



8011-01

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-86457; File No. SR-LCH SA-2019-004)

July 24, 2019

Self-Regulatory Organizations; LCH SA; Notice of Filing and Immediate Effectiveness of Proposed Rule Change, as Modified by Amendments No. 1 and No. 2, Relating to the Extension to clients of CDSClear of the fee applicable by LCH SA on the amount of allocated securities collateral

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on July 9, 2019, 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 described in Items I, II and III below, which Items have been prepared by LCH SA. On July 10, 2019, LCH SA filed Amendment No. 1 to the proposed rule change.³ On July 24, 2019, LCH SA filed Amendment No. 2 to the proposed rule change.⁴ LCH SA filed the proposal pursuant to Section 19(b)(3)(A) of the Act,⁵ and Rule 19b-4(f)(2)⁶ 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, as

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Amendment No. 1 corrected a technical issue with the initial filing of the proposed rule change but did not make any changes to the substance of the filing or the text of the proposed rule change.

⁴ Amendment No. 2 provided a confidential Exhibit 3 to further substantiate statements made in the filing but did not make any changes to the substance of the filing or the text of the proposed rule change.

⁵ 15 U.S.C. 78s(b)(3)(A).

⁶ 17 CFR 240.19b-4(f)(2).

modified by Amendments No. 1 and No. 2 (hereafter referred to as the “proposed rule change”), from interested persons.

I. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change, Security-Based Swap Submission, or Advance Notice

The proposed rule change will extend to the clients of LCH SA CDSClear service the current fee applicable on the amount of allocated securities collateral posted by any clearing member or any other client of LCH SA.

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, Security-Based Swap Submission, or Advance Notice

1. Purpose

As specified in the table below, the current LCH SA fee grid charges a 10bp fee on the amount of allocated securities collateral, except for clients of LCH SA CDSClear service, which are free of charge.

Current LCH SA CDSClear Collateral Fee Grid

Currency	Unsecured overnight index	Cash Collateral fee / Spread	
		House	Client
EUR	EONIA	30 bps	15 bps
GBP	SONIA	35 bps	20 bps
USD	FEDFUND	30 bps	15 bps

Allocated securities collateral fee / spread	House	Client
	10 bps	Free of charge

The purpose of the proposed fee change is to align the CDSClear fee grid with other LCH SA business lines and introduce a new fee amount for securities collateral posted by CDSClear clients.

No amendments to the LCH SA CDS Clearing Rules are required to effect these changes.

As specified in Exhibit 5, the proposed change is for LCH SA CDSClear to charge a 10bp fee on the amount of allocated securities posted as collateral by the clients using CDSClear service.

2. Statutory Basis

Section 17A(b)(3)(D) of the Act requires that the rules of a clearing agency provide for the equitable allocation of reasonable dues, fees, and other charges.⁷

LCH SA believes that proposing such clearing fee change is consistent with the requirements of Section 17A of the Act⁸ and the regulations thereunder applicable to it, and in particular provides for the equitable allocation of reasonable fees, dues, and other charges among clearing members 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 proposed clearing fee change is already applicable by LCH SA on the amount of allocated securities collateral posted by all clearing members and clients of Non-US

⁷ 15 U.S.C. 78q-1(b)(3)(D).

⁸ 15 U.S.C. 78q-1.

Business’⁹. The objective is to extend it to clients using CDSClear service and apply it equally to all market participants within the CCP.

Further, LCH SA believes that the proposed fee amount is reasonable and has been set up at an appropriate level given the costs, expenses and revenues (to be) generated to LCH SA in providing such services.

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.¹⁰

LCH SA does not believe that the proposed rule change would impose any burden on competition, as it is already applicable within the CCP and will also be extended to clients using CDSClear service for consistency purposes.

Additionally, the proposed fee change will apply equally to all CDSClear clearing members and clients as well and does not adversely affect the ability of such clients or other market participants generally to engage in cleared transactions or to access clearing services.

Further, LCH SA believes that the fee amount has been set up at an appropriate level given the costs and expenses to LCH SA in offering the relevant clearing services.

⁹ See the definition under Order Granting Application for Registration as a Clearing Agency and Request for Exemptive Relief, Order, Securities Exchange Act Release No. 34-79707; File No. 600-36 (Dec. 29, 2016), 82 FR 1398 (Jan. 5, 2017) (available at <https://www.federalregister.gov/documents/2017/01/05/2016-31940/self-regulatory-organizations-lch-sa-order-granting-application-for-registration-as-a-clearing>)

¹⁰ 15 U.S.C. 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 proposed rule change have not been solicited or received but a consultation has been conducted with and feedback sought from CDSClear members. No comment or question has been received following this consultation. LCH SA will notify the Commission of any written comments received by LCH SA.

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

The foregoing proposed rule change has become effective upon filing pursuant to Section 19(b)(3)(A)¹¹ of the Act and Rule 19b-4(f)(2)¹² thereunder because it establishes a fee or other charge imposed by LCH SA on its Clearing Members. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such proposed 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.

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:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>) or

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 240.19b-4(f)(2).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-LCH SA-2019-004 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-2019-004. 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 (<http://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 10:00 a.m. and 3:00 p.m. Copies of such filings will also 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/rules-and-regulations/proposed-rule-changes-0>.

All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-LCH SA-2019-004 and should be submitted on or before [INSERT DATE 21 DAYS FROM PUBLICATION IN THE FEDERAL REGISTER].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹³

Jill M. Peterson
Assistant Secretary

¹³ 17 CFR 200.30-3(a)(12).

