

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \*       SECURITIES AND EXCHANGE COMMISSION      File No.\* SR -  - \*   
 WASHINGTON, D.C. 20549      Form 19b-4      Amendment No. (req. for Amendments \*)

Filing by Banque Centrale de Compensation  
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

<b>Initial *</b>	<b>Amendment *</b>	<b>Withdrawal</b>	<b>Section 19(b)(2) *</b>	<b>Section 19(b)(3)(A) *</b>	<b>Section 19(b)(3)(B) *</b>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			<b>Rule</b>		
<b>Pilot</b>	<b>Extension of Time Period for Commission Action *</b>	<b>Date Expires *</b>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
<input type="checkbox"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

<b>Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010</b>	<b>Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934</b>
<b>Section 806(e)(1) *</b>	<b>Section 806(e)(2) *</b>
<input type="checkbox"/>	<input type="checkbox"/>
	<b>Section 3C(b)(2) *</b>
	<input type="checkbox"/>

<b>Exhibit 2 Sent As Paper Document</b>	<b>Exhibit 3 Sent As Paper Document</b>
<input type="checkbox"/>	<input type="checkbox"/>

**Description**

Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

The proposed rule change will eliminate the recovery rate risk charge as a component of the margin methodology as it applies to index CDS and correct a hyperlink and add a cross reference and hyperlink to the general inputs considered by LCH SA

**Contact Information**

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name \*       Last Name \*   
 Title \*   
 E-mail \*   
 Telephone \*       Fax

**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title \*)

Date       Chief Compliance Officer  
 By      

(Name \*)

Francois FAURE, francois.faure@lch.com

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

**Form 19b-4 Information \***

[Add](#) [Remove](#) [View](#)

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

[Add](#) [Remove](#) [View](#)

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies \***

[Add](#) [Remove](#) [View](#)

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

[Add](#) [Remove](#) [View](#)

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit Sent As Paper Document

**Exhibit 3 - Form, Report, or Questionnaire**

[Add](#) [Remove](#) [View](#)

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit Sent As Paper Document

**Exhibit 4 - Marked Copies**

[Add](#) [Remove](#) [View](#)

The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

[Add](#) [Remove](#) [View](#)

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

[Add](#) [Remove](#) [View](#)

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

**Form 19b-4 Information**

**Item 1. Text of Proposed Rule Change**

(a) Banque Centrale de Compensation, which conducts business under the name LCH SA (“LCH SA”), is proposing to revise its margin methodology with respect to credit default swaps (“CDS”) in the Reference Guide CDS Margin Framework. The proposed rule change will (i) eliminate the recovery rate risk charge as a component of the margin methodology as it applies to index CDS (ii) correct a hyperlink and add a cross reference and hyperlink to the general inputs considered by LCH SA in constructing the CDS pricing for European and US dollar denominated contracts. The text of the proposed rule change has been annexed as Exhibit 5. LCH SA has requested confidential treatment of the material submitted as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

**Item 2. Procedure of the Self-Regulatory Organization**

LCH SA has completed all of the required action to be taken to approve the proposed rule change. The proposed rule change was approved by the Executive Risk Committee of LCH on September 20, 2016. No further approvals are necessary.

Questions should be addressed to François Faure, Chief Compliance Officer, at [françois.faure@lch.com](mailto:françois.faure@lch.com) or +33 1 70 37 65 96; or Mohamed Meziane, Senior Regulatory Advisor, Compliance Department, at [mohamed.meziane@lch.com](mailto:mohamed.meziane@lch.com) or +33 1 70 37 65 62.

**Item 3. Self-Regulatory Organization’s Statement of Purpose, and Statutory Basis for, the Proposed Rule Change**

(a) Purpose

The purpose of the proposed rule change is to revise LCH SA's margin methodology to eliminate the recovery rate risk charge as a component of its margin methodology for index CDS.

Currently, LCH SA applies a recovery rate risk charge to both single-name CDS and index CDS in a Clearing Member's portfolio. LCH SA considers recovery rate a risk factor affecting the market value of a CDS contract, in addition to the credit spread as the primary risk factor, and imposes a recovery rate risk charge as an add-on component of margin to address the adverse effect of the recovery rate change on the profits and losses of a Clearing Member's portfolio in the event of the recovery rate moving in the most adverse direction for each CDS instrument in the portfolio. However, while the recovery rate for a single-name CDS instrument may vary from day to day, the concept of "recovery rate" does not exist for index CDS. In fact, market convention is to assume a pre-defined recovery rate for pricing an index CDS, such as a CDS on iTraxx indices. Therefore, the credit spread of an index CDS already reflects both the probabilities of default and recovery rate. Since the recovery rate risk charge is designed to capture the worst effect of the recovery rate moving in the most adverse direction, applying the recovery rate risk charge to the index CDS contracts cleared by LCH SA would be trying to capture a stress loss incurred in a Clearing Member's portfolio should the pre-defined recovery rate for these index CDS change, which is not consistent with market convention in normal market conditions. Therefore, LCH SA believes that recovery rate risk is a superfluous concept for index CDS and is proposing to limit the application of the recovery rate risk charge to single-name CDS.

Text is added to the beginning of Section 6 of “Reference Guide: CDS Margin Framework” to explain the reason for including the Recovery Rate Risk charge as a component of the margin, in addition to the spread risk considered in the VaR calculation. An additional paragraph is added and conforming changes are made to limit the application of the Recovery Rate Risk charge to single-name CDS.

In addition, LCH is also proposing to correct a hyperlink and add a cross reference and hyperlink to the general inputs considered by LCH SA in constructing the CDS pricing for European and US dollar denominated contracts in Section 2.2 of “Reference Guide: CDS Margin Framework”. The purpose of these changes is to enhance readability and clarity of the Reference Guide: CDS Margin Framework.

(b) Statutory Basis

Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of a clearing agency be designed to assure safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible.<sup>1</sup> LCH SA believes that limiting the application of the Recovery Rate Risk charge to single-name CDS would sufficiently capture the stress loss that would result in the event that recovery rates change in the most adverse direction for each instrument in a Clearing Member’s portfolio. Since the recovery rate is set at pre-defined levels with respect to index CDS, the proposed rule change would better align LCH SA’s margin methodology with the way recovery rate movements affect the CDS market value in reality. LCH SA expects deviations from the market convention with respect to the pre-defined recovery rates for index CDS only in extreme market conditions, which would be captured by LCH SA’s

---

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

stress scenarios used to size the Default Fund. Therefore, LCH SA believes that the proposed rule change is consistent with the requirement of safeguarding securities and funds in Section 17(A)(b)(3)(F) of the Act and the requirements of maintaining margin and limiting a clearing agency's exposures to potential losses from participants' defaults under normal market conditions in Rule 17Ad-22(b)(1) and (2).<sup>2</sup>

Moreover, LCH SA also believes that the proposed rule change is consistent with the requirements in Rule 17Ad-22(e)(6).<sup>3</sup> Rule 17Ad-22(e)(6) requires a covered clearing agency that provides central counterparty services to cover its credit exposures to its participants by establishing a risk-based margin system that, among other things, calculates margin sufficient to cover its potential future exposure to participants in the interval between the last margin collection and the close out of positions following a participant default and uses an appropriate method for measuring credit exposure that accounts for relevant product risk factors and portfolio effects across products.<sup>4</sup> The margin framework takes into account appropriate risk factors that would affect the market value of a CDS contract, including credit spread and recovery rate risk, and calculates margin to include, among other things, spread margin and recovery rate risk charge to ensure sufficient coverage of its potential future exposure to participants in the interval between the last margin collection and the close out of positions following a participant default. As stated above, the proposed rule change to limit the application of the recovery rate risk charge to single-name CDS would better align LCH SA's margin methodology with the way recovery rate movements affect the CDS market value in reality and would

---

<sup>2</sup> 17 CFR 240.17Ad-22(b)(1) and (2).

<sup>3</sup> 17 CFR 240.17Ad-22(e)(6).

<sup>4</sup> 17 CFR 240.17Ad-22(e)(6)(iii) and (v).

improve LCH SA's margin methodology for measuring credit exposure that accounts for relevant product risk factors. Therefore, LCH SA believes that the proposed rule change is consistent with Rule 17Ad-22(e)(6)(iii) and (v).<sup>5</sup>

Finally, Rule 17Ad-22(e)(1) provides that a covered clearing agency shall establish, implement, maintain and enforce written policies and procedures reasonably designed to provide for a well-founded, clear, transparent, and enforceable legal basis for each aspect of its activities in all relevant jurisdiction.<sup>6</sup> LCH SA believes that the proposed modifications made to Section 2.2 of "Reference Guide: CDS Margin Framework" will correct an error and provide additional cross-reference regarding the general inputs considered by LCH SA in constructing CDS pricing for European and US dollar denominated contracts, and therefore, will improve the clarity of the Reference Guide and enable the Reference Guide to provide a clear margin framework, consistent with Rule 17Ad-22(e)(1).

**Item 4. Self-Regulatory Organization'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.<sup>7</sup> LCH SA does not believe the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. While the proposed rule change may result in various margin changes among the participants, the revisions to the margin methodology will uniformly apply across all participants. In addition, as stated above, the proposed rule change is consistent with the

---

<sup>5</sup> 17 CFR 240.17Ad-22(e)(6)(iii) and (v).

<sup>6</sup> 17 CFR 240.17Ad-22(e)(1).

<sup>7</sup> 15 U.S.C. 78q-1(b)(3)(I).

applicable requirements of the Act and is appropriate in order to better align LCH SA's margin methodology to the way recovery rate movements affect the CDS market value in reality. Therefore, LCH SA does not believe that the proposed rule change imposes any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

**Item 5. Self-Regulatory Organization'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.

**Item 6. Extension of Time Period for Commission Action**

LCH SA does not consent to the extension of the time period listed in Section 19(b)(2) of the Securities Exchange Act of 1934 for Commission action.

**Item 7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)**

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.
- (d) Not applicable.

**Item 8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or the Commission**

The proposed rule change is not based on the rules of another self-regulatory organization or the Commission.

**Item 9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act**



Not applicable.

**Item 10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act**

Not applicable

**Item 11. Exhibits**

Exhibit 1A – Notice of proposed rule change for publication in the Federal Register.

Exhibit 5 – Text of proposed changes to the LCH SA’s Methodology Services Reference Guide: CDS Margin Framework. **Omitted and filed separately with the Commission. Confidential treatment of this Exhibit 5 pursuant to 17 CFR 240.24b-2 being requested.**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, Banque Centrale de Compensation has caused this filing to be signed on its behalf by the undersigned hereunto duly authorized.

**BANQUE CENTRALE DE COMPENSATION**

A handwritten signature in blue ink, appearing to read 'Faure', is written over a horizontal line.

By: \_\_\_\_\_  
**Francois Faure**  
**Chief Compliance Officer**

EXHIBIT 1A

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-LCH SA-2017-003)

April 4, 2017

Self-Regulatory Organizations; LCH SA; Proposed Rule Change Relating to Recovery Risk Margin

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 April 4, 2017, 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 primarily by LCH SA. 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 revise its margin methodology with respect to credit default swaps (“CDS”) in the Reference Guide CDS Margin Framework. The proposed rule change will (i) eliminate the recovery rate risk charge as a component of the margin methodology as it applies to index CDS (ii) correct a hyperlink and add a cross reference and hyperlink to the general inputs considered by LCH SA in constructing the CDS pricing for European and US dollar denominated contracts.

---

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

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

## 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 these 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 to revise LCH SA's margin methodology to eliminate the recovery rate risk charge as a component of its margin methodology for index CDS.

Currently, LCH SA applies a recovery rate risk charge to both single-name CDS and index CDS in a Clearing Member's portfolio. LCH SA considers recovery rate a risk factor affecting the market value of a CDS contract, in addition to the credit spread as the primary risk factor, and imposes a recovery rate risk charge as an add-on component of margin to address the adverse effect of the recovery rate change on the profits and losses of a Clearing Member's portfolio in the event of the recovery rate moving in the most adverse direction for each CDS instrument in the portfolio. However, while the recovery rate for a single-name CDS instrument may vary from day to day, the concept of "recovery rate" does not exist for index CDS. In fact, market convention is to assume a pre-defined recovery rate for pricing an index CDS, such as a CDS on iTraxx indices. Therefore, the credit spread of an index CDS already reflects both the probabilities of

default and recovery rate. Since the recovery rate risk charge is designed to capture the worst adverse effect of the recovery rate moving in the most adverse direction, applying the recovery rate risk charge to the index CDS contracts cleared by LCH SA would be trying to capture a stress loss incurred in a Clearing Member's portfolio should the pre-defined recovery rate for these index CDS change, which is not consistent with market convention in normal market conditions. Therefore, LCH SA believes that recovery rate risk is a superfluous concept for index CDS and is proposing to limit the application of the recovery rate risk charge to single-name CDS.

Text is added to the beginning of Section 6 of "Reference Guide: CDS Margin Framework" to explain the reason for including the Recovery Rate Risk charge as a component of the margin, in addition to the spread risk considered in the VaR calculation. An additional paragraph is added and conforming changes are made to limit the application of the Recovery Rate Risk charge to single-name CDS.

In addition, LCH is also proposing to correct a hyperlink and add a cross reference and hyperlink to the general inputs considered by LCH SA in constructing the CDS pricing for European and US dollar denominated contracts in Section 2.2 of "Reference Guide: CDS Margin Framework". The purpose of these changes is to enhance readability and clarity of the Reference Guide: CDS Margin Framework.

## 2. Statutory Basis.

Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of a clearing agency be designed to assure safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible.<sup>3</sup> LCH SA

---

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

believes that limiting the application of the Recovery Rate Risk charge to single-name CDS would sufficiently capture the stress loss that would result in the event that recovery rates change in the most adverse direction for each instrument in a Clearing Member's portfolio. Since the recovery rate is set at pre-defined levels with respect to index CDS, the proposed rule change would better align LCH SA's margin methodology with the way recovery rate movements affect the CDS market value in reality. LCH SA expects deviations from the market convention with respect to the pre-defined recovery rates for index CDS only in extreme market conditions, which would be captured by LCH SA's stress scenarios used to size the Default Fund. Therefore, LCH SA believes that the proposed rule change is consistent with the requirement of safeguarding securities and funds in Section 17(A)(b)(3)(F) of the Act and the requirements of maintaining margin and limiting a clearing agency's exposures to potential losses from participants' defaults under normal market conditions in Rule 17Ad-22(b)(1) and (2).<sup>4</sup>

Moreover, LCH SA also believes that the proposed rule change is consistent with the requirements in Rule 17Ad-22(e)(6).<sup>5</sup> Rule 17Ad-22(e)(6) requires a covered clearing agency that provides central counterparty services to cover its credit exposures to its participants by establishing a risk-based margin system that, among other things, calculates margin sufficient to cover its potential future exposure to participants in the interval between the last margin collection and the close out of positions following a participant default and uses an appropriate method for measuring credit exposure that

---

<sup>4</sup> 17 CFR 240.17Ad-22(b)(1) and (2).

<sup>5</sup> 17 CFR 240.17Ad-22(e)(6).

accounts for relevant product risk factors and portfolio effects across products.<sup>6</sup> The margin framework takes into account appropriate risk factors that would affect the market value of a CDS contract, including credit spread and recovery rate risk, and calculates margin to include, among other things, spread margin and recovery rate risk charge to ensure sufficient coverage of its potential future exposure to participants in the interval between the last margin collection and the close out of positions following a participant default. As stated above, the proposed rule change to limit the application of the recovery rate risk charge to single-name CDS would better align LCH SA's margin methodology with the way recovery rate movements affect the CDS market value in reality and would improve LCH SA's margin methodology for measuring credit exposure that accounts for relevant product risk factors. Therefore, LCH SA believes that the proposed rule change is consistent with Rule 17Ad-22(e)(6)(iii) and (v).<sup>7</sup>

Finally, Rule 17Ad-22(e)(1) provides that a covered clearing agency shall establish, implement, maintain and enforce written policies and procedures reasonably designed to provide for a well-founded, clear, transparent, and enforceable legal basis for each aspect of its activities in all relevant jurisdiction.<sup>8</sup> LCH SA believes that the proposed modifications made to Section 2.2 of "Reference Guide: CDS Margin Framework" will correct an error and provide additional cross-reference regarding the general inputs considered by LCH SA in constructing CDS pricing for European and US dollar denominated contracts, and therefore, will improve the clarity of the Reference

---

<sup>6</sup> 17 CFR 240.17Ad-22(e)(6)(iii) and (v).

<sup>7</sup> 17 CFR 240.17Ad-22(e)(6)(iii) and (v).

<sup>8</sup> 17 CFR 240.17Ad-22(e)(1).

Guide and enable the Reference Guide to provide a clear margin framework, consistent with Rule 17Ad-22(e)(1).

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.<sup>9</sup> LCH SA does not believe the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. While the proposed rule change may result in various margin changes among the participants, the revisions to the margin methodology will uniformly apply across all participants. In addition, as stated above, the proposed rule change is consistent with the applicable requirements of the Act and is appropriate in order to better align LCH SA's margin methodology to the way recovery rate movements affect the CDS market value in reality. Therefore, LCH SA does not believe that the proposed rule change imposes any burden on competition that is 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.

---

<sup>9</sup> 15 U.S.C. 78q-1(b)(3)(I).

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

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 (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-LCH SA-2017-003 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-2017-003. 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 <http://www.lch.com/asset-classes/cdsclear>. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-LCH SA-2017-003 and should be submitted on or before [Commission to insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>10</sup>

Secretary

---

<sup>10</sup> 17 CFR 200.30-3(a)(12).

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**



**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**



**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**



**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**



**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**



**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**



**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**



**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**



**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**



**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**

**PAGE REDACTED IN ITS ENTIRETY**

**CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO THE FREEDOM OF  
INFORMATION ACT**