

Via CFTC Portal

16 December 2019

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

**Re:** Proposed LCH SA amendments to the CDSClear fee grid

Dear Mr. Kirkpatrick,

Pursuant to CFTC regulation §40.6(a), LCH SA (“**LCH**”), a derivatives clearing organization registered with the Commodity Futures Trading Commission (the “**CFTC**”), is submitting for self-certification the amendments to the CDSClear fee grid as a consequence of the evolution of the CDSClear business and arrangements.

The fee grid changes are supposed to be effective as of January 1<sup>st</sup>, 2020 but in no event, they will be implemented earlier than 10 business days after they are filed with the CFTC.

The proposed changes are attached hereto as Appendix.

**Part I: Explanation and Analysis**

The purpose of the proposed fee changes are:

- for the Index and Single Names Unlimited Tariff to reflect a transition to a more matured phase of development of the CDSClear service, and
- for the Options fee grid to adjust the discount bands and rates to reflect the beginning of the uptake of the service.

**Part II: Description of Rule Changes**

**1) Change the Index and Single Names Unlimited Tariff for General Members from €1,700,000 per year to €1,300,000 per year for 2020**

CDSClear currently offers an Unlimited Tariff for General Members<sup>1</sup> that covers all self-clearing

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<sup>1</sup> All capitalized terms not defined herein have the same definition as the CDSClearing Rule Book, Supplement or Procedures, as applicable.

Corporate and Financials CDS Index and Single Names activity for a Clearing Member group and its affiliates for an annual fixed fee of €1,700,000 (no variable fees).

The proposed change consists in decreasing the annual fixed fee amount to €1,300,000 per year. This fixed fee will still cover all clearing fees for Corporate and Financials Index and Single Names CDS House activity for all affiliates of a given Clearing Member group.

## **2) Change the Options Unlimited Tariff for both General and Select Members**

As specified in the new LCH CDSClear options fee grid attached below in Appendix, the annual fixed fee covering all clearing fees for Credit Index Options House activity for all affiliates of a given Clearing Member group remains set in 2020 to €375,000 for General Members and €400k for Select Members, but it is proposed to change the discount based notional bands and rates as follows:

### General Member Discount Bands and Rates

- Change the bounds on the annual options notional cleared for the lowest band from strictly above €0bn but equal to or below €6bn into strictly above €6bn but equal to or below €13.5bn, and the corresponding discount rate from 66.67% (equivalent to an annual fixed fee of €125,000) to 60% (equivalent to an annual fixed fee of €150,000);
- Change the bounds on the annual options notional cleared for the middle band from strictly above €6bn but equal to or below €12bn into strictly above €13.5bn, but keep the corresponding discount rate at 80% (equivalent to an annual fixed fee of €75,000); and
- Remove the highest band from the fee grid.

### Select Member Discount Bands and Rates

- Change the bounds on the annual options notional cleared for the lowest band from strictly above €0bn but equal to or below €6bn into strictly above €6bn but equal to or below €13.5bn, and the corresponding discount rate from 68.75% (equivalent to an annual fixed fee of €125,000) to 62.5% (equivalent to an annual fixed fee of €150,000);
- Change the bounds on the annual options notional cleared for the middle band from strictly above €6bn but equal to or below €12bn into strictly above €13.5bn, but keep the corresponding discount rate at 81.25% (equivalent to an annual fixed fee of €75,000); and
- Remove the highest band from the fee grid.

## **3) Change the Options Introductory Tariff for both General and Select Members**

The Options Introductory Tariff for both General and Select Members covers only the legal entity that is registering to the service and is based on variable fees with an annual floor (for General Members only) and cap on the total variable fees paid. The only change proposed to this Introductory Tariff is to align the annual cap with the fixed fee in the Unlimited Tariff as follows:

- For General Members, decrease the annual cap on variable fees from €600,000 to €375,000
- For Select Members, decrease the annual cap on variable fees from €600,000 to €400,000

#### **4) Additional changes to the Options fee grid for both General and Select Members**

The following conditions will be applicable for both General and Select Members:

- In-year switches between Introductory and Unlimited Tariff are not permitted,
- LCH CDSClear will not charge fees for usage of its Electronic Exercise Platform in 2020,
- Onboarding fees will remain set to a €30,000 one-off but will be waived until 30 April 2020, and
- The Unlimited Tariff will be available to all Clearing Member groups.

#### **Part III: Core Principle Compliance**

LCH will continue to comply with all Core Principles following the introduction of these changes and has concluded that its compliance with the Core Principles would not be adversely affected by these changes.

#### **Part IV: Public Information**

LCH has posted a notice of pending certifications with the CFTC and a copy of the submission on LCH's website at: <http://www.lch.com/rules-regulations/proposed-rules-changes>

#### **Part V: Opposing Views**

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

#### **Certification**

LCH hereby certifies to the Commodity Futures Trading Commission, 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**

**Current 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>	€1,700,000	No Variable Fee				Covers all self-clearing Corporate and Financials CDS Index and Single Name activity for a Clearing Member and its affiliates
<b>General Member – Introductory Tariff</b>	€200,000 if the total annual gross notional cleared is under €15billion	€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	Cap on total annual fees (fixed + variable) of EUR 1,700,000 after which all further trades cleared in the calendar year are subject to a fee holiday for self-clearing activity only
	€400,000 if the total annual gross notional cleared is over €15billion	€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 €25billion	€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 €25billion					

**Current Options Tariff including Fee rebate**

<b>General Member</b>	<b>Introductory Tariff</b>	Cover only one legal entity (no affiliate coverage)
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	Clearing Fees	\$ 15	per million of option notional on US Indices
		€ 15	per million of option notional on European Indices
	Floor on clearing fees	€ 150k	Per calendar year (no pro-rating)
	Cap on Clearing fees	€ 600k	Per calendar year (no pro-rating)
	<b>Unlimited Tariff</b>	Cover all affiliates of a given Clearing Member Group  Cover all clearing fees for Credit Option House activity for both iTraxx and CDX.NA underlying index families  Excludes any potential future EEP usage fees	
	Fixed fee (annual)	€375k	Per calendar year (no pro-rating)
	Discounted Rates*	€50k	After discount rate of 86.67% applied to the Fixed fee amount if Index Swaptions notional cleared per Clearing Member group strictly above €12 billion
		€75k	After discount rate of 80.00% applied to the Fixed fee amount if Index Swaptions notional cleared per Clearing Member group strictly above €6 billion but equal or below €12 billion
		€125k	After discount rate of 67.00% applied to the Fixed fee amount if Index Swaptions notional cleared per Clearing Member group strictly above €0 but equal or below €6 billion
	<b>Onboarding Fees</b> (both Introductory & Unlimited)	€30k	One-off fee per Legal Entity under the Introductory tariff or per Clearing Member Group under Unlimited tariff waived until 20-Dec-19
<b>Select Member</b>	<b>Introductory Tariff</b>		Cover only one legal entity (no affiliate coverage)
	Clearing Fees	\$ 18	per million of option notional on US Indices
		€ 18	per million of option notional on European Indices
	Cap on Clearing fees	€ 600k	Per calendar year (no pro-rating)
	<b>Unlimited Tariff</b>	Covers all affiliates of a given Clearing Member Group  Covers all clearing fees for Credit Option House activity for both iTraxx and CDX.NA underlying index families	

		Excludes any potential future EEP usage fees	
<i>Fixed fee (annual)</i>	€ 400k	<i>Per calendar year (no pro-rating)</i>	
<i>Discounted Rates*</i>	€50k	<i>After discount rate of 87.50% applied to the Fixed fee amount if Index Swaptions notional cleared per Clearing Member group strictly above €12 billion</i>	
	€75k	<i>After discount rate of 81.25% applied to the Fixed fee amount if Index Swaptions notional cleared per Clearing Member group strictly above €6 billion but equal or below €12 billion</i>	
	€125k	<i>After discount rate of 68.75% applied to the Fixed fee amount if Index Swaptions notional cleared per Clearing Member group per year strictly above €0 but equal or below €6 billion</i>	
<b>Onboarding Fees</b> (both Introductory & Unlimited)	€ 30k	One-off fee per Legal Entity under the Introductory tariff or per Clearing Member Group under Unlimited tariff waived until 20-Dec-19	
*Cumulative conditions for the Fee rebate:			
<ul style="list-style-type: none"> <li>(i) application to the Unlimited Tariff only;</li> <li>(ii) applies to the first eight Clearing Members registering to the Index Swaptions clearing service (registration letter or application file signature date);</li> <li>(iii) Valid for 2019 only; and</li> <li>(iv) Index Swaptions notional cleared for the determination of the discount rate to be observed from the regulatory effective date of the rebate.</li> </ul>			
<b>Client</b>	Clearing Fees	\$ 20	per million of option notional on US Indices
		€ 20	per million of option notional on European Indices

**Proposed Self-Clearing Tariff for Corporates and Financials Index and Single Name CDS effective from January 1<sup>st</sup>, 2020\*\***

Membership	Annual Fixed Fee	Self-Clearing / Variable Fees				
		EUR Indices	EUR Single Names	USD Indices	USD Single Names	
<b>General Member –</b>	€ <del>1,700,000</del> <u>1,300,000</u>	No Variable Fee				Covers all self-clearing Corporate and Financials Index

<b>Unlimited Tariff</b>						and Single Name activity for a Clearing Member and its affiliates
<b>General Member – Introductory Tariff</b>	€200,000 if the total annual gross notional cleared is under €15billion	€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	Cap on total annual fees (fixed + variable) of EUR <del>4,700,000</del> <u>1,300,000</u> after which all further trades cleared in the calendar year are subject to a fee holiday for self-clearing activity only
	€400,000 if the total annual gross notional cleared is over €15billion	€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 €25billion	€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 €25billion					

**Proposed Options Tariff including Fee rebate effective from January 1<sup>st</sup>, 2020\*\***

<b>General Member</b>	<b>Introductory Tariff</b>	Cover only one legal entity (no affiliate coverage) <u>In-year switches are not permitted</u> <u>No EEP usage fees in 2020</u>	
	Clearing Fees	\$ 15	per million of option notional on US Indices
		€ 15	per million of option notional on European Indices
	Floor on clearing fees	€ 150k	Per calendar year (no pro-rating)
Cap on Clearing fees	€ <del>600k</del> <u>375k</u>	Per calendar year (no pro-rating)	

	<b>Unlimited Tariff</b>	Cover all affiliates of a given Clearing Member Group	
		Cover all clearing fees for Credit Option House activity for both iTraxx and CDX.NA underlying index families	
		<u>In-year switches are not permitted</u>	
		<u>No EEP usage fees in 2020</u>	
	<i>Fixed fee (annual)</i>	€ 375k Per calendar year (no pro-rating)	
	<i>Discounted Rates*</i>	<p><del>€50k — After discount rate of 86.67% applied to the Fixed fee amount if Index Swaptions notional cleared per Clearing Member group strictly above €12 billion</del></p> <p><del>€75k — After discount rate of 80.00% applied to the Fixed fee amount if Index Swaptions notional cleared per Clearing Member group strictly above €6 billion but equal or below €12 billion</del></p> <p><del>€125k — After discount rate of 67.00% applied to the Fixed fee amount if Index Swaptions notional cleared per Clearing Member group strictly above €0 but equal or below €6 billion</del></p> <p><u>€ 150k if notionals cleared strictly above €6bn but equal to or below €13.5bn</u></p> <p><u>€ 75k if notionals cleared strictly above €13.5bn</u></p>	
	<b>Onboarding Fees</b> <i>(both Introductory &amp; unlimited)</i>	€ 30k	One-off fee per Legal Entity under the Introductory tariff or per Clearing Member Group under Unlimited tariff waived until <del>20-Dec-19</del> <u>30-Apr-2020</u>
<b>Select Member</b>	<b>Introductory Tariff</b>	Cover only one legal entity (no affiliate coverage)	
		<u>In-year switches are not permitted</u>	
		<u>No EEP usage fees in 2020</u>	
	Clearing Fees	\$ 18	per million of option notional on US Indices
		€ 18	per million of option notional on European Indices
	<i>Cap on Clearing fees</i>	€ <del>400k</del> <u>500k</u>	<i>Per calendar year (no pro-rating)</i>
	<b>Unlimited Tariff</b>	Cover all affiliates of a given Clearing Member Group	



		Cover all clearing fees for Credit Option House activity for both iTraxx and CDX.NA underlying index families  <u>In-year switches are not permitted</u>  <u>No EEP usage fees in 2020</u>	
	<i>Fixed fee (annual)</i>	€ 400k	Per calendar year (no pro-rating)
	<i>Discounted Rates*</i>	<p><u>€50k — After discount rate of 87.50% applied to the Fixed fee amount if Index Swaptions notional cleared per Clearing Member group strictly above €12 billion</u></p> <p><u>€75k — After discount rate of 81.25% applied to the Fixed fee amount if Index Swaptions notional cleared per Clearing Member group strictly above €6 billion but equal or below €12 billion</u></p> <p><u>€125k — After discount rate of 68.75% applied to the Fixed fee amount if Index Swaptions notional cleared per Clearing Member group per year strictly above €0 but equal or below €6 billion</u></p> <p><u>€ 150k if notionals cleared strictly above €6bn but equal to or below €13.5bn</u></p> <p><u>€ 75k if notionals cleared strictly above €13.5bn</u></p>	
	<b>Onboarding Fees</b> (both Introductory & unlimited)	€ 30k	One-off fee per Legal Entity under the Introductory tariff or per Clearing Member Group under Unlimited tariff waived until <del>20-Dec-19</del> <u>30-Apr-2020</u>
<p>*Cumulative conditions for the Fee rebate:</p> <p>(i) application to the Unlimited Tariff only; <u>and</u></p> <p><del>(ii) applies to the first eight Clearing Members registering to the Index Swaptions clearing service (registration letter or application file signature date);</del></p> <p><del>(iii) Valid for 2019 only; and</del></p> <p><del>(iv)</del><u>(ii)</u> Index Swaptions notional cleared for the determination of the discount rate to be observed from the regulatory effective date of the rebate.</p>			
<b>Client</b>	Clearing Fees	\$ 20	per million of option notional on US Indices
		€ 20	per million of option notional on European Indices

\*\*Subject to any appropriate regulatory review and/or approval process duly completed