

Via CFTC Portal

17 December 2021

**Mr Christopher J. Kirkpatrick**  
**Office of the Secretariat**  
**Commodity Futures Trading Commission**  
**Three Lafayette Centre**  
**1155 21<sup>st</sup> Street NW**  
**Washington, DC 20581**

**Re:** Updated LCH SA CDSClear Fee Grid for 2022

Dear Mr. Kirkpatrick,

Pursuant to CFTC regulation §40.6(a), LCH SA ("**LCH SA**"), a derivatives clearing organization ("**DCO**") registered with the Commodity Futures Trading Commission (the "**CFTC**"), is submitting for self-certification the updated CDSClear fee grid to be applicable in 2022 (the "**Proposed Rule Change**").

The new fee grid applicable to CDSClear service is expected to be effective from early January 2022 however, in no event, will either be implemented earlier than 10 business days after the proposed changes are filed with the CFTC.

The text of the Proposed Rule Change is attached hereto as Appendix.

**Part I: Explanation and Analysis**

The purpose of the proposed fee changes is for LCH SA CDSClear to take into account the evolution of the CDSClear business and arrangements.

- Regarding the Index and Single Names clearing activity: the proposed fee change reflects the ongoing development and product scope of the CDSClear service with the objective to meet clearing members and clients' expectations, and
- for the Options clearing activity, the intent is to adjust the fee conditions to the new competitive environment as well as encourage the development of options clearing by clients and new market participants.

In this context, LCH SA needs to update its current CDSClear existing fee grid.

## **Part II: Description of Rule Changes**

As specified in Appendix A, LCH SA is proposing to amend the current CDSClear fee grid from as follows.

### **1) Clearing fees for Sovereign Index and Single Name CDS activity**

CDSClear currently offers an Unlimited Tariff for General Members that covers all self-clearing Corporate and Financials CDS Index and Single Names activity for a Financial Group of a Clearing Member for an annual fixed fee of €1,350,000 (no variable fees).

CDSClear is also offering an Introductory Tariff for General and Select Members that covers all self-clearing corporate and financials CDS index and single names activity.

The proposed change consists in defining the clearing fees associated to the clearing activity of Sovereign indices and single names under the General Members Unlimited Tariff and Introductory Tariff as well as the Select Members Tariff. This proposed change will be effective once this new clearing activity is duly approved by the relevant regulators.

Under the proposed change, for General Members under the Unlimited Tariff, self-clearing Sovereign indices activity will be included in the scope of the fixed fee of €1,350,000 per year, whereas Sovereign single names will attract variable clearing fees of €10/\$10 per million €//\$ of notional cleared depending on the currency in which they are denominated.

For General Members under the Introductory Tariff, Select Members as well as Clients, Sovereign indices and single names clearing activity will be charged at the same variable clearing fees currently existing for USD and EUR denominated Corporate and Financial indices and single names.

Finally, all General Members, whether under the Unlimited or the Introductory Tariff, will benefit from a fee holiday for their self-clearing Sovereign single names clearing activity for 1 year from the product launch date.

### **2) Introduction of a new tariff for the Options clearing service**

In order to take into account the new competitive environment as well as encourage the development of options clearing by market participants, LCH SA is proposing to create a new tariff called 'New Market Participant Tariff' (NMP), based on variable fees, and to which only members which are new joiners to the Options clearing service will be eligible to subscribe, for one calendar year renewable once only. Under this NMP Tariff, Members will be charged €10/\$10 per €//\$ millions of optional notional cleared depending on the currency in which the underlying index is denominated.

### **3) Reduction of the Client clearing fees for Options and extension of the fee holiday period**

Under the proposed change, the variable clearing fees to be paid by Clients for Options clearing would decrease from €5/\$5 to €4/\$4 per million of option notional cleared.

LCH SA is also proposing to renew the fee holiday for Clients clearing Options in 2022.

**Part III: Core Principle Compliance**

LCH SA reviewed the introduction of the Proposed Rule Change against the requirements of Commission's regulations and DCO Core Principles and has concluded that its compliance with all the requirements and standards therein and in particular with the following principle and Commission's regulations including, but not limited to § 39.21 would not be adversely affected by this proposed fee change.

**DCO Core Principle L – Public Information.** LCH SA has determined that the Proposed Rule Changes are consistent with the DCOs requirements of CFTC Regulation 39.21 to make available publicly each clearing and other fee charged to Clearing Members. As usual, the proposed fee change will be publicly available on LCH website and the DCO will ensure that sufficient information is provided to market participants so that they can identify and evaluate accurately the fees associated with using the relevant clearing services. The webpage on CDS Clear fees will be updated with the proposed changes set out in Appendix A once they become effective. As a result, LCH SA believes that this proposed change is consistent with the requirements of Core Principle L and Commission Rule 39.21(c).

**Part IV: Public Information**

LCH SA has posted a notice of pending certifications with the CFTC and a copy of the submission on LCH's website at: <https://www.lch.com/resources/rulebooks/proposed-rule-changes>

**Part V: Opposing Views**

There were no opposing views expressed to LCH SA by governing board or committee members, members of LCH SA that were not incorporated into the rule.

**Certification**

LCH SA hereby certifies to the CFTC, pursuant to the procedures set forth in the Commission regulation § 40.6, that attached changes submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated there under.

Should you have any questions please contact me.



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**APPENDIX A**

**Current LCH SA CDSClear Fee Grid**

**Self-Clearing Tariff for Corporates and Financials Index and Single Name CDS**

Membership	Annual Fixed Fee	Self-Clearing / Variable Fees				
		EUR Indices	EUR Single Names	USD Indices	USD Single Names	
<b>General Member – Unlimited Tariff</b>	€ 1,350,000	No Variable Fee				Covers all self-clearing Corporate and Financials Index and Single Name activity for a Financial Group of a Clearing Member .
<b>General Member – Introductory Tariff</b>	€200,000 if the total annual gross notional cleared is under €10billion	€3.5 Per million gross notional cleared	€10 Per million gross notional cleared	\$4.5 Per million gross notional cleared	\$13 Per million gross notional cleared	
	€400,000 if the total annual gross notional cleared is over €10billion	€3.5 Per million gross notional cleared	€10 Per million gross notional cleared	\$4.5 Per million gross notional cleared	\$13 Per million gross notional cleared	
<b>Select Member</b>	€250,000 if the total annual gross notional cleared is under €20billion	€4 Per million gross notional cleared	€10 Per million gross notional cleared	\$5 Per million gross notional cleared	\$13 Per million gross notional cleared	
	€450,000 if the total annual gross notional cleared is over €20billion					

**Options Tariff including fee rebate**

	<b>Introductory Tariff</b>	Can cover either one or multiple legal entities under conditions below (no Affiliate coverage)
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<b>General Member</b>		In-year switches are not permitted <i>No EEP usage fees in 2021</i>		
	Clearing Fees	\$8	per million of option notional on US Indices	
		€8	per million of option notional on European Indices	
	<i>Floor on clearing fees</i>	€115k	<i>Per calendar year (no pro-rating) for 1 entity</i>	
		€150k	<i>Per calendar year (no pro-rating) for 2 entities of the same Financial Group of a Clearing Member</i>	
		€190k	<i>Per calendar year (no pro-rating) for 3 or more entities of the same Financial Group of a Clearing Member</i>	
	<b>Unlimited Tariff</b>	Cover all Affiliates of a given Financial Group of a Clearing Member Cover all clearing fees for Credit Option House activity for both iTraxx and CDX.NA underlying index families In-year switches are not permitted <i>No EEP usage fees in 2021</i>		
	<i>Fixed fee (annual)</i>	€375k <i>Per calendar year (no pro-rating)</i>		
	<i>Discounted Rates*</i>	€115k <i>if notionals cleared strictly above €15bn</i>		
<b>Onboarding Fees</b> <i>(both Introductory &amp; unlimited)</i>	€30k	One-off fee per Legal Entity under the Introductory tariff or per Financial Group of a Clearing Member under the Unlimited tariff.		
<b>Select Member</b>	<b>Introductory Tariff</b>	Cover only one legal entity (no affiliate coverage) In-year switches are not permitted <i>No EEP usage fees in 2021</i>		
	Clearing Fees	\$10	per million of option notional on US Indices	
		€10	per million of option notional on European Indices	

	<b>Unlimited Tariff</b>	Cover all Affiliates of a given Financial Group of a Clearing Member  Cover all clearing fees for Credit Option House activity for both iTraxx and CDX.NA underlying index families  In-year switches are not permitted  <i>No EEP usage fees in 2021</i>	
	<i>Fixed fee (annual)</i>	€400k	<i>Per calendar year (no pro-rating)</i>
	<i>Discounted Rates</i>	€115k if notionals cleared strictly above €15bn	
	<b>Onboarding Fees</b> (both Introductory & unlimited)	€30k	One-off fee per Legal Entity under the Introductory tariff or per Financial Group of a Clearing Member under the Unlimited tariff
<b>Clearing Member (Options only)</b>	Up to €200,000 fee rebate limited to the total amount of Options clearing fees paid in 2021 for the first two Clearing Members clearing Options for at least one client by 31-July-2021		
<b>Client</b>	Options Clearing Fees	\$5	per million of option notional on US Indices
		€5	per million of option notional on European Indices
	2021: Full discount of client variable fees		

**Affiliates clearing as Client (all products)**

<b>Affiliates clearing as Clients</b>	<p>Full rebate on variable clearing fees for the Affiliate of a Clearing Member onboarded as client of such Clearing Member under the following conditions:</p> <ul style="list-style-type: none"> <li>• The Clearing Member is a General Member under the Unlimited Tariff;</li> <li>• The Affiliate is a legal entity part of the same Financial Group as the Clearing Member;</li> <li>• The rebate applies to 1 trade account per affiliate and for all clearing services for which the Clearing Member is under the Unlimited Tariff (i.e. Index &amp; Single Names and/or Options);</li> <li>• The rebate cannot apply to any account opened for CCM Indirect Clients; and</li> </ul> <p>A fixed annual account fee of €100,000 is charged per affiliate of a Clearing Member onboarded as a client and benefiting from the full rebate on variable fees.</p>
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**Proposed CDS Clear fee grid to be effective from early January 2022\***

**Self-Clearing Tariff for Corporates, ~~and Financials~~ and Sovereign\* Index and Single Name CDS**

Membership	Annual Fixed Fee	Self-Clearing / Variable Fees				
		EUR Indices	EUR Single Names	USD Indices	USD Single Names	
<b>General Member – Unlimited Tariff</b>	€ 1,350,000	No Variable Fee				Covers all self-clearing: - <del>Corporate and Financials Index</del> and Single Name activity - <u>Sovereign* Index activity</u> for a Financial Group of a Clearing Member.
	<u>No Fixed Fee</u>	<u>NA</u>	<u>€10</u> <u>Per million gross notional cleared</u>	<u>NA</u>	<u>\$13</u> <u>Per million gross notional cleared</u>	<u>Applies to all self-clearing Sovereign* Single Names activity</u>
	<u>Full discount of Sovereign Single Names variable fees for 1 calendar year from go-live</u>					
<b>General Member – Introductory Tariff</b>	€200,000 if the total annual gross notional cleared is under €10billion	€3.5 Per million gross notional cleared	€10 Per million gross notional cleared	\$4.5 Per million gross notional cleared	\$13 Per million gross notional cleared	Covers all self-clearing Corporate, <del>and Financials</del> and <u>Sovereign* Index</u> and Single Names activity
	€400,000 if the total annual gross notional cleared is over €10billion	€3.5 Per million gross notional cleared	€10 Per million gross notional cleared	\$4.5 Per million gross notional cleared	\$13 Per million gross notional cleared	
	<u>Full discount of Sovereign Single Names variable fees for 1 calendar year from go-live</u>					

<b>Select Member</b>	€250,000 if the total annual gross notional cleared is under €20billion	€4	€10	\$5	\$13	Covers all self-clearing Corporate, <del>and</del> Financials <del>and</del> Sovereign* Index and Single Names activity
	€450,000 if the total annual gross notional cleared is over €20billion	Per million gross notional cleared	Per million gross notional cleared	Per million gross notional cleared	Per million gross notional cleared	

**Client Clearing Tariff for Corporates, ~~and~~ Financials and Sovereign\* Index and Single Name CDS**

Client Clearing	Annual Fixed Fee	Variable Fees				
		EUR Indices	EUR Single Names	USD Indices	USD Single Names	
	No Fixed Fee	€4	€12	\$5	\$17	Covers Corporate, <del>and</del> Financials <del>and</del> Sovereign* Index and Single Names activity
		Per million gross notional cleared	Per million gross notional cleared	Per million gross notional cleared	Per million gross notional cleared	

**Options Tariff including fee rebate**

<b>General Member</b>	<b>Introductory Tariff</b>	Can cover either one or multiple legal entities under conditions below (no Affiliate coverage) In-year switches are not permitted <i>No EEP usage fees in <del>2021</del>2022</i>	
	Clearing Fees	\$8	per million of option notional on US Indices
		€8	per million of option notional on European Indices
	Floor on clearing fees	€115k	Per calendar year (no pro-rating) for 1 entity
		€150k	Per calendar year (no pro-rating) for 2 entities of the same Financial Group of a Clearing Member
	€190k	Per calendar year (no pro-rating) for 3 or more entities of the same Financial Group of a Clearing Member	



	<b>Unlimited Tariff</b>	<p>Cover all Affiliates of a given Financial Group of a Clearing Member</p> <p>Cover all clearing fees for Credit Option House activity for both iTraxx and CDX.NA underlying index families</p> <p>In-year switches are not permitted</p> <p><i>No EEP usage fees in <del>2021</del>2022</i></p>	
	<i>Fixed fee (annual)</i>	€375k Per calendar year (no pro-rating)	
	<i>Discounted Rates*</i>	€115k if notionals cleared strictly above €15bn	
	<b>New Market Participant Tariff</b>	<p><u>Can apply to either one or multiple legal entities under conditions below (no Affiliate coverage)</u></p> <p><u>Available for new joiners only (i.e. no entity of the same Financial Group of a Clearing Member registered to the Option clearing service under the Introductory or the Unlimited tariff in the last 3 calendar years), for 1 calendar year, renewable once only</u></p> <p><u>In-year switches are not permitted</u></p> <p><u>No EEP usage fees in 2022</u></p>	
		€10	per million of option notional on US Indices
		\$10	per million of option notional on European Indices
	<b>Onboarding Fees</b> <i>(both Introductory &amp; unlimited)</i>	€30k	One-off fee per Legal Entity under the Introductory tariff or per Financial Group of a Clearing Member under the Unlimited tariff.
<b>Select Member</b>	<b>Introductory Tariff</b>	<p>Cover only one legal entity (no affiliate coverage)</p> <p>In-year switches are not permitted</p> <p><i>No EEP usage fees in <del>2021</del>2022</i></p>	
	Clearing Fees	\$10	per million of option notional on US Indices
		€10	per million of option notional on European Indices
	<b>Unlimited Tariff</b>	<p>Cover all Affiliates of a given Financial Group of a Clearing Member</p> <p>Cover all clearing fees for Credit Option House activity for both iTraxx and CDX.NA underlying index families</p>	

		In-year switches are not permitted  <i>No EEP usage fees in <del>2021</del>2022</i>	
	<i>Fixed fee (annual)</i>	€400k	<i>Per calendar year (no pro-rating)</i>
	<i>Discounted Rates</i>	€115k if notionals cleared strictly above €15bn	
	<b>Onboarding Fees</b> (both <i>Introductory &amp; unlimited</i> )	€30k	One-off fee per Legal Entity under the Introductory tariff or per Financial Group of a Clearing Member under the Unlimited tariff
<b>Clearing Member (Options-only)</b>	<del>Up to €200,000 fee rebate limited to the total amount of Options clearing fees paid in 2021 for the first two Clearing Members clearing Options for at least one client by 31 July 2021</del>		
<b>Client</b>	Options Clearing Fees	\$54	per million of option notional on US Indices
		€54	per million of option notional on European Indices
		<del>2021</del> 2022: Full discount of client variable fees	

**Affiliates clearing as Client (all products)**

<b>Affiliates clearing as Clients</b>	<p>Full rebate on variable clearing fees for the Affiliate of a Clearing Member onboarded as client of such Clearing Member under the following conditions:</p> <ul style="list-style-type: none"> <li>• The Clearing Member is a General Member under the Unlimited Tariff;</li> <li>• The Affiliate is a legal entity part of the same Financial Group as the Clearing Member;</li> <li>• The rebate applies to 1 trade account per affiliate and for all clearing services for which the Clearing Member is under the Unlimited Tariff (i.e. Index &amp; Single Names and/or Options);</li> <li>• The rebate cannot apply to any account opened for CCM Indirect Clients; and</li> <li>• A fixed annual account fee of €100,000 is charged per affiliate of a Clearing Member onboarded as a client and benefiting from the full rebate on variable fees.</li> </ul>
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*\*Subject to any appropriate regulatory review and/or approval process duly completed*