

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-98284; File No. SR-LCH SA-2023-006)

September 5, 2023

Self-Regulatory Organizations; LCH SA; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Triparty Collateral mechanism fee changes

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“**Act**”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on August 23, 2023, 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 (“**Proposed Rule Change**”) described in Items I, II and III below, which Items have been primarily prepared by LCH SA. LCH SA filed the proposal pursuant to Section 19(b)(3)(A) of the Act,<sup>3</sup> and Rule 19b-4(f)(2)<sup>4</sup> thereunder, so that the proposal was effective upon filing with the Commission. 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 the current fee grid (“**Fee Grid**”) for LCH SA CDSClear (the “**Proposed Rule Change**”) as part of the extension of the Triparty Collateral mechanism to CDSClear service filed with the Commission.<sup>5</sup> The text of the Proposed Rule Change has been annexed hereto as Exhibit 5 [sic]. No amendments to the

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 C.F.R. § 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b-4(f)(2).

<sup>5</sup> Self-Regulatory Organizations; LCH SA; Order Approving Proposed Rule Change Relating to Triparty Collateral Mechanism; Securities Exchange Act Release No. 34-98009 (July 27, 2023); 88 FR 50923 (August 2, 2023) (File No. SR-LCH SA-2023-004).

LCH SA CDS Clearing Rule Book (“**Rule Book**”) or the CDS Clearing Procedures (“**Procedures**”) are required to effect these changes.<sup>6</sup>

The text of the Proposed Rule Change has been annexed as Exhibit 5 [sic].

The implementation of the Proposed Rule Change will be contingent on LCH SA’s receipt of all necessary regulatory approvals, including the approval by the Commission of the Proposed Rule Change described herein.

**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 Proposed Rule Change and discussed any comments it received on the Proposed Rule Change. 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. Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the Proposed Rule Change is for LCH SA to extend to CDSClear the Fee Grid currently applicable to the Triparty Collateral mechanism for the Non-U.S. Business.

As part of the process to further enhance its triparty collateral solution with Euroclear Bank and Euroclear France<sup>7</sup> and to align the triparty collateral service offering across LCH SA clearing services, to include CDSClear, LCH SA is proposing to adopt

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<sup>6</sup> All capitalized terms not defined herein shall have the same definition as in the Rule Book or Procedures, as applicable.

<sup>7</sup> [https://my.euroclear.com/dam/EB/Tariff%20information/MA0007\\_General\\_Fees.pdf](https://my.euroclear.com/dam/EB/Tariff%20information/MA0007_General_Fees.pdf) (See Collateral management fees, p. 11).

the Fee Grid upon filing with the SEC, following the Commission’s order approving the proposed rule change relating to the Triparty Collateral mechanism.<sup>8</sup>

LCH SA is proposing to adopt for CDSClear the following triparty fees currently applicable to the LCH SA Non-U.S. Business:

- For Government Securities from Austria, Belgium, Finland, France, Germany, Italy, Netherlands, Portugal and Spain, the applicable fee is 9.5bps;
- For Supranational entities and Agencies, the applicable fee is 11.5bps.

LCH SA will reflect this change by amending the footnote applicable to triparty collateral fees in the Fee Grid to state the triparty collateral fees are also applicable to CDSClear. Specifically, the amended footnote will state: “\*\* Effective 1 April 2023 for EquityClear, CommodityClear, RepoClear and €GCPlus (House & Clients activities). Effective 23 August 2023 for CDSClear.” The applicable Fee Grid has been annexed as Exhibit 5 [sic].

No amendments to the Rule Book or Procedures are required for these changes to become effective.

## 2. Statutory Basis

LCH SA believes that the Proposed Rule Change is consistent with the requirements of Section 17A of the Act<sup>9</sup> and the regulations thereunder. Section 17A(b)(3)(D) of the Act<sup>10</sup> requires that the rules of a clearing agency provide for the equitable allocation of reasonable dues, fees, and other charges among Clearing Members

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<sup>8</sup> See Self-Regulatory Organizations; LCH SA; Order Approving Proposed Rule Change Relating to Triparty Collateral Mechanism; Securities Exchange Act Release No. 34-98009 (July 27, 2023); 88 FR 50923 (August 2, 2023) (File No. SR-LCH SA-2023-004).

<sup>9</sup> 15 U.S.C. 78q-1.

<sup>10</sup> 15 U.S.C. 78q-1(b)(D)(3).

and market participants by ensuring that Clearing Members and clients pay reasonable fees and dues for the services provided by LCH SA, within the meaning of Section 17A(b)(3)(D) of the Act.

The wider offering of eligible collateral through the triparty collateral solution with the relevant proposed applicable fees will provide greater collateral optimization opportunities for LCH SA Clearing Members. In addition, the spread between the triparty collateral solution and the bilateral Full Transfer of Title deposit option will be 1.5bps and is consistent with the Euroclear Triparty service paid by Clearing Members.<sup>11</sup> LCH SA does not anticipate the Proposed Rule Change to result in any material increase in Clearing Members fees and expenses or result in any material changes to CDSClear revenue.

For these reasons, LCH SA believes that the Proposed Rule Change is consistent with the requirements of Section 17A of the Act<sup>12</sup> and the regulations thereunder. Specifically, LCH SA believes the adoption of the Fee Grid is reasonable and has been set up at an appropriate level given the costs, expenses and revenues generated to LCH SA.

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<sup>11</sup> [https://my.euroclear.com/dam/EB/Tariff%20information/MA0007\\_General\\_Fees.pdf](https://my.euroclear.com/dam/EB/Tariff%20information/MA0007_General_Fees.pdf) (See Collateral management fees, p. 11).

<sup>12</sup> 15 U.S.C. 78q-1.

B. Clearing Agency's Statement on Burden on Competition

Section 17A(b)(3)(I) of the Act<sup>13</sup> 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.<sup>14</sup>

LCH SA does not believe that the proposed rule change would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

LCH SA is proposing to extend to CDSClear members the Fee Grid already applicable to the clearing members of LCH SA Non-U.S. Business. This proposed change will also apply equally to all CDSClear Clearing Members and is not expected to have any potential disparate impact on any Clearing Members.

LCH SA also believes the adoption of the Fee Grid by CDSClear will not adversely affect the ability of such Clearing Members or other market participants generally to engage in cleared transactions or to access LCH SA's clearing services. LCH SA is further enhancing its triparty collateral solution with Euroclear Bank and Euroclear France and aligning the triparty collateral service offering across LCH SA clearing services following the extension of the triparty collateral solution. The triparty collateral solution provides Clearing Members additional options and greater operational efficiency for posting collateral to cover margin requirements and thus, to access LCH SA's clearing services.

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<sup>13</sup> 15 U.S.C. 78q-1(b)(3)(I).

<sup>14</sup> Id.

Finally, LCH SA believes that the adoption of the Fee Grid is appropriate given the costs and expenses to LCH SA.

### **III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

Pursuant to Section 19(b)(3)(A)(ii) of the Act, and Rule 19b-4(f)(2) thereunder, the proposed rule change is filed for immediate effectiveness because the proposed rule establishes or changes a fee or other charge imposed by LCH SA on its Clearing Members, within the meaning of Rule 19b-4(f)(2). At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

The proposal shall not take effect until all regulatory actions required with respect to the proposal are completed.

### **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/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-LCH SA-2023-006 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-2023-006. 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 (<https://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549 on official business days between the hours of 10 am and 3 pm. Copies of the filing also will be available for inspection and copying at the principal office of LCH SA and on LCH SA's website at: <https://www.lch.com/resources/rulebooks/proposed-rule-changes>.

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-2023-006 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>15</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>15</sup> 17 CFR 200.30-3(a)(12).