2 would introduce new minimum Internal Credit Scores for two categories of RepoClear sponsored clearing participants, including Guaranteed Sponsored Members, formalizing a minimum creditworthiness standard. Additionally, amendments to Section 6.3 of the Policy would require that the LCH Executive Risk Committee ("ERCo") sign off on new Clearing Member applications, including cases where a member of one of LCH SA's affiliated CCPs applies to join a different affiliated CCP, and which would also implicate the new credit scoring rule. Changes would also extend new participant categories within the CCRP, including New

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[8] The Policy makes clear that these limits are to be applied daily per Clearing Member.

Sponsored Clearing Agents and Guaranteeing Agent Members. Finally, it would be made clear that existing Members that extend to a new business line, or a different service, would need Credit Risk Team and ERCo approval.

Certain annexes within the CCRP would also see revisions under the Proposed Rule Change. Annex I of Section 9.2 would ensure that non-US business Guaranteed Sponsored Members have their exposure monitoring requirements tracked the same way as other sponsored participants, while changes to Annex I under Section 9.3 would extend tracking of a Member's stress-test losses and default fund contribution to the non-US business RepoClear Guaranteed Sponsored Clearing structure. The Guaranteeing Agents backing the Guaranteed Sponsored Members would have their exposure expanded to also include the stress losses of the Members they guaranty so that the exposure captures the risk an agent takes on by guaranteeing others in addition to its own positions.[9] And Annex I under Section 9.11 would create a new framework, the Credit Risk Resources ("CRR"), which would tie additional resource requirements to the combined credit quality of both the sponsored Member and the Guaranteeing Agent, whereby a decline in the combined credit quality would require greater stress-loss coverage and an initial margin multiplier. The proposed rule change would amend a table in Section 9.2 to add Guaranteed Sponsored Members. This change would confirm that LCH SA monitors certain thresholds for Guaranteed Sponosored Members daily, such as ICS and initial margin to net asset value.

III. <u>Discussion and Commission Findings</u>

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

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9 Net of any prefunded resources already posted by the guaranteeing agents.

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 Rules 17Ad-22(e)(4)(i)[16] and 17Ad-22(e)(6)(ii)(B) [17] thereunder.

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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)(4)(i).

17 17 CFR 240.17ad-22(e)(6)(ii)(B).

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

Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of LCH SA be designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts, and transactions.[18] Based on a review of the record, and for the reasons discussed below, the proposed changes by LCH SA are consistent with the promotion of the prompt and accurate clearance and settlement of transactions at LCH SA.

LCH SA's changes are designed to help ensure that transactions are completed as entered. Without the TRF, Members face the prospect of having trades rejected from clearing because of insufficient collateral, including a collateral buffer, even when the insufficiency may be covered by a subsequent margin call, as in intraday activities. Indeed, LCH SA's policy is to reject trades where Members do not have sufficient collateral, currently on deposit at LCH SA, to cover such trades. The TRF, however, would help facilitate the acceptance of new trades by allowing Members additional collateral leeway in the form of forbearance, which LCH SA interprets as delaying collection of additional collateral until the next collateral call, while having on hand financial resources, in the form of the TRF, which LCH SA could draw on if needed in the event of a default.[19] While Members would still be required to make additional collateral deposits at subsequent collateral calls, and to have their deposits into the TRF calculated relative to its utilization, the TRF would allow submitted trades to avoid immediate rejection.

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18 15 U.S.C. 78q-1(b)(3)(F).

19 Notwithstanding Credit Tolerance, which would be unfunded, though still subject to subsequent collateral calls.

The Proposed Rule Change therefore will promote the acceptance of trades that may have otherwise been rejected, while ensuring that sufficient collateral at LCH SA can support those trades. Therefore, it will contribute to the prompt and accurate clearing of securities transactions.

Changes to the CCRP, as well, help promote the prompt and accurate clearance and settlement of securities transactions. These changes would allow LCH SA to improve its risk assessment. For example, the exposure to LCH by Guaranteeing Agents, who are responsible for the activities of Guaranteed Sponsored Members, would be subject to stress losses in addition to those of their guarantees. In this way, LCH SA can better account for the risk it undertakes, thereby protecting its continued viability and ensuring it can continue to guarantee trades as a central clearing counterparty.

Additional changes to the CCRP would also set daily credit limits on the TRF usage, limiting LCH SA's credit exposure. The group cap on TRF usage especially would limit the risk undertaken by LCH SA as it would prevent multiple affiliated entities from each taking advantage of individual Member Tolerance and thereby expose LCH SA to a potential combined risk.

For the reasons stated above, the Commission finds that the Proposed Rule Change is consistent with Section 17A(b)(3)(F) of the Act.[20]

B. Consistency with Rule 17ad-22(e)(4)(i) under the Act

Rule 17Ad-22(e)(4)(i) requires each covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to, as applicable, effectively identify, measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes, including by maintaining sufficient

20 *Id.*

financial resources to cover its credit exposure to each participant fully with a high degree of confidence.[21]

As described above, LCH SA has designed the TRF Allowance to be appropriately sized to the contributions of the respective Members, and to the risk their activities expose LCH SA. For example, the TRF Allowance will be funded, initially, by a minimum set contribution, and then adjusted upwards to reflect the TRF Utilization of the Member, as calculated by LCH SA. This facility is, therefore, a separate pool of funds, funded by Members, which LCH SA can draw from on behalf of Members in certain circumstances, and not a debt facility reliant on an extension of credit. Additionally, LCH SA will only approve trades that do not exceed collateral requirements as supplemented by the new TRF Allowance and Credit Tolerance, and then require Members to deposit additional collateral at the next collateral call. In this way, LCH SA ensures that adequate collateral is always posted, even as it provides more flexible ways for Members to post such collateral. Moreover, because the facilities intended to be used will be pre-funded through Member contributions, LCH SA will avoid risking the extension of unfunded commitments. Member Tolerance would also ensure that forbearance extensions are sized to each Member based on its creditworthiness and contributions, while LCH SA's discretion in requiring collateral transfers at any time to cover margin shortfall would further support mitigation of its credit exposure.

These changes would help LCH SA better measure and manage credit exposure in other ways. It would introduce new internal credit scores, a new cadence of credit review, and formalize a new creditworthiness standard for certain Members, which would mitigate credit exposure by limiting unfunded Member transactions. Similarly, LCH SA's formula for

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21 17 CFR 240.17ad-22(e)(4)(i).

determining a Member's TRF Contribution would quantify a Member's draw on the facility and ensure that contributions are related to usage, thereby imposing costs on higher risk Members, which would also ultimately mitigate credit exposure. Finally, LCH SA would also review its exposure to the creditworthiness of sponsored member guarantors, helping to ensure that LCH SA's risk management framework adequately manages LCH SA's credit exposure associated with the TRF.

For the reasons stated above, the Commission finds that the Proposed Rule Change is consistent with Rule 17Ad-22(e)(4)(i) under the Act.[22]

C. Consistency with Rule 17ad-22(e)(6)(ii)(B) under the Act

Rule 17Ad-22(e)(6)(ii)(B) requires each covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to, as applicable, cover, if the covered clearing agency provides central counterparty services, its credit exposures to its participants by establishing a risk-based margin system that, at a minimum, monitors intraday exposures on an ongoing basis.[23]

LCH SA would monitor a Member's use of the TRF on an intraday basis. Before accepting for clearing and novating an intraday trade, LCH SA will, among other things, conduct a Tolerance Check. As discussed above, a Tolerance Check is 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 Member to satisfy the margin requirement for a new trade. Thus, LCH will monitor, on an intraday basis, its exposures to Members through the TRF. Additionally, the Proposed Rule Change incorporates additional measurement

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22 *Id.*

23 17 CFR 240.17ad-22(e)(6)(ii)(B).

functions within LCH SA's clearing model, such as monitoring the credit exposure of GAMs alongside GSMs. By including GSMs within a monitoring framework in order to determine credit risk exposure, LCH SA could better ensure that trading activities, including margin, are adequately funded.

For the reasons stated above, the Commission finds that the Proposed Rule Change is consistent with Rule 17Ad-22(e)(6)(ii)(B) under the Act.[24]

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24 *Id.*

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act, and in particular, with the requirements of Section 17A(b)(3)(F) of the Act,[25] and Rules 17Ad-22(e)(4)(i)[26] and 17Ad-22(e)(6)(ii)(B) [27] thereunder.

IT IS THEREFORE ORDERED pursuant to Section 19(b)(2) of the Act[28] that the proposed rule change (SR-LCH SA-2026-006) be, and hereby is, approved.[29]

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[30]

J. Matthew DeLesDernier,

Deputy Secretary.

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25 15 U.S.C. 78q-1(b)(3)(F).

26 17 CFR 240.17ad-22(e)(4)(i).

27 17 CFR 240.17ad-22(e)(6)(ii)(B).

28 15 U.S.C. 78s(b)(2).

29 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).

30 17 CFR 200.30-3(a)(12).