

## SECURITIES AND EXCHANGE COMMISSION

### Submission for OMB Review; Comment Request

*Upon Written Request, Copies Available*

From: Securities and Exchange Commission, Office of FOIA Services, 100 F Street NE, Washington, DC 20549-2736

*Extension:*

Rule 602, SEC File No. 270-404, OMB Control No. 3235-0461

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 (“PRA”) (44 U.S.C. 3501 *et seq.*), the Securities and Exchange Commission (“Commission”) has submitted to the Office of Management and Budget (“OMB”) a request for approval of extension of the previously approved collection of information provided for in Rule 602 of Regulation NMS (17 CFR 240.602), under the Securities Exchange Act of 1934 (15 U.S.C. 78a *et seq.*).

Rule 602 of Regulation NMS, Dissemination of Quotations in NMS securities, contains two related collections. The first collection of information is found in Rule 602(a).<sup>1</sup> This third-party disclosure requirement obligates each national securities exchange and national securities association to make available to quotation vendors for dissemination to the public the best bid, best offer, and aggregate quotation size for each “subject security,” as defined under the Rule. The second collection of information is found in Rule 602(b).<sup>2</sup> This disclosure requirement obligates any exchange member and over-the-counter (“OTC”) market maker that is a “responsible broker or dealer,” as defined under the Rule, to communicate to an exchange or association their best bids, best offers, and quotation sizes for subject securities.<sup>3</sup>

It is anticipated that twenty-three respondents, consisting of twenty-two national securities exchanges and one national securities association, will collectively respond approximately

5,780,026,336,314 times per year pursuant to Rule 602(a) at 18.22 microseconds per response, resulting in a total annual burden of approximately 30,590 hours. It is anticipated that no respondents will have a reporting burden pursuant to Rule 602(b).<sup>4</sup>

Thus, the aggregate third-party disclosure burden under Rule 602 is 30,590 hours annually which is comprised of 30,590 hours relating to Rule 602(a) and 0 hours relating to Rule 602(b).

Compliance with Rule 602 of Regulation NMS is mandatory and the information collected is made available to the public.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information under the PRA unless it displays a currently valid OMB control number.

The public may view background documentation for this information collection at the following website: [www.reginfo.gov](http://www.reginfo.gov). Comments should be directed to: (i) Desk Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Office of Management and Budget, Room 10102, New Executive Office Building, Washington, DC 20503, or by sending an email to: [Lindsay.M.Abate@omb.eop.gov](mailto:Lindsay.M.Abate@omb.eop.gov); and (ii) Charles Riddle, Acting Director/Chief Information Officer, Securities and Exchange Commission, c/o Candace Kenner, 100 F Street NE, Washington, DC 20549, or by sending an email to: [PRA\\_Mailbox@sec.gov](mailto:PRA_Mailbox@sec.gov). Comments must be submitted to OMB within 30 days of this notice.

Dated: November 14, 2019.

Jill M. Peterson,

Assistant Secretary.

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<sup>1</sup> 17 CFR 242.602(a).

<sup>2</sup> 17 CFR 242.602(b).

<sup>3</sup> Under Rule 602(b)(5), electronic communications networks (“ECNs”) have the option of reporting to an exchange or association for public dissemination, on behalf of customers that are OTC market makers or exchange market makers, the best-priced orders and the full size for such orders entered by market makers on the ECN, to satisfy such market makers’ reporting obligation under Rule 602(b). Since this reporting requirement is an alternative method of meeting the market makers’ reporting obligation, and because it is directed to nine or fewer persons (ECNs), this collection of information is not subject to OMB review under the Paperwork Reduction Act (“PRA”).

<sup>4</sup> For the reporting obligation under Rule 602(b), the respondents are exchange members and OTC market makers. The Commission believes that communication of quotations through an exchange’s electronic trading system effectively means that exchange members currently have no reporting burden under Rule 602(b) for these quotations. The Commission also believes that there are presently no OTC market makers that quote other than on an exchange.

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-87536; File No. SR-LCH SA-2019-010]

### Self-Regulatory Organizations; LCH SA; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Amendments to LCH SA’s Fee Grid for Non Cash Collateral

November 14, 2019.

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 October 31, 2019, Banque Centrale de Compensation, which conducts business under the name LCH SA (“LCH SA”), filed with the Securities and Exchange Commission (“Commission”) the proposed rule change described in Items I, II and III below, which Items have been prepared primarily by LCH SA. LCH SA filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act,<sup>3</sup> and Rule 19b-4(f)(2)<sup>4</sup> thereunder, so that the proposed rule change was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

### I. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change

Banque Centrale de Compensation, which conducts business under the name LCH SA (“LCH SA”), is proposing to review and modify its current fee grid applied for Non Cash Collateral (NCC) across all clearing services including CDSClear.

The text of the proposed rule change has been annexed as Exhibit 5.<sup>5</sup>

### 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.

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

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

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

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

<sup>5</sup> All capitalized terms not defined herein have the same definition as the Rule Book, Supplement or Procedures, as applicable.

*A. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change.*

**1. Purpose**

LCH SA is currently applying the below fee grid for CDSClear members:

Collateral type	FFT		Pledge	
	House (bps)	Client (bps)	House (bps)	Client (bps)
Government Bonds .....	10	10	10	10
Supranational Bonds .....	N/A	N/A	N/A	N/A
Agency Bonds .....	10	10	10	10

From November 1st, 2019, LCH SA is proposing to extend the scope of instruments eligible to margin collateral to EUR denominated bonds issued by a number of supranational and agency institutions. LCH SA is also proposing to extend the possibility to use the pledge solution in Euroclear Bank for the other LCH SA clearing services (namely RepoClear and EquityClear the “Non US Business”<sup>6</sup>). In this context, LCH SA is moving to apply more differentiation in its collateral fee grid and thus CDSClear has decided to harmonize its existing non-cash collateral fee grid for house collateral with that of the other LCH SA clearing services.

The objective of the proposed fee change is to differentiate the pricing by type of non-cash collateral accepted by LCH SA and deposit facility. These changes will be applicable across all LCH SA clearing services with the exception of CDSClear’s client collateral fees that will differ from house fees and remain at their current level for all non-cash securities.

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

As specified in the fee grid attached under Exhibit 5, the proposed house collateral fee change is for CDSClear to:

- (i) Increase the fee rate from 10 bps to 11 bps for full title transfer of Government issued bonds;<sup>7</sup>
- (ii) introduce a fee rate of 13 bps for full title transfer of Supranational issued bonds;
- (iii) increase the fee rate from 10bps to 13bps for full title transfer of Agency issued bonds;

<sup>6</sup> See the definition under Order Granting Application for Registration as a Clearing Agency and Request for Exemptive Relief, Order, Securities Exchange Act Release No. 34-79707; File No. 600-36 (Dec. 29, 2016), 82 FR 1398 (Jan. 5, 2017) (available at <https://www.federalregister.gov/documents/2017/01/05/2016-31940/self-regulatory-organizations-lch-sa-order-granting-application-for-registration-as-a-clearing>).

<sup>7</sup> To become effective on April 1st, 2020

(iv) increase the fee rate from 10bps to 15bps for all pledged securities.

For CDSClear clients, a fee rate of 10 bps will be introduced for full title transfer of Supranational bonds. No other changes will be made to CDSClear’s client collateral fees.

**2. Statutory Basis.**

Section 17A(b)(3)(D) of the Act requires that the rules of a clearing agency provide for the equitable allocation of reasonable dues, fees, and other charges.<sup>8</sup>

LCH SA believes that its clearing fee change proposal is consistent with the requirements of Section 17A of the Act<sup>9</sup> and the regulations thereunder applicable to it, and in particular provides for the equitable allocation of reasonable fees, dues, and other charges among clearing members and market participants by ensuring that clearing members and clients pay reasonable fees and dues for the services provided by LCH SA, within the meaning of Section 17A(b)(3)(D) of the Act.

The extension of the non-cash eligible securities along with the extension of the pledge facility is an improvement of service that offers all LCH SA’s members and clients more choice and therefore more opportunities to better tailor their collateral management to their needs but it also does bear consequences on LCH SA’s balance sheet as a whole and therefore on its liquidity ratio management.

Currently the pledge facility is only available to CDSClear members and clients with a very limited use. However, as a result of the broadening of the pledge facility to Non US-Business, the expected overall impact on LCH SA’s liquidity ratio now needs to be carefully monitored and managed. Further, in order to offer this enhanced collateral management service, LCH SA has also invested in the development of

a number of additional systems and controls leading to the review and changes of the applicable fee grid.

Additionally, today, CDSClear members mainly post cash collateral and we do not foresee that the fee changes will alter current market practice amongst CDSClear’s members and clients.

As an illustration, from January 2018 to September 2019, the percentage of collateral posted in securities was less than 20% on average for house activity, supporting the assessment that these fee changes will not have any material impact on CDSClear’s revenues.

For all the reasons stated above, LCH SA believes that the proposed fee rates are reasonable and have been set up at an appropriate level given the costs, expenses and revenues generated to LCH SA in providing these improved collateral management services.

**B. Clearing Agency's Statement on Burden on Competition.**

Section 17A(b)(3)(I) of the Act requires that the rules of a clearing agency not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.<sup>10</sup>

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

LCH SA is offering the possibility for CDSClear members and clients to post a greater scope of instruments as eligible margin collateral. Additionally, the proposed fee change will apply equally to all CDSClear clearing members. Finally, the fee rate changes will not adversely affect the ability of such members or other market participants generally to engage in cleared transactions or to access LCH SA’s clearing services.

<sup>8</sup> 15 U.S.C. 78q-1(b)(3)(D).

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

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

Further, as explained above, LCH SA believes that the fee rates have been set up at an appropriate level given the costs and expenses to LCH SA in offering the relevant clearing services.

**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**

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and paragraph (f) of Rule 19b-4 thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

**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](mailto:rule-comments@sec.gov). Please include File Number SR-LCH SA-2019-010 on the subject line.

*Paper Comments*

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-LCH SA-2019-010. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<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 the filing also will be available for inspection and copying at the principal office of LCH SA and on LCH SA's website at: <https://www.lch.com/resources/rules-and-regulations/proposed-rule-changes-0>. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-LCH SA-2019-010 and should be submitted on or before December 11, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>11</sup>

**Jill M. Peterson,**

*Assistant Secretary.*

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**BILLING CODE 8011-01-P**

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**SECURITIES AND EXCHANGE COMMISSION**

**Submission for OMB Review; Comment Request**

*Upon Written Request, Copies Available From:* Securities and Exchange Commission, Office of FOIA Services, 100 F Street NE, Washington, DC 20549-2736

*Extension:*

Rule 6a-4, Form 1-N, SEC File No. 270-496, OMB Control No. 3235-0554

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 ("PRA") (44 U.S.C. 3501 *et seq.*), the Securities and Exchange Commission ("Commission") has submitted to the Office of Management and Budget ("OMB") a request for extension of the previously approved collection of information provided for in Rule 6a-4 and Form 1-N (17 CFR 240.6a-4 and 17 CFR 249.10) under the Securities Exchange Act of 1934 (15 U.S.C. 78a *et seq.*) ("Exchange Act").

<sup>11</sup> 17 CFR 200.30-3(a)(12).

Section 6 of the Exchange Act<sup>1</sup> sets out a framework for the registration and regulation of national securities exchanges. Under the Commodity Futures Modernization Act of 2000, a futures market may trade security futures products by registering as a national securities exchange. Rule 6a-4<sup>2</sup> sets forth these registration procedures and directs futures markets to submit a notice registration on Form 1-N.<sup>3</sup> Form 1-N calls for information regarding how the futures market operates, its rules and procedures, corporate governance, its criteria for membership, its subsidiaries and affiliates, and the security futures products it intends to trade. Rule 6a-4 also requires entities that have submitted an initial Form 1-N to file: (1) Amendments to Form 1-N in the event of material changes to the information provided in the initial Form 1-N; (2) periodic updates of certain information provided in the initial Form 1-N; (3) certain information that is provided to the futures market's members; and (4) a monthly report summarizing the futures market's trading of security futures products. The information required to be filed with the Commission pursuant to Rule 6a-4 is designed to enable the Commission to carry out its statutorily mandated oversight functions and to ensure that registered and exempt exchanges continue to be in compliance with the Act.

The respondents to the collection of information are futures markets.

The Commission estimates that the total annual burden of compliance with the requirements of Rule 6a-4 and Form 1-N is 171 hours per year and \$1,216 per year, calculated as detailed below. The Commission estimates that the total annual burden for all respondents to provide periodic amendments<sup>4</sup> to keep the Form 1-N accurate and up to date as required under Rule 6a-4(b)(1) would be 60 hours (15 hours/respondent per year × 4 respondents)<sup>5</sup> to provide annual amendments under Rule 6a-4(b)(3) would be 60 hours (15 hours/respondent/year × 4 respondents) and \$400 of miscellaneous clerical expenses. The Commission estimates that the total annual burden for all respondents to provide three-year amendments<sup>6</sup> under Rule 6a-4(b)(4) would be 27 hours (20 hours/respondent × 1.33 respondents per year) and \$176 (\$44 per year × 4

<sup>1</sup> 15 U.S.C. 78f.

<sup>2</sup> 17 CFR 240.6a-4.

<sup>3</sup> 17 CFR 249.10.

<sup>4</sup> 17 CFR 240.6a-4(b)(1).

<sup>5</sup> The Commission estimates that four exchanges will file amendments with the Commission in order to keep their Form 1-N current.

<sup>6</sup> 17 CFR 240.6a-4(b)(3) and (4).