

issuance of the securities rather than at the time of entry into a binding agreement. This distinction is necessary to accommodate the Exchange's longstanding interpretation under Section 303A.08 that the issuance of shares in lieu of cash at the election of participants in a deferred compensation arrangement is not subject to shareholder approval under Section 303A.08 if the number of shares issued in lieu of cash compensation is based on the fair market value of the shares at the time of issuance. Arrangements of this type are common and they are protective of investors as they are designed to ensure that the issuances under the deferred compensation arrangement are not economically dilutive to the other shareholders at the time of such issuance.

The proposed amendments to Section 312.04(j) simply clarify the rule text and has [sic] no substantive effect.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange 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. The proposed rule change would simply clarify the applicable rule to ensure that it will be applied in a manner that is consistent with the Exchange's long standing interpretation of that rule. As such, the amendment is neither intended to, nor expected to, impose any burden on competition. The proposed amendments to Section 312.04(j) clarify the rule text and have no substantive effect.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

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 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 the 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-NYSE-2019-28 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-NYSE-2019-28. 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 such filing also will be available for inspection and copying at the principal office of the Exchange. 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-NYSE-2019-28, and should be submitted on or before June 21, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁶

Eduardo A. Aleman,

Deputy Secretary.

[FR Doc. 2019-11318 Filed 5-30-19; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-85944; File No. SR-FICC-2019-001]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Order Approving a Proposed Rule Change To Amend the GSD and MBSD Methodology Documents and the MBSD Clearing Rules

May 24, 2019.

I. Introduction

On April 5, 2019, Fixed Income Clearing Corporation ("FICC") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² proposed rule change SR-FICC-2019-001. The proposed rule change was published for comment in the **Federal Register** on April 23, 2019.³ The Commission did not receive any comment letters on the proposed rule change. For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description of the Proposed Rule Change⁴

FICC proposes to amend the GSD Methodology Document—GSD Initial Market Risk Margin Model ("GSD QRM Methodology Document")⁵ and the MBSD Methodology and Model Operations Document—MBSD

⁶ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 85676 (April 17, 2019), 84 FR 16921 (April 23, 2019) (SR-FICC-2019-001) ("Notice").

⁴ Capitalized terms used herein and not defined shall have the meaning assigned to such terms in the FICC Government Securities Division ("GSD") Rulebook ("GSD Rules") and the FICC Mortgage-Backed Securities Division ("MBSD," and together with GSD, the "Divisions") Clearing Rules ("MBSD Rules"), as applicable, available at <http://www.dtcc.com/legal/rules-and-procedures.aspx>.

⁵ FICC filed the GSD QRM Methodology Document as a confidential exhibit in the rule filing and advance notice for GSD sensitivity VaR. See Securities Exchange Act Release No. 83362 (June 1, 2018), 83 FR 26514 (June 7, 2018) (SR-FICC-2018-001) ("GSD Approval Order") and Securities Exchange Act Release No. 83223 (May 11, 2018), 83 FR 23020 (May 17, 2018) (SR-FICC-2018-801) ("GSD Advance Notice").

Quantitative Risk Model⁶ (“MBSD QRM Methodology Document,” and together with the GSD QRM Methodology Document, the “QRM Methodology Documents”⁷) to (i) modify the look-back periods for the Margin Proxy of GSD and MBSD,⁸ and the GSD Haircut Rates, (ii) make clarifications, corrections, and technical changes to the GSD QRM Methodology Document, and (iii) make clarification and technical changes to the MBSD QRM Methodology Document. FICC also proposes to make clarifying changes to the MBSD Rules.

A. Replacing Specific References to the Look-Back Periods for the Margin Proxy of GSD and MBSD and the GSD Haircut Rates With More General Language in the QRM Methodology Documents

FICC is proposing to amend the QRM Methodology Documents to remove the specific references to the current look-back periods in use and replace them with general language that would (i) refer to a monthly parameter report, (ii) state that the look-back period would not be less than one year, and (iii) specify the governance around changing the look-back periods.⁹

The QRM Methodology Documents provide the methodology by which FICC calculates the GSD and MBSD VaR Charges.¹⁰ Specifically, the QRM Methodology Documents specify model inputs, parameters, and assumptions, among other information.¹¹ With respect to the Margin Proxy, which is an alternative volatility calculation of GSD and MBSD, each of the QRM Methodology Documents refers to specific look-back periods, which are in

use today.¹² Similarly, the GSD QRM Methodology Document refers to the specific look-back periods for the two haircut rates that form the basis of the GSD haircut charge.¹³

Currently, if FICC observes material differences between the Margin Proxy calculations and the aggregate Clearing Fund requirement calculated using the proposed VaR model (*i.e.*, the sensitivity approach), or if the Margin Proxy’s backtesting results do not meet FICC’s 99 percent confidence level, management may recommend remedial actions to the Model Risk Governance Committee (“MRGC”), and to the extent necessary the Management Risk Committee (“MRC”), such as increasing the look-back period and/or applying an appropriate historical stressed period to the Margin Proxy calibration.¹⁴ In addition, the GSD Rules provide that the Margin Proxy shall cover such range of historical market price moves and parameters as FICC from time to time deems appropriate.¹⁵ With respect to the GSD haircut charge, the GSD QRM Methodology Document provides that certain key model parameters, including the look-back periods for the GSD Haircut Rates, are subject to periodic review and recalibration.¹⁶

Under the proposal, the QRM Methodology Documents would provide that the look-back periods for the Margin Proxy and the two GSD Haircut Rates would be tracked in a monthly parameter report. The QRM

Methodology Documents would also provide that these look-back periods shall not be less than one year. Finally, the QRM Methodology Documents would state that any changes to these look-back periods would be subject to the governance process set forth in the Clearing Agency Model Risk Management Framework (the “Framework”).¹⁷

The Framework provides that the Model Validation and Control Group (“MVC”) prepares Model performance monitoring reports on both a monthly and daily basis.¹⁸ On a monthly basis, MVC (i) performs sensitivity analysis on each of FICC’s Models,¹⁹ (ii) reviews key parameters and assumptions for backtesting, and (iii) considers modifications to ensure that the backtesting practices of FICC are appropriate for determining the adequacy of its applicable margin resources.²⁰ The Framework states that MRGC will review the Model performance monitoring, which includes review of risk-based Models used to calculate margin requirements and relevant parameters/threshold indicators, sensitivity analysis, and Model backtesting results, and serious performance concerns will be escalated to the MRC.²¹

B. Clarifications, Corrections, and Technical Changes to the GSD QRM Methodology Document

First, FICC would make certain clarifications to the GSD QRM Methodology Document.²² In the section of the GSD QRM Methodology Document that describes key parameters (where the look-back periods are currently listed), FICC proposes to

¹² *Id.*

¹³ *Id.* FICC states that, occasionally, portfolios contain classes of securities that reflect market price changes that are not consistently related to historical risk factors. FICC further states that the value of these securities is often uncertain because the securities’ market volume varies widely, thus the price histories are limited. Because the volume and price information for such securities is not robust, a historical simulation approach would not generate VaR Charge amounts that adequately reflect the risk profile of such securities. FICC utilizes a haircut method (hereinafter referred to as the “GSD haircut charge”) based on the volatility of historic index returns for any security that lacks sufficient historical data to be incorporated into the sensitivity approach. *See* GSD Approval Order and MBSD Approval Order, *supra* notes 5 and 6. The GSD haircut charge consists of two haircut rates: (i) The haircut rate for mortgage-backed securities (“MBS”) pools without sensitivity analytics data and (ii) the haircut rate for Treasury and Agency bonds without sensitivity analytics data (hereinafter, the “GSD Haircut Rates”). The proposal applies to the look-back periods for the GSD Haircut Rates.

¹⁴ Notice, *supra* note 3, at 16922; *see* Securities Exchange Act Release No. 82588 (January 26, 2018), 83 FR 4687, 4692 (February 1, 2018) (SR-FICC-2018-001) (“Notice of GSD Rule Filing”); Securities Exchange Act Release No. 79491 (December 7, 2016), 81 FR 90001, 90005 (December 13, 2016) (SR-FICC-2016-007) (“Notice of MBSD Rule Filing”); MBSD Approval Order, *supra* note 6, at 8782–8783.

¹⁵ GSD Rules, Rule 1—Definitions, *supra* note 4.

¹⁶ Notice, *supra* note 3, at 16922.

⁶ FICC filed the MBSD QRM Methodology Document as a confidential exhibit in the rule filing and advance notice for MBSD sensitivity VaR. *See* Securities Exchange Act Release No. 79868 (January 24, 2017), 82 FR 8780 (January 30, 2017) (SR-FICC-2016-007) (“MBSD Approval Order”) and Securities Exchange Act Release No. 79843 (January 19, 2017), 82 FR 8555 (January 26, 2017) (SR-FICC-2016-801) (“MBSD Advance Notice”).

⁷ FICC requested confidential treatment of the QRM Methodology Documents and has filed them separately with the Secretary of the Commission. *See* 17 CFR 240–24b–2.

⁸ FICC has adopted procedures that would govern in the event that the vendor fails to provide risk analytics data used by FICC to calculate the VaR Charge (which is defined in GSD Rule 1 and MBSD Rule 1). *Supra* note 4. These procedures include the application of the Margin Proxy. Specifically, each Division’s Margin Proxy would be applied as an alternative volatility calculation for the VaR Charge (subject to the VaR Floor) if FICC determines that the data disruption will extend beyond five (5) business days. For more detailed and complete information about the GSD and the MBSD Margin Proxy, *see* GSD Approval Order and MBSD Approval Order, *supra* notes 5 and 6.

⁹ Notice, *supra* note 3, at 16922.

¹⁰ *Id.*

¹¹ *Id.*

¹⁷ *Id.*; *see* Securities Exchange Act Release No. 81485 (August 25, 2017), 82 FR 41433 (August 31, 2017) (SR-DTC-2017-008; SR-FICC-2017-014; SR-NSCC-2017-008) (“Framework Approval Order”). In general, the Framework describes the model risk management practices adopted by FICC, National Securities Clearing Corporation, and The Depository Trust Company. FICC states that the Framework is designed to help identify, measure, monitor, and manage the risks associated with the design, development, implementation, use, and validation of quantitative models. The Framework describes (i) governance of the Framework; (ii) key terms; (iii) model inventory procedures; (iv) model validation procedures; (v) model approval process; and (vi) model performance procedures. Framework Approval Order, at 41435.

¹⁸ Notice, *supra* note 3, at 16922.

¹⁹ *Id.* The term “Model” refers to a quantitative method, system, or approach that applies statistical, economic, financial, or mathematical theories, techniques, and assumptions to process input data into quantitative estimates. Framework Approval Order, *supra* note 17, at 41433.

²⁰ Notice, *supra* note 3, at 16922; Framework Approval Order, *supra* note 17, at 41435.

²¹ Notice, *supra* note 3, at 16922; Framework Approval Order, *supra* note 17, at 41435.

²² Notice, *supra* note 3, at 16923.

rearrange the list so that the look-back periods associated with sensitivity VaR are grouped together and the look-back periods for GSD Haircut Rates are grouped together.²³ FICC also proposes to add sub-headings to enhance readability and clarity.²⁴

In addition, in the section of the GSD QRM Methodology Document that describes key parameters, FICC would amend the language describing the GSD Haircut Rates to correspond to the language used in later sections for clarity and consistency.²⁵

Where the GSD QRM Methodology Document references the governance practice regarding the review and recalibration of the look-back periods, FICC also proposes to specifically reference the Framework.²⁶ FICC would provide additional clarity by adding language describing types of data that would be used to determine key model parameters.²⁷ FICC would also clarify the GSD QRM Methodology Document by adding language stating that management may implement any approved changes by MRGC or MRC.²⁸ Currently, the GSD QRM Methodology Document states that if the Margin Proxy's backtesting results do not meet FICC's 99 percent confidence level, management may recommend remedial actions to MRGC, and to the extent necessary the MRC, such as increasing the look-back period and/or applying an appropriate historical stressed period to the Margin Proxy calibration.²⁹

With respect to the descriptions of some of the GSD Haircut Rates, FICC would add clarifying terminology and delete duplicative explanations and replace them with a cross-reference to the appendix, which contains the same explanation.³⁰

Second, FICC proposes to make certain corrections to the GSD QRM Methodology Document.³¹ FICC would correct a typographical error in the description of key parameters by revising a reference from MBSD to MBS.³² In addition, to correct what FICC states is an omission in the GSD QRM Methodology Document, FICC would add that if FICC observes material differences between the Margin Proxy calculations and the aggregate Clearing Fund requirement calculated using the VaR model, management may

recommend remedial actions (as was stated in the GSD sensitivity VaR rule filing).³³

Finally, FICC proposes to make certain technical changes (e.g., word usage, spacing corrections, grammar changes, and revising certain references from singular to plural) to the GSD QRM Methodology Document.³⁴ For example, for consistency, FICC proposes to revise a reference from "window" to "period" in the description of key parameters and all references from "lookback" to "look-back" and from "TBA/pool" to "Pool-TBA."³⁵

C. Clarification and Technical Changes to the MBSD QRM Methodology Document

FICC proposes to clarify the MBSD QRM Methodology Document by adding language stating that management may implement any approved changes by MRGC or MRC.³⁶ Currently, the MBSD QRM Methodology Document states that if FICC observes material differences between the Margin Proxy calculations and the aggregate Clearing Fund requirement calculated using the VaR model, or the Margin Proxy's backtesting results do not meet FICC's 99 percent confidence level, management may recommend remedial actions to the MRGC, and to the extent necessary the MRC, such as increasing the look-back period and/or applying an appropriate historical stressed period to the Margin Proxy calibration.³⁷

In addition, FICC proposes to make certain technical changes to the MBSD QRM Methodology Document (e.g., grammar changes and revising certain references from singular to plural).³⁸ FICC would also revise a reference from "lookback" to "look-back" for consistency.³⁹ FICC would remove the revision history because it is solely administrative and would not affect the calculation of margin or Clearing Members' substantive rights or obligations.⁴⁰

D. Clarifications to the MBSD Rules

FICC proposes to make certain clarifications to the MBSD Rules.⁴¹ Specifically, FICC would add a definition of "Margin Proxy" and use such term in the definition of "VaR Charge."⁴² In addition, FICC would

clarify the definition of "VaR Charge" in the MBSD Rules by adding the word "Clearing" before the word "Members."⁴³

III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act⁴⁴ directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and rules and regulations thereunder applicable to such organization. After carefully considering the proposed rule change, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to FICC. In particular, the Commission finds that the proposed rule change is consistent with Sections 17A(b)(3)(F)⁴⁵ of the Act and Rule 17Ad-22(e)(23)(ii) thereunder.⁴⁶

A. Consistency With Section 17A(b)(3)(F) of the Act

Section 17A(b)(3)(F) of the Act requires, in part, that the rules of a clearing agency be designed "to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible."⁴⁷

First, as described above in Section II.A., the proposed rule change would amend the QRM Methodology Documents to remove specific references (and explanations relating thereto) to the look-back periods for (1) the Margin Proxy of GSD and MBSD and (2) the two GSD Haircut Rates, and replace them with more general language. The proposed rule change would state that the specific look-back periods would be tracked in the monthly parameter report, any changes to the look-back periods would not be less than one year, and any changes would be subject to the governance process set forth in the Framework.⁴⁸ The Commission believes that such change, which is subject to the minimum look-back period and the governance process, would help FICC to better cover its credit exposures to its Members because the changes would help FICC to more accurately adjust the look-back periods under the following circumstances:

⁴³ *Id.*

⁴⁴ 15 U.S.C. 78s(b)(2)(C).

⁴⁵ 15 U.S.C. 78q-1(b)(3)(F).

⁴⁶ 17 CFR 240.17Ad-22(e)(23)(ii).

⁴⁷ 15 U.S.C. 78q-1(b)(3)(F).

⁴⁸ Notice, *supra* note 3, at 16922; Framework Approval Order, *supra* note 17.

²³ *Id.*

²⁴ *Id.*

²⁵ *Id.*

²⁶ *Id.*

²⁷ *Id.*

²⁸ *Id.*

²⁹ Notice, *supra* note 3, at 16922.

³⁰ Notice, *supra* note 3, at 16923.

³¹ *Id.*

³² *Id.*

³³ *Id.*

³⁴ *Id.*

³⁵ *Id.*

³⁶ *Id.*

³⁷ Notice, *supra* note 3, at 16922.

³⁸ Notice, *supra* note 3, at 16923.

³⁹ *Id.*

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² *Id.*

- When FICC observes material differences between the Margin Proxy calculations and the aggregate Clearing Fund requirement calculated using the VaR model;

- when the Margin Proxy's backtesting results do not meet FICC's 99 percent confidence level; or
- when FICC observes that the asset class backtesting performance associated with the GSD Haircut Rates is not at the 99 percent confidence level.

The Commission believes that the changes would help enhance FICC's ability to calculate and collect adequate margin from its Clearing Members and Netting Members, and in turn, better manage the risks associated with losses arising from member defaults, protecting non-defaulting Clearing Members and Netting Members from such losses. Therefore, the Commission believes that the proposed rule changes to the look-back periods would allow FICC to effectively cover its losses, and assure the safeguarding of securities and funds which are in the custody or control of FICC or for which it is responsible, consistent with Section 17A(b)(3)(F) of the Act.⁴⁹

Second, as described above in Sections II.B. and II.C., the proposed rule change would clarify, correct, and technically change the GSD QRM Methodology Document, and clarify and technically change the MBSA QRM Methodology Document to state how FICC would calculate the components of the margin calculation. The Commission believes that the changes described in Sections II.B. and II.C. would help enhance the clarity of the QRM Methodology Documents for FICC. FICC states that the QRM Methodology Documents are used by FICC Risk Management personnel to calculate margin requirements. Accordingly, helping to enhance the clarity of the QRM Methodology Documents would help FICC Risk Management personnel to accurately understand and implement the margining process, charge an appropriate level of margin, and in turn, allow FICC to better manage its risks from loss events. Therefore, the Commission believes that the changes described in Sections II.B. and II.C. would assure the safeguarding of securities and funds which are in the custody or control of FICC or for which it is responsible, consistent with Section 17A(b)(3)(F) of the Act.⁵⁰

Third, as described in Section II.D., the proposed rule change would add and clarify certain definitions. The Commission believes that the proposed

clarifications to Rule 1 of the MBSA Rules would help ensure that the calculation of margin is clear and transparent to Clearing Members and FICC, and thereby help ensure that FICC calculates and collects adequate margin from Clearing Members, and that Clearing Members understand the relevant definition. Therefore, the Commission believes that the proposed clarifications to Rule 1 of the MBSA Rules would also assure the safeguarding of securities and funds which are in the custody and control of FICC or for which it is responsible, consistent with Section 17A(b)(3)(F) of the Act.⁵¹

B. Consistency With Rule 17Ad-22(e)(23)(ii) Under the Act

Rule 17Ad-22(e)(23)(ii) under the Act requires that a covered clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to provide sufficient information to enable participants to identify and evaluate the risks, fees, and other material costs they incur by participating in the covered clearing agency.⁵²

As described above in Section II.D., the proposal would help to clarify Rule 1 of the MBSA Rules, which in turn, would help ensure that the calculation of margin is transparent and clear to Clearing Members, thereby enabling Clearing Members to better understand the calculation of margin, as well as providing them with increased predictability and certainty regarding their obligations. As such, the Commission believes that the proposed rule changes are consistent with Rule 17Ad-22(e)(23)(ii) under the Act.⁵³

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and, in particular, with the requirements of Section 17A of the Act⁵⁴ and the rules and regulations promulgated thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act⁵⁵ that proposed rule change SR-FICC-2019-001, be, and hereby is, APPROVED.⁵⁶

⁵¹ *Id.*

⁵² 17 CFR 240.17Ad-22(e)(23)(ii).

⁵³ *Id.*

⁵⁴ 15 U.S.C. 78q-1.

⁵⁵ 15 U.S.C. 78s(b)(2).

⁵⁶ In approving the proposed rule change, the Commission considered the proposals' impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁵⁷ 17 CFR 200.30-3(a)(12).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁵⁷

Eduardo A. Aleman,

Deputy Secretary.

[FR Doc. 2019-11322 Filed 5-30-19; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-85940; File No. SR-LCH SA-2019-003]

Self-Regulatory Organizations; LCH SA; Notice of Filing of Proposed Rule Change, as Modified by Amendments No. 1 and 2, To Implement Settled-to-Market Treatment of Variation Margin, Permit the Creation of Multiple Account Structures, Permit Select Members To Provide Clearing Services to Affiliated Firms, and Update the Onboarding Procedures

May 24, 2019.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder² notice is hereby given that on May 13, 2019, Banque Centrale de Compensation, which conducts business under the name LCH SA ("LCH SA"), filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change described in Items I, II and III below, which Items have been prepared primarily by LCH SA. On May 21, 2019, LCH SA filed Amendment No. 1 to the proposed rule change, and on May 24, 2019, LCH SA filed Amendment No. 2 to the proposed rule change.³ The Commission is publishing this notice to solicit comments on the proposed rule change, as modified by Amendments No. 1 and 2, 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 ("Rule Book"), (ii) CDS Clearing Supplement ("Supplement"), and (iii) CDS Clearing Procedures ("Procedures") (collectively the "CDS Clearing Rules") to incorporate new terms and to make conforming, clarifying, and clean-up changes intended to: (1) Implement a "settled-to-market" ("STM") treatment

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Amendments No. 1 and 2 both corrected technical issues with the initial filing of the proposed rule change but did not make any changes to the substance of the filing or the text of the proposed rule change.

⁴⁹ 15 U.S.C. 78q-1(b)(3)(F).

⁵⁰ *Id.*