



VIA CFTC Portal

17 March 2025

CORPORATE

Mr. Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, D.C. 20581

Re: LCH SA's Proposed Amendments to Cash and Securities Spreads for Collateral Posted as Margin

Dear Mr. Kirkpatrick,

Pursuant to Commodity Futures Trading Commission (“**CFTC**”) regulation §40.6(a), LCH SA, a derivatives clearing organization (“**DCO**”) registered with the CFTC, is submitting for self-certification revisions to the fees it charges clearing members for cash and securities collateral posted as initial margin for its clearing services including CDSClear (the “**Proposed Rule Change**”).

The implementation of the Proposed Rule Change is expected to be effective on April 1, 2025 and will be contingent on LCH SA's receipt of all necessary regulatory approvals. However, in no event will the Proposed Rule Change be implemented earlier than 10 business days after being filed with the CFTC.

The text of the Proposed Rule Change is attached hereto as Appendix A.¹

Part I: Explanation and Analysis

LCH SA currently applies a spread for clearing member cash collateral and charges fees on securities collateral posted to cover initial margin requirements for its CDSClear business. Cash collateral spreads are primarily based on underlying market conditions for a given currency and are subtracted from a reference index to determine a total rate to be applied to CDSClear house and client accounts. Securities collateral fees are primarily based on a combination of factors, including, but not limited to operational costs to manage a specific non-cash collateral type, the liquidation profile and subsequent impact on LCH SA's liquidity coverage ratio of the securities collateral and commercial considerations such as competitive landscape. The securities collateral fees charged to clearing members varies based on the instrument type (*e.g.*, government securities), whether the securities collateral is posted on behalf of the CDSClear house account or on behalf of CDSClear clients and the method of posting the collateral (*i.e.*, full title transfer, pledge or tri-party).

The purpose of the Proposed Rule Change is for LCH SA to amend the cash and securities collateral spreads posted by clearing members to satisfy their initial margin requirements.

¹ All capitalized terms not defined herein shall have the same definition as in the CDS Clearing Rules.



Part II: Description of Rule Changes

Changes to Cash Collateral Spreads

LCH SA currently accepts EUR, GBP and USD cash to satisfy initial margin requirements for its CDSClear business and applies the following cash collateral spreads for CDSClear house and client accounts:

Currency	Unsecured Overnight Index	Cash Collateral Fee/Spread (bps)		
		All Markets	CDSClear Clients	Default Funds
EUR	€STR	19.5	6.5	11.5
GBP	SONIA	33	20	
USD	FEDFUND	28	15	

In order to ensure the continuation of dynamic collateral pricing and to incentivize an appropriate collateral mix, LCH SA is proposing to decrease the cash collateral spread for EUR by 2bps from 19.5 to 17.5. An increased proportion of cash collateral on deposit would be expected to marginally enhance LCH SA’s Liquidity Coverage Ratio (“LCR”) and further enhance its liquidity risk profile by incentivizing clearing members to increase the amount of cash to satisfy margin requirements. The additional cash corresponding to the haircut amount applied to non-cash securities will add to LCH SA’s total liquid resources, which can be used for the settlement of daily payment obligations, including with respect to the default of the participant family generating the largest aggregate payment obligation for LCH SA.

Changes to Securities Collateral Fees

In order to ensure the continuation of dynamic collateral pricing and to incentivize an appropriate collateral mix, LCH SA is also proposing to amend the fees it charges clearing members for securities collateral posted as initial margin. LCH SA currently applies the following fees for securities collateral for CDSClear house and client accounts:

	Securities	House			Client
		Full Title Transfer	Pledge	Triparty	CDSClear Clients
Government Securities	Australia	14	NA	NA	10
	Austria	12	25	10.5	10
	Belgium	12	25	10.5	10
	Canada	14	NA	NA	10
	Denmark	14	NA	NA	10
	Finland	12	25	10.5	10
	France	12	25	10.5	10
	Germany	12	25	10.5	10
	Italy	12	25	10.5	10
	Japan	14	NA	NA	10
	Netherlands	12	25	10.5	10



	Norway	14	NA	NA	10
	Portugal	12	NA	10.5	10
	Spain	12	25	10.5	10
	Sweden	14	NA	NA	10
	Switzerland	14	NA	NA	10
	UK	12	25	NA	10
	USA	12	25	NA	10
Supranationals	European Financial Stability Facility	14	25	12.5	10
	European Stability Mechanism	14	25	12.5	10
	European Investment Bank	14	25	12.5	10
	European Union	14	25	12.5	10
	Investment Bank for Reconstruction and Development	14	25	12.5	10
Agencies	Rentenbank	14	25	12.5	10
	Kreditanstalt für Wiederaufbau	14	25	12.5	10
	CADES	14	25	NA	10
Equities	All (as listed in Haircut Schedule)	14	NA	NA	NA

LCH SA is also proposing to decrease the fees charged for USD treasuries to CDSClear clients only, from 10 to 5bps which will support the expansion of the client clearing activities in the U.S. and also promote competition on this market. Indeed, LCH SA currently receives a small proportion of collateral as USD Treasuries. The proposed fee charged on USD treasuries has been fixed at a competitive level based on clearing members feedback and competitive market considerations.

LCH SA is proposing to increase by 2bps the fees charged on each securities collateral type (excluding any change to Pledge, CBGs and other CDSClear clients' spreads).

LCH SA is also removing the previous wording "Effective from 1st November 2024" which is not relevant anymore.

Part III: Core Principle Compliance

LCH SA reviewed the Proposed Rule Change against the requirements of the Commission's regulations and DCO Core Principles and has concluded that its compliance with all the requirements and standards therein, and in particular with the following Core Principle and Commission's regulations including, but not limited to CFTC Regulation 39.21, would not be adversely affected by the Proposed Rule Change.



DCO Core Principle L – Public Information. LCH SA has determined that the Proposed Rule Change is consistent with CFTC Regulation 39.21 to make available publicly each clearing and other fee charged to clearing members. The proposed changes to the cash and securities spreads will be publicly available on the LCH website and LCH SA will ensure that sufficient information is provided to market participants so that they can identify and evaluate accurately the fees associated with cash or securities posted as initial margin. The LCH SA website listing collateral fees will be updated with the proposed changes set out in Appendix A once authorized and effective.² As a result, LCH SA believes that the Proposed Rule Change is consistent with the requirements of Core Principle L and CFTC Regulation Rule 39.21.

Part IV: Public Information

LCH SA has posted a notice of pending certifications with the CFTC and a copy of the submission on LCH's website at: <https://www.lch.com/resources/rulebooks/proposed-rule-changes>.

Part V: Opposing Views

There were no opposing views expressed to LCH SA by governing board or committee members, members of LCH SA or market participants that were not incorporated into the Proposed Rule Change.

Certification

LCH SA hereby certifies to the CFTC, pursuant to the procedures set forth in the Commission regulation §40.6, that the attached submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated thereunder.

Should you have any questions please contact me.

Best regards,

Anne Favé
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² LCH SA's current fees on collateral can be found here: <https://www.lch.com/collateral-management/sa-collateral-management/sa-fees-collateral>.



APPENDIX A

Proposed LCH SA Fee Grid change*

Cash Collateral – Proposed Spreads

LCH SA applies the following interest rates:

~~Effective from 1st November 2024~~

Cash Collateral Fee / Spread (bps) ^[1]				
Currency	Unsecured overnight index	All Markets ^[2]	CDS Clear Clients	Default funds ^[3]
EUR	€STR	19.5 17.5	6.5	11.5
GBP	SONIA	33	20	
USD	FEDFUND	28	15	

^[1] Total rate is benchmark index minus spread

^[2] ‘All markets’ encompass CDS Clear (House activity only) and Repo Clear (House & Clients activities).

^[3] ‘Default fund’ contribution in EUR cash only.

LCH SA will continually review this against market conditions.

Securities Collateral – Proposed Spreads

Securities Collateral Fee / Spread (bps) - All Markets^[4]

~~Effective from 1st November 2024~~

Markets	Securities	Full Title Transfer	Pledge	Triparty	CDS Clear Clients
Government Securities	Australia	14 16	NA	NA	10
	Austria	12 14	25	10.5 12.5	10
	Belgium	12 14	25	10.5 12.5	10
	Canada	14 16	NA	NA	10
	Denmark	14 16	NA	NA	10
	Finland	12 14	25	10.5 12.5	10
	France	12 14	25	10.5 12.5	10
	Germany	12 14	25	10.5 12.5	10
	Italy	12 14	25	10.5 12.5	10

* Expected to be effective from 1st of April 2025 or later subject to regulatory review/approval process and implementation



	Japan	44 16	NA	NA	10
	Netherlands	42 14	25	40.5 12.5	10
	Norway	44 16	NA	NA	10
	Portugal	42 14	NA	40.5 12.5	10
	Spain	42 14	25	40.5 12.5	10
	Sweden	44 16	NA	NA	10
	Switzerland	44 16	NA	NA	10
	UK	42 14	25	NA	10
	USA	42 14	25	NA	40 5
Supranationals	European Financial Stability Facility	44 16	25	42.5 14.5	10
	European Stability Mechanism	44 16	25	42.5 14.5	10
	European Investment Bank	44 16	25	42.5 14.5	10
	European Union Investment Bank for Reconstruction and Development	44 16	25	42.5 14.5	10
	Agencies	Rentenbank Kreditanstalt für Wiederaufbau	44 16	25	42.5 14.5
	CADES	44 16	25	NA	10
Equities	All (as listed in Haircut Schedule)	44 16	NA	NA	NA

^[4] 'All markets' encompass CDS Clear (House activity only) and Repo Clear (House & Clients activities).