

including measuring, monitoring, and managing their settlement and funding flows on an ongoing and timely basis, and their use of intraday liquidity by performing a Model Validation of their liquidity risk Models not less than annually or more frequently as may be contemplated by their risk management framework.⁸²

As discussed above, the Framework would describe the Clearing Agencies' process for determining which Models they should validate, including liquidity risk Models. After determining which Models to validate, the Clearing Agencies would use the Model Validation processes for their margin systems and related Models, which would be performed not less than annually. In certain cases, the Clearing Agencies may determine extra Model Validation activities are warranted based on previous Model Validation work and findings, changes in market conditions, or because a particular Model warrants extra validation. Because the proposal is designed to meet the requirements of Rule 17Ad-22(e)(7)(vii) by establishing the proposed Framework to help measure, monitor, and manage the Clearing Agencies' settlement and funding flows on an ongoing and timely basis, and the Clearing Agencies' use of intraday liquidity by performing a Model Validation of their liquidity risk Models not less than annually, the Commission believes the Proposed Rule Changes are consistent with Rule 17Ad-22(e)(7)(vii) under the Act.⁸³

III. Conclusion

On the basis of the foregoing, the Commission finds that the Proposed Rule Changes are consistent with the requirements of the Act, in particular the requirements of Section 17A of the Act⁸⁴ and the rules and regulations promulgated thereunder. *It is therefore ordered*, pursuant to Section 19(b)(2) of the Act, that proposed rule changes SR-DTC-2017-008, SR-FICC-2017-014, and SR-NSCC-2017-008 be, and hereby are, *approved*.⁸⁵

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁸⁶

Eduardo A. Aleman,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-81487; File No. SR-LCH SA-2017-006]

Self-Regulatory Organizations; LCH SA; Notice of Filing of Proposed Rule Change Relating to Options on Index Credit Default Swaps

August 25, 2017.

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, August 18, 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 amend its (i) CDS Clearing Rule Book (the "Rule Book"), (ii) CDS Clearing Supplement (the "Clearing Supplement"), (iii) CDS Clearing Procedures (the "Procedures"), and (iv) CDS Dispute Resolution Protocol (the "Dispute Resolution Protocol"), to incorporate terms and to make conforming and clarifying changes to allow options on index credit default swaps ("CDS") to be cleared by LCH SA.³

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 rules and procedures to allow LCH SA to clear options on index CDS. An option on index CDS is a contract that gives the option buyer the right (and not the obligation) to enter into a specified index CDS contract (*i.e.*, the underlying) with the option seller at a predefined exercise price called the strike. Upon the launch of clearing options on index CDS, LCH SA will provide central counterparty services for options on index CDS that are accepted for clearing and become the option seller for each option buyer and the option buyer for each option seller with respect to an option on index CDS novated by LCH SA.

The terms of the option contract on index CDS will provide the buyer the right to sell or buy protection on the underlying index CDS at expiry of the option. The index CDS resulting from the exercise of the option will be automatically cleared by LCH SA as the central counterparty. A credit event (including a restructuring event) may occur with respect to a constituent of an underlying index. If the credit event occurs before the option expiry, such credit event may affect the option buyer's decision regarding whether to exercise the option upon expiry. On the other hand, if a credit event occurs after the buyer has exercised the option, a cleared index CDS contract has been created from the option exercise and the situation would be the same as a credit event occurring to any other index CDS contract currently cleared by LCH SA.

Initially, LCH SA proposes to include European index CDS currently cleared by CDS Clear as the underlying, *i.e.*, CDS on Markit iTraxx Europe Index and iTraxx Crossover Index, and may subsequently extend the underlying to include other index CDS contracts cleared by LCH SA, such as CDS on iTraxx Senior Financial Index, CDX NA IG, and CDX NA HY, subject to additional regulatory approvals, if necessary.

Each of the changes is described in further detail below.

⁸² 17 CFR 240.17Ad-22(e)(7)(vii).

⁸³ *Id.*

⁸⁴ 15 U.S.C. 78q-1.

⁸⁵ In approving the Proposed Rule Changes, the Commission considered the proposals' impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁸⁶ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Capitalized terms used but not defined herein shall have the meaning specified in the Rule Book, Clearing Supplement, Procedures, and Dispute Resolution Protocol, as applicable.

i. Rule Book

a. Changes to Definitions

The Rule Book would be amended to add several new defined terms in order to accommodate the addition of options on index CDS to LCH SA's CDS Clear services. Specifically, LCH SA proposes to add a definition for "Index Swaptions" as transactions which give the buyer the right to enter into a CDS referencing a portfolio of Reference Entities specified in a CDS index with a seller. The defined term "Index Swaption Buyer" would be added in the Rule Book to mean a Clearing Member that is party to an Index Swaption Cleared Transaction as buyer, and the term "Index Swaption Seller" would be added in the Rule Book to mean a Clearing Member that is party to an Index Swaption Cleared Transaction as seller. The defined term "Index Swaption Cleared Transaction" would be added in the Rule Book, and defined by reference to the Supplement (described below), to mean a Cleared Transaction which gives Swaption Buyer the right to enter into a specified Underlying Index Transaction with Swaption Seller. The term "Index Swaption Cleared Transaction Confirmation" would also be added to the Rule Book, and defined by reference to the Clearing Supplement, to mean for any Index Swaption Cleared Transaction in respect of which the Underlying Index Transaction references a Series and versions of the Markit iTraxx Europe Index, the form of confirmation which incorporates the iTraxx Swaption Standard Terms Supplement, as completed by reference to the relevant transaction, or such other form confirmation as may be adopted from time to time in accordance with the terms of the Rule Book. For the avoidance of doubt, the extension of the CDS Clearing Service to the clearing of swaptions referencing indices other than the Markit iTraxx Europe Index would require additional amendments to the CDS Clearing Supplement. Amendments to the Rule Book, the Procedures, and other risk methodology documentation could also be required to reflect risk changes applicable to the clearing of such new products. The defined term "Index Swaption Clearing Service" would be added to refer to the CDS Clearing Service to which a Clearing Member would elect to be registered under in order to be permitted to submit Index Swaptions for clearing by LCH SA. The term "Premium" would also be added to the Rule Book and defined by reference to the 2006 International Swaps and Derivatives Association ("ISDA")

definitions, which are also incorporated into the Rule Book definitions, to describe the premium paid in respect of Index Swaptions and, relatedly, Article 1.2.9.2 would be modified to specify that the payment of "Premium" to the relevant Index Swaption Seller is within the scope of obligations that LCH SA undertakes to perform as central counterparty.

Definitions for "CDS Intraday Transaction," which would mean a CDS which has been entered into between two ATSS Participants and submitted for clearing through an Approved Trade Source System, and "Index Swaption Intraday Transaction," which would mean an Index Swaption which has been entered into between two ATSS Participants and submitted for clearing through an Approved Trade Source System, would be added to clarify the distinction for the novation process applicable to CDS Intraday Transactions and Index Swaption Intraday Transactions set forth in Article 3.1.6.1 (described below).

The term "Exercise Cleared Transaction" would be added to the Rule Book, and defined by reference to the Clearing Supplement, to mean each Index Swaption Cleared Transaction (including each Swaption Restructuring Cleared Transaction, as applicable) forming part of a matched pair as part of the creation of a Cleared Transaction in the context of the exercise process. A definition for "Swaption Restructuring Cleared Transaction" would be added to the Rule Book, and defined by reference to the Clearing Supplement, to mean a Cleared Transaction created as a result of a Restructuring Credit Event. The term "Exercise Notice" would also be added to the Rule Book, and defined by reference to the Clearing Supplement, as the notice of exercise (in whole or in part) given by the Swaption Buyer to the Swaption Seller in accordance with Section 13.2 (Procedure for Exercise) of the 2006 Definitions. The term "EMP Creation Period" would be added to the Rule Book, and defined by reference to the Clearing Supplement, to mean the period from (and including) the final Transaction Business Day of the calendar week immediately preceding the week in which the Expiration Date falls to (but excluding) the Transaction Business Day immediately preceding the Expiration Date.

The Rule Book would also include a reference for the definition of "Swaption Type," which, as defined in the Clearing Supplement, would mean a class of Index Swaption Cleared Transactions that are identical as to their terms (including, without limitation, as to the terms of the

Underlying Index Transaction to which such Index Swaption Cleared Transactions relates), except in respect of trade date, notional amount, Premium, and Premium Payment Date and identity of the relevant Swaption Buyer and Swaption Seller.

The definition of "LCH Settlement Price" would be added to the Rule Book to account for the end-of-day pricing procedures added for Index Swaptions, as described below.

The substance of certain existing defined terms in the Rule Book would also be modified to incorporate terms for Index Swaptions. The definitions of "CCM Cleared Transaction" (*i.e.*, a CDS or an Index Swaption between LCH SA and a CCM acting either in its own name and for its own account (in respect of a House Cleared Transaction) or as commissionaire in its own name and for the account of a Client (in respect of a Client Cleared Transaction)) and "FCM Cleared Transaction" (*i.e.*, a CDS or an Index Swaption between LCH SA and an FCM Clearing Member as agent for the account of an FCM Client registered in the relevant FCM Client Trade Account of such FCM Clearing Member, or as principal for its own account, registered in the FCM House Trade Account of such FCM Clearing Member), would be amended to make clear that a CCM Cleared Transaction or an FCM Cleared Transaction, in addition to a CDS, would include an Index Swaption between LCH SA and a CCM or FCM Clearing Member, as applicable. The definition has been also amended to specify that a CCM Cleared Transaction or an FCM Cleared Transaction could also result from the creation of (x) an "Exercise Cleared Transaction" or (y) a "Swaption Restructuring Cleared Transaction," as described above. The definition of "End of Day Contributed Price" would be amended to distinguish end of day pricing for CDS (which is based upon, among other things, price/spread data provided by the Index Publisher) and Index Swaptions (which would be based upon, among other things, a clearing price determined by LCH SA), as described below. The definition of "House Trade Leg" would be amended to include any trade leg of an Index Swaption in respect of which a Clearing Member acts as Index Swaption buyer or Index Swaption seller. Similarly, the definition of "Client Trade Leg" would be modified to include any trade leg of an Index Swaption in respect of which a Client acts as Index Swaption buyer or Index Swaption seller.

The following defined terms in Chapter 1, Section 1.1.1 would also include conforming changes for Index

Swaptions: “Cash Payment,” “CDS Buyer,” “CDS Clearing Documentation,” “CDS Clearing Service,” “CDS Client Clearing Agreement,” “CDS Client Clearing Services,” “CDS Seller,” “Extreme Market Developments,” “Index Publisher,” “Intraday Transaction,” and “Payment Failure,” and “Product Family.”

In addition to the foregoing changes, various other conforming and clarifying changes would be made throughout Title I (General Provisions & Legal Framework) to incorporate terms to accommodate Index Swaptions. Those conforming and clarifying changes are set forth in Articles 1.0.1.1, 1.0.1.3, 1.1.2.1, 1.1.3.8, 1.1.3.9, 1.2.2.6, 1.2.2.11, 1.2.9.2, 1.2.12.2, and 1.2.14.2.

Separately, to provide additional clarification in respect of the cross-border aspects of its operations, LCH SA also proposes to include a definition for “U.S. CCM” to mean a CCM that is not a Non-U.S. CCM. A “Non-U.S. CCM,” in turn, would be defined as a CCM that engages in securities business activities solely outside the United States, its territories or possessions (except as otherwise permitted under SEC regulation without triggering a requirement to be registered as a “broker” or “dealer” under the Exchange Act) or, in the context of a Transaction that is not a security-based swap, a CCM that is organized under the laws of, or has its main center of business located in, a jurisdiction other than the United States, its territories or possessions. LCH SA also proposes to amend the definition of “U.S. CCM Client” to mean a CCM Client that is not a Non-U.S. CCM Client. A “Non-U.S. CCM Client” would mean a CCM Client that is organized under the laws of, or has its main center of business located in, a jurisdiction other than the United States, its territories or possessions.

Finally, certain other changes to the following terms would be made to correct existing inconsistencies or to make clarifications: “Bank Recovery and Resolution Directive,” “Delegation,” “Insolvency Proceeding” and “Settlement Finality Directive.”

b. Membership

Article 2.2.0.4 would be amended and Article 2.2.0.6 would be added to specify the procedures for an Applicant to register for the Index Swaption Clearing Service. Article 2.2.0.4 would be amended to reflect that the Product Family Form of a Select Member may be updated in accordance with Clause 6.1 of the CDS Default Management Process, as described below. Article 2.2.0.6 would also provide that an Applicant or existing Clearing Member may elect to

register for, or terminate its registration from, the Index Swaption Clearing Service and, if applicable, that such registration will be deemed to occur in accordance with Clause 6.1 of the CDS Default Management Process. As a result of the addition of Index Swaptions, LCH SA also proposes to make conforming changes to Article 2.2.1.1 to reflect the addition of the Index Swaption Clearing Service.

c. Novation of Contracts

Article 3.1.6.1 would be amended to add a new Article 3.1.6.1(iv) to describe the novation process in respect of Original Transactions that are Index Swaption Intraday Transactions. Specifically, Article 3.1.6.1(iv) would provide that each Original Transaction which is an Index Swaption Intraday Transaction will be replaced by two Cleared Transactions: (a) A Cleared Transaction entered into between LCH SA (acting as Index Swaption seller in respect of such Cleared Transaction) and either: (x) In the event the Index Swaption buyer of the Original Transaction is a Clearing Member, such Clearing Member (acting as Index Swaption Buyer in respect of such Cleared Transaction), as applicable; and (b) a Cleared Transaction entered into between LCH SA (acting as Index Swaption buyer in respect of such Cleared Transaction) and either: (x) In the event the Index Swaption seller of the Original Transaction is a Clearing Member, such Clearing Member (acting as Index Swaption Seller in respect of such Cleared Transaction); or (y) in the event the Index Swaption seller of the Original Transaction is a Client, the relevant Nominated Clearing Member (acting as Index Swaption Seller in respect of such Cleared Transaction), as applicable. Various other conforming and clarifying changes would also be made Article 3.1.6.1 to add references for Index Swaptions. Existing Article 3.1.6.1(iv) would be renumbered as 3.1.6.1(v).

Article 3.1.6.4 currently provides that LCH SA will be entitled to assume that certain events (such as delivery of a Credit Event Notice or Notice of Physical Settlement) have not occurred prior to novation because these events would terminate a constituent of the index underlying the CDS contract submitted for clearing; similarly, it would be amended to clarify that such events include Notices to Exercise

Movement Option and Exercise Notices with respect to Index Swaptions because delivery of such notices would signify expiry of the option contract submitted for clearing.

Article 3.2.2.3 would clarify that LCH SA would calculate a Clearing Member’s Open Positions by netting Cleared Transactions of the same type, including the same Swaption Type, as applicable. Article 3.3.1.3 would be amended to clarify that following a Restructuring Credit Event, LCH SA may compress Index Swaption Cleared Transactions to result in one or more Cleared Transaction(s) *per* Swaption Type and to provide that during an EMP Creation Period, LCH SA may compress Index Swaption Cleared Transactions to result in one or more Exercise Cleared Transactions. Article 3.3.1.4 similarly would be amended to clarify that compression of Cleared Transactions would be done in the same CDS Type or Swaption Type, as applicable. Article 3.3.1.7, which also relates to compression, would be amended to specify that Premiums in respect of Index Swaptions will be netted and the Premiums for the Cleared Transactions resulting from the compression shall be determined by reference to the Cleared Transactions that were compressed.

Finally, LCH SA also would make conforming changes and corrections to Articles 3.1.6.8 and 3.1.10.7.

d. End of Day Pricing Determination

Section 4.2.7, which sets forth the procedures for calculating and using end of day pricing, would be amended to incorporate procedures for calculating end of day pricing for Index Swaptions. Article 4.2.7.1 would preserve the existing “Markit LCH Settlement Price” as the price/spread used to calculate the settlement prices for Index Cleared Transactions and Single Name Cleared Transactions on either an end of day or intra-day basis and add that LCH SA will use the “LCH Settlement Price” for purposes of calculating any risk calculation, valuing a Clearing Member’s Open Positions and calculating a Clearing Member’s Margin Requirements in respect of Index Swaptions. Article 4.2.7.2 would be amended to authorize each Clearing Member to use the “LCH Settlement Price” in respect of Index Swaptions in the same manner that Clearing Members are authorized to use the Markit LCH Settlement Price. Articles 4.2.7.3, which includes a disclaimer of warranties and liabilities as to End of Day Contributed Prices, and Article 4.2.7.5, which provides that End of Day Contributed Prices are accepted “as is,” would each be amended to make clear that the

disclaimers and limitations therein also apply to the LCH Settlement Price in respect of Index Swaptions. Article 4.2.7.6 would be amended to keep the Index Publisher as an intended third party beneficiary of Article 4.2.7.1 and Article 4.2.7.5 but only in respect of the Markit LCH Settlement Prices, not the newly-added LCH Settlement Prices that are calculated by LCH SA.

Articles 4.2.7.7 and 4.2.7.8 would also be amended to incorporate references for Index Swaptions and Article 4.2.7.5 would include a minor clarifying change for readability.

e. Client Clearing Service

Article 5.1.1.3, which constitutes the Mandatory Client Clearing Provisions, would be amended to incorporate references to Index Swaption Seller and Index Swaption Buyer along with references to CDS Buyer and CDS Seller. Other clarifications and corrections would also be made in Article 5.1.1.3, Article 5.1.2.2, and Article 6.1.1.3.

Article 6.4.1.1 would include one conforming change to clarify that Index Swaptions may be transferred in the same manner as CDS if, at any time, a liquidation date exists.

f. Default Management Process

Appendix 1 of the Rule Book sets forth the process in accordance with which LCH SA and its Default Management Group will manage the default of a Clearing Member (the "CDS Default Management Process"). The CDS Default Management Process would be amended in various places to incorporate terms for Index Swaptions. Clause 5.4.1 of the CDS Default Management Process, which provides for the scope of the requirement to participate in the competitive auction process for a Defaulting Clearing Member's transactions, would be amended to provide that an Auction Participant that is not registered for the Index Swaption Clearing Service is not required to participate in Competitive Bidding for an Auction Package containing any Index Swaption Cleared Transactions. Clause 6.1.2 of the CDS Default Management Process would be amended to establish the procedures for registering winning bids that are Index Swaptions so that if a Clearing Member is not currently registered for the Index Swaption Clearing Service, the Clearing Member will become automatically registered for the Index Swaption Clearing Service and its Product Family forms will be updated in accordance with Article 3.1.6.8 of the Rule Book. Clause 11.2.2 of the CDS Default Management Process would be amended to provide that of the five different

members appointed as the CDS Default Management Group, at least two Clearing Members shall be registered for the Index Swaption Clearing Service.

Additional conforming and clarifying changes would also be made in the CDS Default Management Process. Three defined terms, "Invoice Back," "Product Cash Payments" and "Transaction Categories," would be amended to incorporate terms for Index Swaptions. Clause 5.6.3 of the CDS Default Management Process would be amended to clarify the calculation for adjusting the Initial Allocation Price and the allocation of the Auction Package in the event where the aggregate of each Non Bidder's Auction Non Bidder Bid Size is equal to or greater than 100. Clause 8.3 of the CDS Default Management Process would also be amended to incorporate terms for Index Swaptions.

ii. Clearing Supplement

A new Part C would be added to the Clearing Supplement, to provide the terms of Index Swaption Cleared Transactions. The Index Swaption contracts would be based on the form of confirmation incorporating the iTraxx Swaption Standard Terms Supplement and reference the 2014 ISDA Credit Derivatives Definitions and the 2006 Definitions, with certain modifications. The Clearing Supplement is the document which sets forth the economic terms of the transactions cleared by LCH SA and the new Part C, in particular, would detail the economic terms that are particular to Index Swaption Cleared Transactions.

a. General Provisions

Section 1 of Part C sets forth general provisions of Index Swaption Cleared Transactions, including incorporation of defined terms by reference, definitions of capitalized terms, resolution of inconsistencies or conflicts between the documents governing Index Swaptions, timing references, third party rights, recording, and application of the CDS Clearing Supplement to FCM Clearing Members with respect to client transactions.

b. Terms of Cleared Transactions

Section 2 of Part C would provide for the creation of Index Swaption Cleared Transactions, Swaption Restructuring Cleared Transactions, and Exercise Cleared Transactions. As described above, an Index Swaption Cleared Transaction is a Cleared Transaction, the terms of which are as evidenced by an Index Swaption Cleared Transaction Confirmation, which gives Swaption Buyer the right to enter into a specified Underlying Index Transaction with

Swaption Seller. A Swaption Restructuring Cleared Transaction, in turn, is an Index Swaption Cleared Transaction forming part of an Swaption Restructuring Matched Pair, meaning a set of transactions created by LCH SA as a result of an ISDA Determinations Committee announcement of the occurrence of an M(M)R Restructuring Credit Event (as defined in the ISDA Credit Definitions) for a Reference Entity referenced by such Underlying Index Transaction. An Exercise Cleared Transaction is an Index Swaption Cleared Transaction (including each Swaption Restructuring Cleared Transaction, as applicable) forming part of an Exercise Matched Pair, meaning a set of transactions created by LCH SA as a result of LCH SA's matching process, as described below. Upon the novation of an Original Transaction which is an Index Swaption or the creation of a Swaption Restructuring Cleared Transaction or an Exercise Cleared Transaction, Section 2 of Part C provides that each resulting Index Swaption Cleared Transaction and each such Swaption Restructuring Cleared Transaction and Exercise Cleared Transaction is then entered into by LCH SA and the relevant Clearing Member on the terms of the related Index Swaption Cleared Transaction Confirmation.

As noted above, an Index Swaption Cleared Transaction would be evidenced by an Index Swaption Cleared Transaction Confirmation, which, for an Underlying Index Transaction that references a Series of the Markit iTraxx® Europe Index, would be in the form of confirmation which incorporates the iTraxx® Swaption Standard Terms Supplement. Section 2 of Part C would make certain modifications to such form of confirmation to specify, for example, that the Index Swaption Cleared Transaction is between LCH SA and the Clearing Member, that the confirmation supplements and forms part of, and is subject to, the CDS Clearing Documentation, that LCH SA is the calculation agent for purposes of the transaction, and that LCH SA will be the central counterparty for each Index Swaption Cleared Transaction. The Index Swaption Cleared Transaction Confirmation would also provide additional terms regarding termination of the Swaption Transaction on the Expiration Date.

Section 2 of Part C also specifies procedures for compression exercises for Index Swaption Cleared Transactions. In addition, certain amendments to the 2014 ISDA Credit Derivatives Definitions would be made

in order to enable LCH SA to designate a designee for delivering or receiving Credit Event Notices or Notices to Exercise Movement Option relating to an M(M)R Restructuring Credit Event.

c. Payments

Section 3 of Part C would set forth the payment obligations of each of LCH SA and each Clearing Member as well as the requirement to pay Premiums in respect of Index Swaption Cleared Transactions. Section 3.1 of Part C would provide that each of LCH SA and each Clearing Member will make each payment specified under the terms of each Cleared Transaction to be made by it, subject to the other provisions of the CDS Clearing Documentation and that payments under any Cleared Transaction will be made on the due date for value on that date in the place of the account specified for the relevant party in the CDS Admission Agreement (or such other account as may be designated by it from time to time). Section 3.2 of Part C would provide that if the Premium is due and payable under the terms of an Original Transaction on or before the Clearing Day on which the related Index Swaption Cleared Transactions are created by novation, such amount would be payable under and in accordance with the terms of such Original Transaction. If the Premium Payment Date of an Original Transaction would be a date falling after the Clearing Day on which the Index Swaption Cleared Transactions related to such Original Transaction are created by novation, then the corresponding Premium Payment Date for the related Index Swaption Cleared Transactions shall occur on the Transaction Business Day which is also a Clearing Day immediately following the Clearing Day on which such related Index Swaption Cleared Transactions are created and the Index Swaption Cleared Transaction Confirmation shall be deemed to have been amended accordingly.

d. Credit Event and Succession Events

Section 4 of Part C would outline the requirements and procedures in the event of a Credit Event, Succession Event or M(M)R Restructuring Credit Event. With respect to Credit Events and Succession Events, Section 4.1 of Part C would provide that LCH SA (in its capacity as Calculation Agent with respect to such Cleared Transaction) will not make any determinations pursuant to the 2014 ISDA Credit Definitions on substituting reference obligations or which may be subject to successor resolutions of the ISDA Determinations Committee Rules and

that neither LCH SA nor any Clearing Member shall be entitled to deliver a Successor Notice or a Credit Event Notice (other than Credit Event Notices in relation to an M(M)R Restructuring Credit Event, as described below). With respect to an M(M)R Restructuring Credit Event, Section 4.2 of Part C would provide that upon an ISDA Determinations Committee Credit Event Announcement of an M(M)R Restructuring Credit Event, LCH SA will publish and make available to Clearing Members a timeline in respect of the relevant Credit Event and related Cleared Transactions for which the Underlying Index Transaction references the affected Reference Entity, to notify, among other things, the relevant Novation Cut-off Date, Compression Cut-off Date and First Novation Date. Any such timeline may be subject to subsequent amendment by LCH SA, however, by means of a Clearing Notice to Clearing Members, to reflect subsequent ISDA Determinations Committee resolutions, timing provisions of any relevant Transaction Auction Settlement Terms, or in each case any subsequent amendments thereto. To the extent that an ISDA Determinations Committee Announcement is reversed, Section 4.3 of Part C would require LCH SA to calculate and LCH SA would be entitled to call for margin and/or be obliged to return margin with respect to each Clearing Member.

e. Restructuring

Section 5 of Part C, entitled Restructuring, would set forth the requirements and procedures for the creation of Swaption Restructuring Matched Pairs, the triggering and partial triggering of Swaption Restructuring Cleared Transactions, and the notification requirements in respect of Swaption Restructuring Matched Pairs. Specifically, Section 5.1 of Part C would provide that following the occurrence of an ISDA Determinations Committee Announcement in respect of an M(M)R Restructuring Credit Event in respect of a Reference Entity referenced by the Underlying Index Transaction to which a set of Index Swaption Cleared Transactions of the same Swaption Type relates, LCH SA will create (on one or more occasions) Swaption Restructuring Matched Pairs and each such Swaption Restructuring Matched Pair shall be composed of two Swaption Restructuring Cleared Transactions.

Under Section 5.2 of Part C, where two or more Index Swaption Cleared Transactions have been combined into a single transaction as part of the matching process and/or where any

Index Swaption Cleared Transaction has been split into two or more separate transactions as part of the matching process, the relevant original Index Swaption Cleared Transactions entered into by each Clearing Member with LCH SA will be deemed terminated and new Swaption Restructuring Cleared Transactions of the same Swaption Type will be deemed to be entered into between each such Clearing Member and LCH SA, with each such Swaption Restructuring Cleared Transaction having a Swaption Notional Amount (and with the Underlying Index Transaction in respect of each such Swaption Restructuring Cleared Transaction having an Original Notional Amount) corresponding to the Swaption Restructuring Matched Pair Amount of the Swaption Restructuring Matched Pair in which the relevant Clearing Member is comprised as a Matched Buyer or a Matched Seller, as applicable.

Section 5.3 of Part C would provide when a Clearing Member may deliver Credit Event Notices (as CDS Buyer or CDS Seller) in relation to an M(M)R Restructuring Credit Event. Section 5.4 of Part C would address a partial triggering of a Swaption Restructuring Cleared Transaction. Section 5.5 of Part C would specify the requirements for delivering a Notice to Exercise Movement Option. Section 5.6 would set forth the effect of Credit Event Notices and Notices of Exercise Movement Options, providing that a Matched Buyer and Matched Seller shall have no payment or delivery obligations in respect of the M(M)R Restructuring Credit Event as a result of the delivery of a Credit Event Notice or Notice to Exercise Movement Option. Such payment and delivery obligations shall instead arise under the Restructuring Cleared Transactions created following exercise (if applicable). Section 5.7 of Part C would outline the procedures upon the reversal of an ISDA Determinations Committee M(M)R Restructuring Credit Event announcement. Section 5.8 of Part C would set forth the reports that LCH SA would deliver to relevant Clearing Members as a result of an M(M)R Restructuring Credit Event. Finally, Section 5.9 of Part C would set forth the procedures applicable upon the expiry of the CEN Triggering Period (*i.e.*, the period during which the parties to the Swaption Restructuring Cleared Transaction of a Swaption Restructuring Matched Pair may deliver a Credit Event Notice in relation to the relevant M(M)R Restructuring Credit Event).

f. Exercise Matched Pairs

Section 6 of Part C would address the exercise of Matched Pairs, including the creation and notification of Exercise Matched Pairs, the creation of Exercise Cleared Transactions, the delivery of Exercise and Abandonment Notices, and Cleared Transaction Exercise Reports.

On each Transaction Business Day during the EMP Creation Period (*i.e.*, the period from (and including) the final Transaction Business Day of the calendar week immediately preceding the week in which the Expiration Date falls to (but excluding) the Transaction Business Day immediately preceding the Expiration Date), LCH SA will create Exercise Matched Pairs for a set of Index Swaption Cleared Transactions of the same Swaption Type, and each such Exercise Matched Pair shall be composed of two Exercise Cleared Transactions. Upon the creation of an Exercise Matched Pair, LCH SA will then notify the relevant Matched Buyer and Matched Seller comprised within each Exercise Matched Pair of: (i) The identity of the other Clearing Member of such Exercise Matched Pair; and (ii) the associated Exercise Matched Pair Amount. Section 6.1 of Part C would also provide that if Swaption Restructuring Matched Pairs have previously been created, then such Swaption Restructuring Matched Pairs and the Swaption Restructuring Cleared Transactions from which they are formed shall also automatically constitute Exercise Matched Pairs and Exercise Cleared Transactions (in addition to being Swaption Restructuring Matched Pairs and Swaption Restructuring Cleared Transactions) for the purposes of the Clearing Supplement.

Section 6.2 of Part C provides that upon the notification to the relevant Clearing Members of Exercise Matched Pairs, where two or more Index Swaption Cleared Transactions have been combined into a single transaction as part of the matching process and/or where any Index Swaption Cleared Transaction has been split into two or more separate transactions as part of the matching process, the relevant original Index Swaption Cleared Transactions entered into by each Clearing Member with LCH SA will be deemed terminated and new Exercise Cleared Transactions of the same Swaption Type will be deemed to be entered into between each such Clearing Member and LCH SA.

Section 6.3 of Part C would provide that Exercise Notices will be delivered by Swaption Buyers to Swaption Sellers and that any Exercise Notice delivered

in respect of an Exercise Matched Pair for an amount which is greater than the related Exercise Matched Pair Notional Amount shall be ineffective as to such excess.

Section 6.4 of Part C would provide that if on the Expiration Date Swaption Buyer delivers a valid Abandonment Notice to Swaption Seller, then upon delivery of such notice each Exercise Cleared Transaction specified in such Abandonment Notice shall be terminated in whole and no further amounts shall become due and payable by Swaption Buyer to Swaption Seller or vice versa in respect of such Exercise Transaction.

Finally, Section 6.5 of Part C would provide that LCH SA will communicate to the relevant Clearing Members, on the basis of information received from Clearing Members the aggregate Swaption Notional Amounts of Exercise Cleared Transactions to which they are a party as Swaption Buyer in respect of which Exercise Notices and Abandonment Notices have been delivered and the aggregate Swaption Notional Amounts of Exercise Cleared Transactions to which they are a party as Swaption Seller in respect of which Exercise Notices and Abandonment Notices have been delivered, in each case on an ongoing basis on the Expiration Date.

g. Settlement

Section 7 of Part C would address settlement, providing that following Exercise, an Index Cleared Transaction shall be deemed to have been entered into between each Clearing Member and LCH SA on the terms of the Underlying Index Transaction to which the relevant Exercise Cleared Transactions relates and evidenced by an Index Cleared Transaction Confirmation. Following the creation of such Index Cleared Transaction and any Initial Single Name Cleared Transaction(s) and Restructuring Cleared Transaction(s), the Exercise Cleared Transaction from which it was created shall be terminated. Section 7 would also provide procedures for the creation of Single Name Cleared Transactions following a Credit Event as well as creation of Restructuring Cleared Transactions following an M(M)R Restructuring Credit Event.

h. Notices

Section 8 of Part C would provide for general rules relating to notices, including the methods of delivery of various notices and the timing of delivery for such notices.

i. Matched Pair Designations

Section 9 of Part C would outline the procedures for the creation of Matched Pairs, the registration of new Swaption Restructuring Cleared Transactions and Exercise Cleared Transactions, resetting of Swaption Trade Dates, the exercise of rights by Matched Buyers and Matched Sellers, and Matched Pairs with the same clearing member. Section 9.1 of Part C would provide that LCH SA will create Matched Pairs using a matching procedure that matches Swaption Sellers with Swaption Buyers pursuant to an algorithm. Section 9.2 of Part C would address the registration of Swaption Restructuring Cleared Transactions and Exercise Cleared Transactions and removal of original Index Swaption Cleared Transactions in accordance with DTCC Rules. Section 9.3 of Part C would provide the circumstances under which LCH SA may reset a Swaption Trade Date for Swaption Restructuring Cleared Transaction or Exercise Cleared Transaction. Section 9.4 of Part C would set forth the notice mechanics with respect to applicable notices, including with respect to Exercise Notices and Abandonment Notices. Section 9.5 of Part C would provide that, in relation to each Matched Pair, (x) the exercise of any rights by Matched Buyer against LCH SA under a Matched Buyer Contract shall be deemed to constitute the exercise of equal and simultaneous rights by LCH SA against Matched Seller under the Matched Seller Contract of the relevant Matched Pair, and (y) the exercise of any rights by Matched Seller against LCH SA under a Matched Seller Contract shall be deemed to constitute the exercise of equal and simultaneous rights by LCH SA against Matched Buyer under the Matched Buyer Contract of the relevant Matched Pair. To the extent that Matched Buyer and Matched Seller of a Matched Pair is the same Clearing Member, Section 9.6 would provide that such Clearing Member shall be deemed to have sent a notice from itself in its role as Matched Buyer to itself in its role as Matched Seller (and vice versa) upon such Clearing Member sending a Clearing Member Notice to LCH SA. Section 9.7 of Part C would then set forth the notice mechanics with respect to Matched Pair Buyer and Matched Pair Sellers.

j. Miscellaneous

Sections 10 through 15 of Part C would contain miscellaneous provisions, including ones that relate to the mandatory provisions to be incorporated into CCM Client

Transactions, amendments, form of notices, limitation and exclusion of liability, dispute resolution, and governing law. The appendices to Part C would also include various forms, including the form of Exercise Notice (Appendix I), Abandonment Notice (Appendix II), Credit Event Notice (Appendix III), Notice to Exercise Movement Option (Appendix IV), Notice of Dispute Relating to Any Swaption Restructuring Exercise Matched Pair (Appendix V), and CCM Client Transaction Requirements (Appendix VI).

iii. CDS Clearing Procedures

Various changes to the Procedures would be made for Index Swaptions.

a. Membership

Section 1.1 of the Procedures sets forth the indicative timeline for LCH SA's processing of membership applications. Section 1.1 of the Procedures would be amended to clarify that an Applicant would be required to identify operational personnel with knowledge of Index Swaptions and that whether a Clearing Member's registration for the Index Swaption Clearing Service is approved will be specified in the LCH SA approval letter. Section 1.2 would be amended to state that if a Clearing Member wishes to register, or to be no longer registered, for the Index Swaption Clearing Service that Clearing Member must inform LCH SA and that LCH SA will notify the Clearing Member of its decision to register or terminate registration of the Clearing Member in respect of the Index Swaption Clearing Service. Section 1.2 of the Procedures would further provide that if a Clearing Member wishes to no longer be registered for the Index Swaption Clearing Service, LCH SA will not approve such a request as long as there is any Index Swaption Cleared Transaction registered in that Clearing Member's Account Structure.

b. Margin and Price Alignment Interest

Section 2.7 of the Procedures, which describes the Initial Margin collected by LCH SA, would be modified to include a reference to Index Swaptions and to clarify that Initial Margin covers potential costs caused by a Defaulting Clearing Member and/or a "double Event of Default," in respect of which the Clearing Member is a protection seller in respect of the Underlying Index Transaction of an Index Swaption Cleared Transaction. Sections 2.7(a)–(b) also include amendments for clarification purposes; Section 2.7(a) would note that Spread Margin would be calculated using spread and volatility

variations; Section 2.7(b) would delete language for readability. Section 2.7(c) of the Procedures would be amended to refer to Index Swaption Cleared Transactions and to make clear the Short Charge Margin would be imposed where a Clearing Member is acting as a protection seller in respect of the Underlying Index Transaction of an Index Swaption Cleared Transaction. Section 2.8 of the Procedures would be amended to specify that Self-Referencing Protection Margin would be imposed where a Clearing Member is acting as a protection seller in respect of the Underlying Index Transaction of an Index Swaption Cleared Transaction, for which such Clearing Member is, or becomes, the Reference Entity. In Section 2.10 of the Procedures, changes would be made to specify that each Clearing Member acting as a protection buyer in respect of an Underlying Index Transaction of an Index Swaption Cleared Transaction where the exercise of that Index Swaption Cleared Transaction falls in the margin calculation time horizon would be required to pay Accrued Fixed Amount Liquidation Risk Margin, to cover the risk that it is subject to an Event of Default and accrued Fixed Amounts are due during the period that the relevant House Cleared Transactions or Non-Ported Cleared Transactions, as applicable, are liquidated pursuant to the CDS Default Management Process. Section 2.11 of the Procedures, which relates to Credit Event Margin, would also be amended to specify that where a Credit Event occurs with respect to the Reference Entity which is the subject of the Cleared Transaction, each Clearing Member is required to pay Credit Event Margin to cover the risk of a potential adverse change in the estimated recovery rate, in the event of non-payment of Variation Margin by the Index Swaption Seller or Index Swaption Buyer in respect of an Index Swaption Cleared Transaction. Section 2.13 of the Procedures would also be amended to clarify that Variation Margin covers the variation of the market value of an Index Swaption.

c. Collateral and Cash Payment

Section 3.18 of the Procedures would be amended to state that a Clearing Member is required to pay Premiums to satisfy its Cash Payment obligation in respect of Index Swaptions.

d. Eligibility Requirements

Section 4.1 of the Procedures, which provides that LCH SA provides CDS Clearing Services only in relation to Original Transactions which comply with the requirements of Section 4.1(c)

of the Procedures, would be modified to provide that in respect of an Original Transaction that is an Index Swaption Intraday Transaction, the Clearing Member must be registered for the Index Swaption Clearing Service. Section 4.1(c)(iii)(C) would also be added to identify the eligibility requirements for Index Swaption Intraday Transactions.

A new Section 4.4 of the Procedures would be added to detail the procedures and factors for LCH SA to identify those contracts which will be considered Eligible Index Swaptions. Section 4.4 of the Procedures would require that LCH SA, in consultation with the CDS Clear Product Committee, consider (i) each Expiration Date that is eligible for clearing; (ii) each Index Version of the Underlying Index Transaction which is eligible for clearing, as well as each term which is eligible for clearing and the currency of the Original Notional Amount which is eligible for clearing. Section 4.4(c) of the Procedures would also require that eligible Index Swaptions be published on LCH SA's Web site and Section 4.4(d) of the Procedures would permit LCH SA, in consultation with the CDS Clear Product Committee, to amend the Eligible Index Swaptions List. Section 4.4(e)(ii) of the Procedures would identify the circumstances in which a Clearing Member may submit for clearing an Index Swaption that does not satisfy the relevant criteria in Section 4.1(c)(vi) of the Procedures if such transaction is a risk reducing transaction (as determined by LCH SA) in respect of a relevant Margin Account and it is not unlawful or illegal for LCH SA to accept such transaction for clearing.

e. CDS Clearing Operations

Section 5 of the Procedures, which addresses CDS clearing operations, would include various amendments to facilitate clearing of Index Swaptions. Section 5.5 of the Procedures would be modified to include a description of the trade compression process for Index Swaption Cleared Transactions. Section 5.8 of the Procedures sets forth the process and procedures to ensure that all Cleared Transactions are stored and replicated on LCH SA's systems. Additional events required to be recorded and stored would be added to the list of items in Section 5.8 of the Procedures, including the creation of Swaption Restructuring Cleared Transactions and Exercise Cleared Transactions as well as the exercise of Exercise Cleared Transactions. Section 5.16 of the Procedures would be amended to require that LCH SA publish a Cleared Transaction Exercise Report. Section 5.18.2 (b) of the

Procedures would be amended to describe the process of the calculation of End of Day Contributed Prices in respect of Index Swaptions, which would include (i) the receipt and communication of market data from the Index Publisher, (ii) the application of a bid/ask constraint by LCH SA, with such values as defined by LCH SA from time to time, (iii) determination of a clearing price by LCH SA, and (iv) determination of any cross trades by LCH SA. Section 5.18.4 of the Procedures, relating to the use of data from an Index Publisher, would be modified to specify that if data is not received from the Index Publisher, LCH SA will use, with respect to Index Swaption Cleared Transactions, a computation of end of day contributed spreads and composite spreads for the purpose of calculating the Variation Margin Requirement for each Margin Account of a Clearing Member on the next following Business Day. Section 5.18.5 of the Procedures would then be amended to include a procedure for effecting cross trades where prices submitted by market participants in accordance with Section 5.18 do not reflect the quoted daily price for a particular Index Swaption. Finally, various other conforming and clarifying changes to refer to Index Swaptions would be made in Sections 5.3, 5.5, 5.12 and 5.16. Other amendments not related to Index Swaptions were made in Sections 5.11, 5.15 and 5.18.2 (a) for clarification purposes.

iv. Dispute Resolution Protocol

Section 3.10 of the Dispute Resolution Protocol, which establishes the procedures applicable to arbitration proceedings involving LCH SA, would be amended to specify that these procedures also apply if the parties to the arbitration include an Index Swaption Seller or Index Swaption Buyer and if the dispute arises out of or in connection with the Cleared Transactions which are the subject of a Swaption Restructuring Matched Pair or Exercise Matched Pair.

2. Statutory Basis

LCH SA believes that the proposed rule change and the clearing of Index Swaptions is consistent with the requirements of Section 17A of the Securities Exchange Act of 1934⁴ (the "Act") and the regulations thereunder, including the standards under Rule 17Ad-22.⁵ Section 17(A)(b)(3)(F) of the Act⁶ requires, among other things, that

the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions and derivative agreements, contracts, and transactions. As noted above, the proposed rule change is designed to provide for the clearing of Index Swaptions. From the operational point of view, Index Swaptions would not require changes to the existing operational procedures and, upon being exercised, the resulting exercised cleared transactions will be cleared in the same manner as other index contracts, consistent with LCH SA's operational arrangements. In addition, the proposed rule change, including amendments to Titles IV, V, and VI of the Rulebook, Part C of the Clearing Supplement, CDS Clearing Procedures, and Dispute Resolution Protocol will also clearly set forth the terms and conditions of Index Swaption Cleared Transactions, the payments to be made thereunder, the rules and procedures upon the occurrence of a Credit Event or Restructuring Event, the process for settlement, the applicable documentation for Index Swaption Cleared Transactions, as well as the dispute resolution protocol. Therefore, LCH SA believes that the clearing of Index Swaptions and the related changes described herein are consistent with the prompt and accurate clearance and settlement of securities transactions and derivative agreements, contracts and transactions, in accordance with 17(A)(b)(3)(F) of the Act.⁷

In addition, the proposed amendments also satisfy the relevant requirements of Rule 17Ad-22(e)(1), (13), and (18).⁸ Rule 17Ad-22(e)(1)⁹ requires that a clearing agency maintain a well-founded, clear, transparent, and enforceable legal basis for each aspect of its activities in all relevant jurisdictions. The proposed rule change would modify LCH SA's existing rules and procedures to clearly define the requirements for Index Swaptions and establish a legal framework for LCH SA to clear Index Swaptions. The proposed rule change would also make certain corrections and clarifying and conforming changes in the Rule Book. LCH SA therefore believes that the proposed rule change is consistent with the requirements of Rule 17Ad-22(e)(1).

Further, Rule 17Ad-22(e)(13) requires a covered clearing agency to establish, maintain, and enforce policies and procedures reasonably designed to ensure the covered clearing agency has

the authority and operational capacity to take timely action to contain losses and liquidity demands and continue to meet its obligations. LCH SA will apply its existing default management policies and procedures for Index Swaptions, including the procedures for participation in a competitive auction process for a Defaulting Clearing Member's transactions and the appointment of at least two Clearing Members registered for the Index Swaption Clearing Service to be part of the five-member CDS Default Management Group, to allow LCH SA to take timely action to contain losses and liquidity demands, in accordance with 17Ad-22(e)(13).¹⁰

Finally, Rule 17Ad-22(e)(18) requires a covered clearing agency to have policies and procedures reasonably designed to establish objective, risk-based, and publicly disclosed criteria for participation, which permit fair and open access by direct, and where relevant, indirect participants and other financial market utilities, require participants to have sufficient financial resources and robust operational capacity to meet obligations arising from participation in clearing agency. As noted above, the proposed rule change would extend existing participation requirements to persons proposing to enter into Index Swaptions and make clear that such persons must have operational competence in respect of Index Swaptions. Therefore, LCH SA believes that the proposed rule change is consistent with the requirements of Rule 17Ad-22(e)(18).¹¹ Further, the membership requirements applicable to persons proposing to enter into Index Swaptions are designed to identify persons with sufficient operational capacity and expertise in relation to Index Swaptions; such requirements or criteria apply to every and all persons applying to enter into Index Swaptions clearing service equally and, as such, are not designed to unfairly discriminate in the admission of participants or among participants of LCH SA, in accordance with 17(A)(b)(3)(F) of the Act.¹²

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

⁴ 15 U.S.C. 78q-1.

⁵ 17 CFR 240.17Ad-22.

⁶ 15 U.S.C. 78q-1(b)(3)(F).

⁷ 15 U.S.C. 78q-1(b)(3)(F).

⁸ 17 CFR 240.17Ad-22(e)(1), (4), (8), (12), (17), (18), and (22).

⁹ 17 CFR 240.17Ad-22(e)(1).

¹⁰ 17 CFR 240.17Ad-22(e)(13).

¹¹ 17 CFR 240.17Ad-22(e)(18).

¹² 15 U.S.C. 78q-1(b)(3)(F).

purposes of the Act.¹³ LCH SA does not believe that its clearing of Index Swaptions will adversely affect competition in the trading market for those contracts or CDS generally. By allowing LCH SA to clear Index Swaptions, market participants will have additional choices on where to clear and which products to use for risk management purposes, which, in turn, will promote competition and further the development of CDS for risk management. In addition, LCH SA will apply its existing fair and open access criteria to the clearing of Index Swaptions and will apply the same criteria to every person who proposes to enter into the clearing of Index Swaptions. Such criteria are designed to identify persons with sufficient operational capacity and expertise in relation to Index Swaptions as part of the membership requirements that are necessary and appropriate for LCH SA to manage the risk arising from allowing persons to participate in Index Swaptions. Accordingly LCH SA does not believe that the proposed rule change will impose 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.

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 email to rule-comments@sec.gov. Please include File Number SR-LCH SA-2017-006 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-2017-006. 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 Web site (<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 Web site 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 the filing also will be available for inspection and copying at the principal office of LCH SA and on LCH SA's Web site 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-2017-006 and should be submitted on or before September 21, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁴

Eduardo A. Aleman,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-81484; File No. SR-IEX-2017-27]

Self-Regulatory Organizations: Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Related to Transaction Fees Pursuant to Rule 15.110

August 25, 2017.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (the "Act")² and Rule 19b-4 thereunder,³ notice is hereby given that on August 11, 2017, the Investors Exchange LLC ("IEX" or the "Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of the Substance of the Proposed Rule Change

Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 ("Act"),⁴ and Rule 19b-4 thereunder,⁵ Investors Exchange LLC ("IEX" or "Exchange") is filing with the Commission a proposed rule change to increase the fees assessed under specified circumstances for execution of orders that take liquidity during periods when the IEX System has determined that a "crumbling quote" exists with respect to the Protected National Best Bid ("NBB") or Protected National Best Offer ("NBO") for such security.⁶

The text of the proposed rule change is available at the Exchange's Web site at www.iextrading.com, at the principal office of the Exchange, and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization 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

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

⁴ 15 U.S.C. 78s(b)(1).

⁵ 17 CFR 240.19b-4.

⁶ See, Rule 600(b)(42) under Regulation NMS.

¹³ 15 U.S.C. 78q-1(b)(3)(I).

¹⁴ 17 CFR 200.30-3(a)(12).