

Regulatory Framework and QCCP Status

LCH Ltd and SA

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Introduction

This document aims to provide guidance as to how LCH Limited and LCH SA (“the LCH CCPs”) meet the criteria to be qualified as Qualifying Central Counterparties (“QCCPs”) under the regulatory regimes of the jurisdictions where they are licensed to provide clearing services¹.

Users or prospective users of LCH’s clearing services incorporated in jurisdictions where LCH CCPs are not licensed may or may not be able to consider LCH CCPs are QCCPs, depending on the local regulatory regime.

Purpose of being a QCCP

Basel III and the CPMI-IOSCO PFMI

In April 2014, the Basel Committee on Banking Supervision published the Capital Requirements for Bank Exposures to CCPs², part of the Basel III framework. These standards impose a capital charge on banks’ exposures to CCPs arising from certain transactions, including derivatives and securities financing transactions, but provide for lower capital charges for Banks’ exposures to a QCCP, as opposed to a non-QCCP.

Basel III defines a QCCP as follows:

- 1) An entity that is licensed to operate as a CCP by its relevant regulator; and
- 2) That the regulator of the jurisdiction in which the licensed CCP is based in has implemented domestic rules for Financial Markets Infrastructures (“FMIs”) that are consistent with the CPMI-IOSCO Principles for Financial Markets Infrastructures³

Both the PFMI and the Basel III standards therefore have to be transposed into an individual jurisdiction’s legal framework to take effect.

At regular intervals, CPMI-IOSCO publishes assessment reports on the progress by jurisdictions to implement the PFMI into their respective national laws⁴.

¹ The Company Structure and the regulatory status of LCH in given jurisdictions is available on the LSEG website at: [LCH Company Structure | LSEG](#)

² CRE54 (last updated March 2020): [CRE54 - Capital requirements for bank exposures to central counterparties](#)

³ PFMI (April 2012) are a minimum set of international standards for financial markets infrastructures, including CCPs: [Principles for Financial Market Infrastructures](#)

⁴ CPMI-IOSCO monitoring implementation of the PFMI: [Monitoring implementation of the PFMI](#)

LCH LTD and LCH SA QCCP Status per Jurisdiction

The below table provides an overview of the definition of a QCCP under specific regulatory regimes, and how the relevant LCH CCP meets this definition as guidance for clearing members and clients.

Jurisdiction	Definition of a QCCP	LCH Ltd	LCH SA
Australia	<p><i>For Australian authorised deposit-taking institutions⁵:</i></p> <p>Under the Australian Prudential Regulation Authority's prudential standards⁶, a QCCP is defined in line with Basel III.</p>	<p>Compliant with:</p> <ul style="list-style-type: none"> PFMIs⁷ Reserve Bank of Australia's Financial Stability Standards for Central Counterparties⁸ EU EMIR and Technical Standards⁹ which are consistent with, and exceed in some areas, the PFMIs UK EMIR and Technical Standards¹⁰ which are consistent with, and exceed in some areas, the PFMIs 	<p>LCH SA is currently not licensed in this jurisdiction but has been allowed by ASIC to onboard one Australian member.</p> <p>Compliant with:</p> <ul style="list-style-type: none"> PFMIs¹¹ EU EMIR and Technical Standards which are consistent with, and exceed in some areas, the PFMIs

⁵ As defined under Australian Law

⁶ APRA's Prudential Standard APS 112 ([Final Prudential Standard APS 112 - Capital Adequacy: Standardised Approach to Credit Risk](#))

⁷ LCH Ltd's PFMI Disclosure is published on the LSEG website: [LCH CCP Disclosures: Clearing Services, Risk and Financial Info | LSEG](#)

⁸ [Financial Stability Standards | Clearing and Settlement Facilities | RBA](#)

⁹ EU EMIR Full Text and RTS, by Article: [EMIR | European Securities and Markets Authority](#)

¹⁰ "UK EMIR" means Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC Derivatives, Central Counterparties, and Trade Repositories as it has become retained EU law and effective in the United Kingdom under the European Union (Withdrawal) Act 2018 ([Information on the effect of the UK's withdrawal from the EU on FMI supervision | Bank of England](#)). UK EMIR technical standards are as follows:

- Technical Standards Exit Instrument: [EU Exit Instrument: The Technical Standards \(European Market Infrastructure\) \(Amendment Etc.\) \(EU Exit\) \(No 1\) Instrument 2019](#)
- No. 1: [Technical Standards \(European Market Infrastructure Regulation\) \(EU Exit\) \(No 1\) Instrument 2019](#)
- No. 2: [Technical Standards \(European Market Infrastructure Regulation\) \(EU Exit\) \(No 2\) Instrument 2019](#)
- No. 3: [Technical Standards \(European Market Infrastructure Regulation\) \(EU Exit\) \(No 3\) Instrument 2019](#)
- No. 4: [Technical Standards \(European Market Infrastructure Regulation\) \(EU Exit\) \(No 4\) Instrument 2019](#)

¹¹ LCH SA's PFMI Disclosure is published on the LSEG website: [LCH CCP Disclosures: Clearing Services, Risk and Financial Info | LSEG](#)

Canada	<p><i>For Canadian financial institutions¹²:</i></p> <p>Under the Canadian Banking Guidelines¹³ a QCCP is defined in line with Basel III.</p>	<p>Compliant with:</p> <ul style="list-style-type: none"> • PFMI • Clearing Agency Requirements by the Canadian Securities Administrators (CSA)¹⁴ • EU EMIR and Technical Standards which are consistent with, and exceed in some areas, the PFMI • UK EMIR and Technical Standards which are consistent with, and exceed in some areas, the PFMI 	<p>Exempted from the requirement to be recognised as a Clearing Agency by both the Ontario Securities Commission (OSC) and Autorité des marchés financiers Québec (AMFQ) for RepoClear SA and CDSClear Services, however remains compliant with:</p> <ul style="list-style-type: none"> • PFMI • Clearing Agency Requirements by the Canadian Securities Administrators (CSA) • EU EMIR and Technical Standard which are consistent with, and exceed in some areas, the PFMI
European Union	<p><i>For EU financial institutions:</i></p> <p>Under the CRD IV package of the European Parliament and Council¹⁵ a QCCP is defined as a CCP authorised or recognised under EMIR.</p>	<p>Recognised under EU EMIR¹⁶ as a third-country CCP¹⁷.</p>	<p>Authorised under EU EMIR¹⁸.</p>

¹² Please note that LCH Ltd is currently recognised to serve clearing members based in Québec and Ontario among the Canadian provinces. LCH SA has been granted an exemption from the requirement to be recognised as a clearing agency to serve clearing members based in Québec and Ontario

¹³ Section 7.1.1 'Definitions and General Terminology': [Capital Adequacy Requirements \(CAR\) \(2024\) - Chapter 7 – Settlement and Counterparty Risk - Office of the Superintendent of Financial Institutions](#)

¹⁴ NI 24-102: [NI 24-102 Clearing Agency Requirements, Forms and Companion Policy | OSC](#)

¹⁵ The CRD IV package consists of the Capital Requirements Directive IV and Regulation (2013): [Prudential requirements - European Commission](#)

¹⁶ EU EMIR: Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories: [EUR-Lex - 02012R0648-20241224 - EN - EUR-Lex](#)

¹⁷ ESMA list of third-country Central Counterparties recognised to offer services and activities in the Union: [ESMA70-152-348 List of third-country central counterparties recognised to offer services and activities in the Union](#)

¹⁸ ESMA List of Central Counterparties authorised to offer services and activities in the Union: [ESMA70-148-2567 List of Central Counterparties authorised to offer services and activities in the Union](#)



Hong Kong	<p><i>For Hong Kong banks:</i></p> <p>Under the Banking Capital Rules of the Hong Kong Monetary Authority¹⁹, a QCCP is defined in line with Basel III.</p>	<p>Compliant with:</p> <ul style="list-style-type: none"> • PFMI • EU EMIR and Technical Standards which are consistent with, and exceed in some areas, the PFMI • UK EMIR and Technical Standards which are consistent with, and exceed in some areas, the PFMI 	<p>LCH SA is not currently licensed in this jurisdiction.</p>
Japan	<p><i>For Japanese banks:</i></p> <p>Under the banking legislation by the Japanese Financial Services Agency²⁰, a QCCP is defined in line with Basel III.</p>	<p>Compliant with:</p> <ul style="list-style-type: none"> • PFMI • EU EMIR and Technical Standards which are consistent with, and exceed in some areas, the PFMI • UK EMIR and Technical Standards which are consistent with, and exceed in some areas, the PFMI 	<p>LCH SA is not currently licensed in this jurisdiction.</p> <p>LCH SA is however authorised by the JFSA as a foreign clearing organisation operating in France to engage in business equivalent to the financial instruments obligation.</p>
Mexico	<p><i>For Mexican Banks:</i></p> <p>Under the General Provisions Applicable to Credit Institutions, a QCCP definition is included in line with the Basel III framework.</p>	<p>Compliant with:</p> <ul style="list-style-type: none"> • PFMI • EU EMIR and Technical Standards which are consistent with, and exceed in some areas, the PFMI • UK EMIR and Technical Standards which are consistent with, and exceed in some areas, the PFMI 	<p>LCH SA is not currently licensed in this jurisdiction.</p>

¹⁹ HKMA Banking (Capital) Rules (2012) section 226V: [Cap. 155L Banking \(Capital\) Rules](#)

²⁰ Article 1, item 7-3 of the Financial Services Agency Public Notice No. 19 of 2006 defined a QCCP (*tekikaku chou seisan kikan*) in line with Basel III. Article 3 of the Financial Services Agency Public Notice No. 105 of 2010 also provides that clearing services of the securities lending (for LCH, RepoClear only) transactions conducted by a CCP properly regulated in the US, UK, or France are exempted from the Financial Instruments Assumption Business (regulated CCP business in Japan) under Japanese Law



Norway	<p><i>For Norwegian Banks:</i></p> <p>Basel III has been implemented via the EU CRIV package, following its incorporation into the EEA agreement. Therefore, the QCCP definition is aligned to that in the EU²¹.</p>	Recognised under EU EMIR.	LCH SA is not currently licensed in this jurisdiction.
Singapore	<p><i>For Singaporean Banks:</i></p> <p>Under the Banking Act of Monetary Authority of Singapore, a QCCP is defined in line with Basel III²²</p>	<p>Compliant with:</p> <ul style="list-style-type: none"> • PFMI • Securities and Futures Act²³ and Securities and Futures (Clearing Facilities) Regulations²⁴ • EU EMIR and Technical Standards which are consistent with, and exceed in some areas, the PFMI • UK EMIR and Technical Standards which are consistent with, and exceed in some areas, the PFMI 	LCH SA is not currently licensed in this jurisdiction.
Switzerland	<p><i>For Swiss Financial Institutions:</i></p> <p>Under the Capital Adequacy Ordinance ("CAO")²⁵ of the Swiss Federal Council a QCCP is defined in line with Basel III. This is confirmed by FINMA Circular 2016/1 on Capital adequacy and liquidity disclosure requirements.</p>	<p>Compliant with:</p> <ul style="list-style-type: none"> • PFMI • EU EMIR and Technical Standards which are consistent with, and exceed in some areas, the PFMI • UK EMIR and Technical Standards which are consistent with, and exceed in some areas, the PFMI 	<p>Compliant with²⁶:</p> <ul style="list-style-type: none"> • PFMI • EU EMIR and Technical Standards which are consistent with, and exceed in some areas, the PFMI

²¹ Regjeringen Notification of Changes in Capital Requirements (2020): [Notification of changes in banks' capital requirements from year-end 2020 - regjeringen.no](#)

²² MAS Notice 637 (Amendment No. 2) 2014, Annex 7AJ: [MAS Notice 637 \(Amendment No 2\) 2014 29Dec14](#)

²³ Securities and Futures Act: [Securities and Futures Act 2001](#)

²⁴ Securities and Futures (Clearing Facilities) Regulations: [Securities and Futures \(Clearing Facilities\) Regulations 2013](#)

²⁵ Swiss Federal Council Ordinance on the Capital Adequacy and Risk Diversification of Banks and Securities Firms: <https://www.fedlex.admin.ch/eli/cc/2012/629/en>

²⁶ LCH SA is recognised as a Foreign Central Counterparty by the Swiss Financial Markets Supervisory Authority



UK	<p><i>For UK Financial Institutions:</i></p> <p>Under the CRD IV package of the European Parliament and of the Council as transposed into UK legislation²⁷ and following the incorporation of EU law into UK law via the various EU Exit Instruments, a QCCP is defined as a CCP authorised or recognised under UK EMIR.</p>	Authorised under UK EMIR ²⁸	Recognised as a CCP ²⁹
US	<p><i>For US Financial Institutions:</i></p> <p>Under the Regulatory Capital Rules³⁰ a QCCP is defined as a designated financial market utility, which is systemically important under Title VIII of the Dodd-Frank Act or, if located outside of the US, one that meets or exceeds the risk management requirements of its home country that are consistent with the PFMI.</p> <p>Systemically important Derivatives Clearing Organisations (“DCOs”) must also comply with the Subpart C Rules. Other DCOs may opt to comply with the Subpart C Rules to be treated as QCCPs.</p> <p>LCH Ltd and SA are authorised as DCOs with the CFTC.</p> <p>LCH SA is recognised as a clearing agency with the SEC.</p>	<p>Compliant with:</p> <ul style="list-style-type: none"> • PFMI • DCO Requirements³¹ • EU EMIR and Technical Standards which are consistent with, and exceed in some areas, the PFMI • UK EMIR and Technical Standards which are consistent with, and exceed in some areas, the PFMI 	<p>Compliant with:</p> <ul style="list-style-type: none"> • PFMI • DCO Requirements³² • Security Exchange Act and the CCAS³³ • EU EMIR and Technical Standards which are consistent with, and exceed in some areas, the PFMI

²⁷ See the Bank of England ‘Strengthening Capital Standards: Implementing CRD IV’ page for more information: [Strengthening Capital Standards: Implementing CRD IV | Bank of England](#)

²⁸ LCH Ltd UK EMIR Authorised Instruments: [Classes of financial instruments covered by LCH Limited’s authorisation](#)

²⁹ LCH SA UK EMIR Recognition and Authorised Instruments: [Classes of financial instruments LCH SA](#)

³⁰ Regulatory Capital Rules of the Governance of the Federal Reserve Board and the Office of the Comptroller of the Currency (2013): [Regulatory Capital Rule: Final Rule](#)

³¹ CFTC DCO Requirements found in CFR Title 17 Chapter I Part 39: [eCFR :: 17 CFR Part 39 -- Derivatives Clearing Organizations](#)

³² LCH SA is registered as a DCO with the CFTC for its CDS business

³³ LCH SA is also registered as a Clearing Agency with the Securities and Exchange Commission (SEC) for its CDS Business



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