

SwapAgent

Clearing the Way for Non-Cleared

LCH The Markets'
Partner

SwapAgent



SwapAgent simplifies the processing, margining and settlement of non-cleared derivatives



Driving Efficiencies for Non-Cleared Derivatives

Regulatory change has increased the cost and complexity of trading non-cleared derivatives, impacting products that play a vital role in risk transfer, such as cross-currency basis swaps and swaptions. To address these concerns, SwapAgent is simplifying the processing, margining and settlement of non-cleared rates and FX derivatives.

We're delivering these benefits by extending the clearing infrastructure to the bilateral market without requiring novation to a central counterparty. So, while trades managed by SwapAgent remain fully bilateral, they follow a similar operational process as cleared trades, including centralised trade processing, valuation, margining, risk calculation and optimisation services.

SwapAgent benefits from LCH's expertise in serving and managing risk for the cleared rates and FX derivatives market, where LCH's SwapClear and ForexClear are the market leaders. SwapAgent looks to extend many of the benefits that market participants have become accustomed to in the cleared market, improving the standardisation, efficiency and simplicity of the bilateral derivatives market.

Standardised Approach

SwapAgent improves standardisation, efficiency and simplicity in the bilateral derivatives market by:

01. Standardisation of risk factors, collateralisation and settlement process, and document terms
02. Uniform end-to-end trade processing and life cycle management
03. Independent valuation and dispute elimination for SwapAgent trades
04. Elimination of unnecessary payment flows (e.g., netting coupons and variation margin)
05. Increased ability to move trades between counterparties and to the clearing house without funding impacts driven by collateralisation terms
06. STP integration with the leading optimisation and compression platforms

SwapAgent streamlines and standardises collateral documentation. We do this by introducing a rulebook under which participants are bound by standardised collateralisation and settlement terms that apply to trades submitted to the SwapAgent service — without the need for amendments to existing bilateral agreements.

SWAPAGENT ADVANTAGES

Category	Bilateral SwapAgent	Bilateral Today	SwapClear
Standardised Collateral Documentation	✓	✗	✓
Standardised Trade Processing	✓	✗	✓
Independent Valuation Agent	✓	✗	✓
Dispute Elimination	✓	✗	✓
VM/Coupon/Interest Netting	✓	✗	✓
Standardised Risk Factor Calculation	✓	✗	✓
Standardised Payment Processing	✓	✗	✓
Cross-Currency and Swaptions	✓	✓	✗
Central Counterparty	✗	✗	✓
Default Fund	✗	✗	✓

CROSS-CURRENCY BENEFITS

SwapAgent brings many of the efficiencies of the SwapClear and ForexClear services to the bilateral market, allowing vital risk-mitigating products such as cross-currency swaps and swaptions to trade more efficiently in bilateral markets. With the launch of cross-currency swaps in its service, SwapAgent introduces the standardisation, valuation, netting, capital and settlement benefits of its service to a new product class. Benefits include:

01. Broad market support
02. Strong drive for capital standardisation
03. No changes to traded risk or product
04. Product support for all cross-currency products across six pairs
05. Affirmation platforms live for trade input
06. Trading community informed, educated and supported
07. Back-loading support via same channels as clearing

PRODUCT COVERAGE

Product	Indices	Index Tenors	Notional Type	FX Exchanges	Quotation
Fixed-Fixed	Fixed vs Fixed	N/A	Fixed	All Combinations Allowed (With/ Without Initial/ Final Exchange)	Fixed Rates Both Sides
Fixed-Float	Fixed vs Float	1m, 3m, 6m, 12m	Fixed	As Above	Fixed Rate and Spread Over Float Rate
Float-Float	CCY vs USD or EUR	1m, 3m, 6m, 12m	Fixed, FX Resettable	As Above for Fixed Notional Type For FX Resettable: Same as Above	Spread on One or Both Indices (Fixed Notional Type) Spread on IBOR Index Only (FX Resettable Notional Type)
Currency Pairs vs USD or EUR	AUD, CAD, CHF, DKK, EUR, GBP, HKD, JPY, MXN, NOK, NZD, SEK, SGD				

LCH. THE MARKETS' PARTNER

LCH builds strong relationships with credit, equity, fixed income, FX and rates market participants to help drive superior performance and deliver best-in-class risk management. With our accumulated experience and expertise, we are uniquely positioned to help members and clients increase capital and operational efficiency, while adhering to an expanding and complex set of cross-border regulations. Working closely with our stakeholders, we have helped the market transition to central clearing and introduced an array of innovative enhancements, including compression, sponsored clearing, credit index options clearing, contracts for differences clearing, the launch of LCH Spider, our portfolio margining tool, and LCH SwapAgent for managing uncleared swaps. When combined with an uncompromising commitment to service delivery, it's no surprise that LCH is the natural choice of the world's leading market participants.

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Contact Us

SwapAgent is staffed by experienced risk professionals who have spent many years working in OTC businesses. Because we have a singular focus and a deep understanding of the front-to-back management of OTC transactions, we're ideally positioned to help increase the efficiency of your derivatives business.

Contact us to find out more.

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